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REPORT PREPARED BY THE BOARD OF DIRECTORS OF MILLENIUM HOSPITALITY REAL ESTATE, SOCIMI, S.A. IN RELATION TO THE PROPOSED OFFSET OF NEGATIVE RESULTS FROM PREVIOUS YEARS AGAINST SPECIAL VOLUNTARY RESERVES, SUBMITTED FOR APPROVAL BY THE ORDINARY AND EXTRAORDINARY GENERAL MEETING CALLED FOR 30 AND 31 OF MAY 2023, ON FIRST AND SECOND CALL, RESPECTIVELY, AS ITEM TWO ON THE AGENDA

1. PURPOSE OF THE REPORT

The board of directors of Millenium Hospitality Real Estate, SOCIMI, S.A. (the “**Company**”) has issued this report to justify, in accordance with articles 286 and 318.1 of the consolidated text of the revised text of the Spanish Companies Act approved by Royal Decree 1/2010, of July 2 (*Ley de Sociedades de Capital aprobado por el Real Decreto 1/2010, de 2 de julio* or the “**LSC**”), by reference to article 335.c) of the same law, the proposed resolution to offset negative results against special voluntary reserves for capital reduction for an amount of EUR 12,012,157.25, based on the individual balance sheet of the Company as closed on 31 December 2022.

This proposed resolution is included as item Two on the agenda of the next ordinary and extraordinary general shareholders meeting called for on 30 May 2023 on first call or, if the required quorum for that call is not reached, on 31 May 2023 in the same place, on second call.

For the referred proposal to offset special voluntary reserves to be submitted for approval of the general meeting, it is mandatory, under articles 286 and 318.1) of the LSC, by reference to article 335.c) of the same law, that the board of directors issues this report, which contains the justification for the proposed resolution, insofar as the reserve proposed to be offset is only available with the same requirements applicable to capital reductions.

Article 287 of the LSC also requires the call for the general meeting must clearly state the points to be amended and the right of all shareholders to examine at the registered office the full text of the proposed amendment and the report on it, as well as the possibility to request those documents be sent or delivered free of charge.

2. RATIONALE OF THE PROPOSAL

Taking into account that, once the application of the results for financial year 2022 is approved by the general meeting, the account “*losses from prior years*” is expected to have a negative balance of EUR 12,012,157.25, the board of directors has decided to propose to the general meeting a reduction of special voluntary reserves for capital reductions to offset the negative reserves arising from the losses for financial year 2022 reflected in the referred balance sheet.



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For these purposes, it is noted that the balance sheet that will serve as the basis for this transaction is the individual balance sheet of the Company as closed on 31 December 2022, as included in the annual accounts of the Company, the approval of which is submitted to the same general meeting under item One of the agenda. This balance sheet was prepared by the board of directors as part of the annual accounts for financial year 2022 at its meeting held on 14 March 2023 and was verified by the Company's auditor, Ernst & Young, S.L., on 15 March 2023.

Pursuant to article 322.2) of the LSC, public limited companies may not be reduce share capital for losses if the company has any kind of voluntary reserves or when the legal reserve, once the reduction has been executed, exceeds 10% of the share capital. For these purposes, it is proposed to the general meeting to approve a reduction of special voluntary reserves.

In accordance with the referred balance sheet, once item One on the agenda of the general meeting has been approved (i) the account “*Negative results from previous years*” of the individual balance sheet at 31 December 2022 will have a negative balance of EUR 12,012,157.25; and (ii) at 31 December 2022, the Company will have “*Special voluntary reserves for capital reduction*” amounting to EUR 38,628,944.94.

In view of the above, in order to improve and strengthen the Company's balance sheet, it is proposed to the general meeting that an amount of EUR 12,012,157.25 from the account “*Special voluntary reserves for capital reduction*” fully offsets the account “*Negative results from previous years*”.

Once the amount of EUR 12,012,157.25 in the “*Special voluntary capital reduction reserves*” account is applied to offset the losses recorded in the “*Negative results from previous years*” account, this account will amount to EUR 0, with no change in the Company's share capital as a result of this offsetting.

Lastly, it is proposed to authorise the board of directors, with express powers of substitution, to perform any actions and execute any documents necessary to implement the resolution referred to in this report.

3. PROPOSED RESOLUTION

Based on the above, the proposed resolution submitted for approval by the general meeting is as follows:

“ITEM TWO OF THE AGENDA”

APPROVAL OF AN OFFSET OF NEGATIVE RESULTS FROM PREVIOUS YEARS OF EUR 12,012,157.25 AGAINST SPECIAL VOLUNTARY RESERVES. DELEGATION OF POWERS.

*To allocate, in order to improve and strengthen the balance sheet of Millenium Hospitality Real Estate, SOCIMI, S.A. (the “**Company**”), the amount of EUR 12,012,157.25 from the account “*Special voluntary reserves for capital reduction*” to offset in full the account “*Negative results from previous years*”, subject*



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to the prior approval of the item One on the agenda of the general meeting relating, among others, to the approval of the individual annual accounts for financial year 2022 and application of income.

In this regard, it is hereby stated that, once the item One on the agenda of the general meeting has been approved, (i) the account “Negative results from previous years” of the Company’s individual balance sheet as closed at 31 December 2022 will amount to a negative balance of EUR 12,012,157.25; and (ii) at 31 December 2022, the Company will have “Special voluntary reserves for capital reduction” amounting to EUR 38,628, 944.94.

This resolution will be executed after the end of the period for the creditors of the Company to exercise the right to oppose provided for in article 334 of the consolidated text of the Spanish Companies Law approved by Royal Decree 1/2010, of July 2 (Ley de Sociedades de Capital aprobado por el Real Decreto 1/2010, de 2 de julio or the “LSC”), as established by article 336 of the same law.

In accordance with article 334 of the LSC, creditors of the Company whose credits have arisen before the date of the last announcement of the resolution to offset negative results, have not matured at that time and until such credits are secured, have the right to oppose the offset which is the object of this resolution.

The balance sheet that serves as the basis for approving the offset of previous results is the one closed as of 31 December 2022, as verified by the Company’s auditors, Ernst & Young, S.L., on 15 March 2023 and submitted for approval by the general meeting under item One on the agenda of this meeting.

It is hereby resolved to authorise the board of directors, as broadly as necessary by law, with express powers of substitution, to perform all necessary or appropriate actions to implement this resolution and, in particular, without limitation, to:

- i) extend and develop this resolution;*
- ii) carry out all necessary actions to meet the requirements established in the LSC and other applicable legislation, including, where applicable, the offset of other reserves not included in this resolution;*
- iii) carry out the necessary actions and formalities to obtain the necessary waivers and authorisations for the full implementation of this resolution;*
- iv) perform on behalf of the Company any actions, declaration or procedure required before the Spanish Securities Markets Commission (“CNMV”), BME Growth segment of BME MTF Equity, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U., the Governing Companies of the Stock Exchanges, the Securities Settlement and Clearing Service and any other public or private body or entity or registry, Spanish or foreign, in relation to this resolution;*



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- v) execute on behalf of the Company any public or private documents as necessary or appropriate and, in general, perform as many procedures as required for the best execution of this resolution;*
- vi) prepare and publish any announcements that may be necessary or appropriate in relation to this resolution;*
- vii) correct, clarify, interpret, specify or supplement this resolution, or any other documents or deeds executed in its execution and, in particular, any defects, omissions or errors, of substance or form, which prevent the registry of the resolutions and their consequences in the Commercial Registry, the Official Registers of the CNMV, BME Growth segment of BME MTF Equity or any other registers; and*
- viii) in general, perform any actions necessary or appropriate for the successful implementation of this resolution.”*

Madrid, 26 April 2023