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## Société de la Tour Eiffel :

### Board's reasoned opinion

Société de la Tour Eiffel's Board (Paris: EIFF), convened on 25 June 2014, having taken note of the tender offer initiated by Eurobail and of the improved offer initiated by SMABTP both of which received the conformity ruling of the AMF (French stock market authority) on 24 June 2014, has issued the following reasoned opinion.

#### **REASONED OPINION OF THE BOARD OF DIRECTORS OF SOCIETE DE LA TOUR EIFFEL**

On 25 June 2014, the Board of Directors of Société de la Tour Eiffel met at its registered office, under the chairmanship of Mr. Mark Inch, in order to consider:

- (i) the competing offer (the "**Eurobail Offer**") filed by Eurobail ("**Eurobail**") with *Autorité des Marchés Financiers* (French stock market regulator, "**AMF**") on 4 June 2014 and declared compliant by the AMF by a decision of 24 June 2014; and
- (ii) the improved offer (the "**SMABTP Offer**") filed by SMABTP ("**SMABTP**") with AMF on 13 June 2014 and declared compliant by AMF by a decision of 24 June 2014.

The reasoned opinion which follows was issued by all the directors on the Board, namely Mr. Mark Inch, Mr. Renaud Haberkorn, Mr. Robert G. Waterland, Mr. Frédéric Maman, Ms. Mercedes Erra, Mr. Aimery Langlois-Meurinne, Mr. Richard Nottage and Mr. Philippe Prouillac.

The Board thus formed took note of the following documents:

- the information memo of SMABTP having been the subject, in application of the conformity ruling published on 4 March 2014, of approval n° 14-067 dated 4 March 2014;
- the "other information" document of SMABTP filed with AMF on 4 March 2014;
- the memo in reply from the Company, having been the subject of approval n° 14-089 dated 19 March 2014;
- the "other information" document the Company filed with AMF on 19 March 2014;
- the supplemental document to the information memo prepared by SMABTP, having been the subject, in application of the conformity ruling of the improved offer dated 29 April 2014, of approval n° 14-168 of 29 April 2014;
- the information memo of Eurobail having been the subject, in application of the compliance ruling of the public offer dated 24 June 2014, of approval n° 14-324 dated 24 June 2014;
- the supplemental document to the information memo prepared by SMABTP, having been the subject, in application of the conformity ruling of the improved offer dated 24 June 2014, of approval n° 14-325 dated 24 June 2014;

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- the analysis and valuation work of Rothschild & Cie, financial advisor of the Company.

In order to give its opinion on the Eurobail Offer and the SMABTP Offer, the Board was assisted in its analysis by the financial and legal advisors of the Company, respectively Rothschild & Cie and Weil Gotshal & Manges.

To this end, Board meetings were held on 30 January 2014, on 12 and 20 February 2014, on 19 March 2014, on 7 and 18 April 2014, on 6 and 13 of May 2014 and on 25 June 2014.

In accordance with Articles 231-19 and 232-9 of the General Regulation of AMF and 3.4 of AMF Instruction AMF n°2006-07, the Board has been asked to review and assess the benefits of the Eurobail Offer and the SMABTP Offer and the consequences thereof for the Company, its shareholders and employees.

*Background to the Eurobail Offer and the SMABTP Offer*

It is recalled that on 29 January 2014, SMABTP filed a draft public offer for the shares of the Company (the "**Initial Offer**"). The Initial Offer was declared compliant by AMF by a decision of 4 March 2014 (the "**Conformity Ruling on the Initial Offer**").

At its meeting of 20 February 2014, the Board of Directors of the Company unanimously considered that the Initial Offer was in the best interests of the Company and its employees, and would allow the Company to have a stable shareholding to continue its development, but considered that the price of 48 Euros per share proposed by SMABTP did not sufficiently reflect the intrinsic value of the Company.

In this context, on 16 April 2014, SMABTP filed an improved public offer with AMF, offering a price of 53 Euros per share (the "**First Improved Offer**"). The First Improved Offer was declared compliant by AMF by a decision of 29 April 2014 (the "**Conformity Ruling of the First Improved Offer**").

At its meeting of 22 April 2014, the Board of Directors of the Company unanimously considered that the First Improved Offer represented a significant improvement of the proposed conditions and was in the best interest of the Company, its shareholders and employees and unanimously recommended (with the exception of one vote) that all the Company's shareholders contribute their shares to the First Improved Offer.

It is also recalled that the Conformity Ruling of the Initial Offer and of the First Improved Offer were each subject to an appeal for cancellation before the Paris Court of Appeal, the first one on 13 March 2014 and the second on 9 May 2014 (the "**Appeals**"). The Appeals were each accompanied by an application for a stay of execution of the offer

concerned, the first one on 13 March 2014 and the second on 12 May 2014 (the "**Stay Applications**"). The Stay Applications were both rejected by the First President of the Paris Court of Appeal by orders of 10 April and 11 June 2014.

Finally, it is recalled that the Initial Offer, as amended by the First Improved Offer, has been open since 7 March 2014, in accordance with the notice of opening of the Initial Offer published by AMF on 6 March 2014.



**I. REGARDING THE COMPETING OFFER OF EUROBAIL**

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The Board notes, in view of the information memo of Eurobail having been the subject, in application of the compliance ruling of the public offer dated 24 June 2014, of approval n° 14-324● dated 24 June 2014 (the "**Information Memo of Eurobail**"), that:

- the Eurobail Offer is a mandatory offer following the acquisition by Eurobail and its affiliates, on 4 June 2014, of shares of the Company representing 48,139 shares, i.e. 0.77% of the Company's capital, which led Eurobail and its affiliates to exceed, on this same date, the threshold of 30% of the capital and the voting rights of the Company;
- the Eurobail Offer will be carried out according to the normal procedure and covers all the Company's shares (including the Company's treasury shares), for a price of 55 Euros per share and will be open for a minimum period of 25 trading days (subject to extension);
- the Eurobail Offer constitutes a competing offer to the First Improved Offer, by which SMABTP has undertaken (x) to purchase all the Company's shares at a price of 53 Euros per share (instead of the price of 48 Euros offered under the Initial Offer) and (y) to lower the threshold of success of its offer to 40% of the capital and the voting rights of the Company (instead of 51% under the Initial Offer);
- if the Eurobail Offer is successful, it will be automatically reopened within 10 trading days following the publication of the result, for a minimum period of 10 trading days; and
- on the date of filing of the Eurobail Information Memo, Eurobail and its affiliates together held 1,895,247 shares, representing 30.31% of the capital and voting rights of the Company.

*(i) Regarding the Company's strategy business and commercial policy.*

The Board of Directors notes that Eurobail has issued reservations on the Company's current strategy, such as implemented by the management since 2010 and proposes that a new policy be implemented, displayed in three phases:

- rationalisation of the Company's management. In this regard, the Board of Directors notes that Eurobail considers in particular that it is possible to increase the profitability of the Company and its distributable dividend by streamlining costs;
- extension of the maturity of the debt in agreement with the Company's creditors, so that it corresponds to a policy of the long-term holding of the Company's real estate assets;
- resumption of real estate acquisitions so as to rebalance the Company's real estate assets. The Board of Directors notes in this regard that Eurobail has expressed reservations concerning, in particular, the Company's current policy which mainly aims at refocusing the activity on the Parisian office market thus benefiting from a reduction of its indebtedness, which could have the effect, according to Eurobail, of concentrating the entire activity of the Company on a market where the competition between buyers is the strongest and with an oversupply situation since 2008.

Furthermore, the Board of Directors takes note of the following information:

- Eurobail does not intend to request AMF to implement a mandatory withdrawal procedure relating to the shares not contributed to the Offer in application of Articles 237-14 *et seq.* of the General Regulation of AMF. In addition, Eurobail will not request NYSE Euronext Paris for the delisting of the Company's shares;
- Eurobail does not intend to present a project for the merger-absorption of the Company;

- Eurobail has undertaken that the dividend distribution policy be determined in compliance with the distribution obligations resulting from the SIIC status and according to the financial capabilities of the Company;
- the Offer will be financed:
  - o for a maximum amount of 162,608,545 Euros, by several tranches of ordinary bonds and bonds redeemable in shares of the Company to be subscribed by ColFin Tour Eiffel S.à.r.l., a company indirectly controlled by funds advised by Colony Capital LLC;
  - o for a maximum amount of 51,829,360 Euros by transfer of a maximum number of 942,352 shares representing 15% of the Company's capital, to Caravelle ("**Caravelle**");
  - o for a maximum amount of 29,500,020 Euros by transfer of a maximum number of 536,364 shares representing 8.54% of the Company's capital to Effi-Invest II ("**Effi-Invest II**");
- Eurobail considers that the SIIC status is essential for the continuation of the Company's activity to the extent where this company tax exemption and the distribution obligation constitute major attractions for all investors and in particular for French and foreign institutional investors.

Within this framework, Eurobail has already concluded agreements, not constituting acts in concert according to Eurobail with Caravelle and Effi-Invest, which have undertaken to acquire from Eurobail at the end of the Eurobail Offer:

- for the first one, up to 942,352 shares of the Company, representing 15% of its capital, if Eurobail and its affiliates were to hold more than 55% of the Company's capital; and
- for the second, up to 536,364 shares of the Company, representing 8.54% of its capital, if Eurobail and its affiliates were to hold, at the end of the Eurobail Offer (and before the transfers under the agreement concluded between Eurobail and Caravelle) between 70% and 83.27% of the Company's capital, for 64.36% of the shares that Eurobail and its affiliates would hold between these thresholds.

The Board of Directors notes that, in the event where Eurobail was to hold more than 83.27% of the Company's capital at the end of the Eurobail Offer, no mechanism guaranteeing the maintenance of the SIIC status has been put in place, as Eurobail has only undertaken to make its best efforts to transfer the surplus fraction within the required time limits in order to allow the SIIC status to be maintained.

*(ii) Regarding the implications for the employees and the management of the Company*

The Board notes that the Eurobail Offer is in line with the continuation of the Company's activity and development and therefore should not have any particular impact on the Company's policy regarding employment or the management of labour relations and human resources. In particular, the Board notes:

- that Eurobail does not intend to reduce the number of employees of the Company;



- ~~that it nevertheless reserves the possibility, on a case by case basis, of making any~~ adjustments which might prove necessary, in particular according to the evolution of the Company's activity; and
- that it will designate corporate officers to represent it in the Company's management bodies and will invite the main operational managers, subject to agreement with it on their future status, to continue their current functions.

The Board notes that, unlike the usual terms of a public offer, Eurobail has not provided any liquidity facility for the holders of free shares or stock options who will have been unable to participate in the Eurobail Offer because of the applicable periods of legal and contractual unavailability.

The Board noted that Eurobail's equity stake could significantly reduce the free float, thus making it more difficult at a later date to sell the shares resulting from the exercise of stock options and free shares at the end of their legal lock-up periods. It therefore invites Eurobail to supplement its offer to provide for this usual liquidity mechanism so that the Eurobail Offer covers 100% of the capital.

*(iii) Regarding the price proposed by Eurobail*

Eurobail offers a price of 55 Euros per share which represents a decrease of 5% as compared to the SMABTP Offer.

## **II. ON THE SMABTP OFFER**

The Board notes, in view of the supplemental document to the information memo prepared by SMABTP, having been the subject, in application of the conformity ruling of the improved offer dated 24 June 2014, of approval n° 14-325 dated 24 June 2014 (the "**Supplemental Document**"), that:

- SMABTP has raised the price offered per share of the Company from 53 to 58 Euros, i.e. an increase of 20% as compared to the Initial Offer, of more than 9% as compared to the First Improved Offer and of more than 5% as compared to the Eurobail Offer; and
- SMABTP has removed the threshold of success provided by the Initial Offer at 51% of the share capital and voting rights of the Company on a fully diluted basis and lowered by the First Improved Offer at 40% of the share capital and voting rights of the Company, on a fully diluted basis.

The Board also notes that the nature of the SMABTP Offer remains unchanged and in particular that:

- the SMABTP Offer is a voluntary tender offer, following a standard procedure, relating to all of the shares of the Company (including the treasury shares), pursuant to which SMABTP irrevocably offers to the Company's shareholders to purchase their shares;
- if the SMABTP Offer is successful, it will be automatically reopened within 10 trading days following the publication of the result, for a minimum period of 10 trading days; and
- on the date of the present Board meeting (25 June 2014), SMABTP held 237 355 shares in the Company.



The Board notes the following items resulting from the intentions and objectives stated by SMABTP in the Supplemental Document:

*i. On the Company's strategy, business and commercial policy.*

The Board of Directors acknowledges that the objectives of SMABTP regarding, in particular, the proactive strategies of growth and balance sheet stabilising, which were noted by the Board of Directors in the Initial Offer and First Improved Offer, have not been amended by the SMABTP Offer.

In particular, SMABTP reiterates that it wishes to reinforce the Company's own equity to allow the reduction of its Loan to Value ("LTV") debt ratio to approximately 30/35% and

indicates once more that it is prepared to subscribe for an amount ranging from 80 to 100 million Euros to any capital increase with preferred subscription right that would be proposed by the Board of Directors of the Company after closing of the SMABTP Offer.

The Board also notes the ambition of SMABTP to double the company's real estate portfolio within 3 to 5 years notably participating in the development of the "Grand Paris" project and through adaptation of the real estate portfolio to the energy performance at stake, expressed in the Supplemental Document.

*- SIIC Status of the Company*

The Board also notes that, in view of the Appeals, SMABTP considers that the transfer of its shareholding exceeding the 60% threshold of the Company's capital would no longer be legally feasible. Therefore, if SMABTP was to hold an equity stake exceeding the 60% threshold referred to above, SMABTP considers that the Company would lose the benefit of its SIIC status retroactively from 1 January 2014, and that the Company would have to accept all its consequences, particularly concerning the dividend distribution policy.

*ii. Regarding the implications for the employees and the management of the Company*

The Board notes that the intentions of SMABTP concerning the safeguarding of employees and management of the Company remain unchanged in relation to the initial Offer and that, consequently, the SMABTP Offer is in line with the continuation of the Company's activity and development and should not have any particular impact on the Company's policy regarding employment or the management of labour relations and human resources.

The Board also notes that SMABTP does not wish to provide a liquidity facility for the holders of free shares or stock options who will have been unable to participate in the SMABTP Offer because of the applicable periods of legal and contractual unavailability as it was invited to do by the Board of Directors in its previous reasoned opinion. The Board recalls that in the absence of any such facility, despite being common to public offers, SMABTP's substantial equity stake might significantly reduce the free float, thus making it more difficult at a later date to sell the shares resulting from the exercising of stock options and from free shares at the end of their legal lock-up periods.

Therefore, as it did in its Reasoned Opinion of 20 February 2014, the Board reiterates its invitation to SMABTP to supplement its offer to provide for this usual liquidity mechanism so that the SMABTP Offer covers 100% of the capital.

*iii. Regarding the price proposed by SMABTP*

The higher bid contained in the SMABTP Offer, for a price of 58 Euros per share, represents an increase of 20.8% as compared to the price of the Initial Offer, of 9.4% as



compared to the price of the First Improved Offer and of 5.5% as compared to the price of the Eurobail Offer.

### **III. REGARDING THE OFFER PRICE PROPOSED RESPECTIVELY BY EUROBAIL AND SMABTP**

After having taken into consideration and debated Rothschild & Cie's studies, the Company's financial advisor, the Board of Directors notices that the SMABTP Offer:

- (i) is 5.5% superior to the price of the Eurobail Offer; and
- (ii) clearly reaches the top level of the multi-criteria valuation produced by Rothschild. In particular, (x) it exceeds the valuations made by DCF and several stockbrokers, including the payment of a premium for control, (y) it is superior to the average of comparable transactions and (z) it is almost equal to the EPRA NNNNAV at 31/12/2013 recorded at 58.1 Euros (-0.2%)

#### ***In conclusion:***

The Board records the following information:

- the SMABTP Offer is in line with the continuation of the pro-active strategy implemented by the management and the restructuring of the Company's balance sheet, SMABTP declaring that it is prepared to subscribe, for an amount ranging between 80 and 100 million Euros, to any capital increase with preferred subscription right that would be proposed by the Board of Directors of the Company after the closing of the offers presented;
- the offers presented are both in line with the continuation of the Company's activity and development and should not have any particular impact on the Company's policy regarding employment or the management of labour relations and human resources;
- neither the Eurobail Offer nor the SMABTP Offer provides any liquidity facility for the holders of free shares or stock options who will have been unable to participate in the offer concerned, as Eurobail or SMABTP's increased stake, as the case may be, may significantly reduce the liquidity of shares resulting from the exercising of the stock options and free shares concerned at the end of their lock-up periods;
- neither the Eurobail Offer nor the SMABTP Offer is subject to a condition concerning any threshold for success of the offer;
- unlike the SMABTP Offer, the Eurobail Offer provides guarantees as to the maintenance of the SIIC status through the conclusion of transfer agreements with Caravelle and Effi-Invest II, within the limit of 942,352 shares for Caravelle and 536,362 shares for Effi-Invest II; the Board notes, however, that in the event Eurobail hold more than 83.27% of the Company's capital at the end of the Eurobail Offer, it provides a simple best efforts undertaking with respect to the transfers necessary to maintain the SIIC status;
- In addition the Board of Directors indicates that in consideration of the prices proposed by the Eurobail Offer and the SMABTP Offer, the probability of obtaining at the outcome of each of the presented offers a participation for SMABTP in excess of 60% of the Company's capital and for Eurobail of

83.27% of the Company's capital is very high, and as a consequence, the risk for the Company to lose its SIIC status is real, as much in the case of success of the SMABTP



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Offer as in the case of success of the Eurobail Offer, which would significantly reduce the dividend distribution capability of the Company;

- the SMABTP Offer results in a premium of 5.5% as compared to the price of the Eurobail Offer.

In view of the information presented above on the offers presented, after deliberation, the Board of Directors of the Company unanimously considers that the SMABTP Offer is in the best interests of the Company, its shareholders and its employees.

In this respect, the SMABTP Offer, on one hand, offers to the Company's shareholders who would want immediate cash a price clearly improved when compared to the price offered in the Initial Offer, the First Improved Offer and the Eurobail Offer and enables, on the other hand, the Company to pursue its development strategy.

Under these circumstances, the Board recommends, unanimously, that all the Company's shareholders tender their shares to the SMABTP Offer.

The Board confirms, as stated in paragraph 1.1 of the Note in Reply as well as in its reasoned opinion of 22 April 2014, that it will not exercise during the SMABTP Offer the 600,000 subscription share warrants, exercisable at the Company's discretion, issued on 21 February 2013 with regard to a multiannual contingent equity line.

In addition, the Board unanimously decides to contribute the Company's 72,594 treasury shares to the SMABTP Offer.

Finally, the Board notes that all of the Company's directors but Mr Philippe Prouillac, have expressed their intention to contribute all their shares to the SMABTP Offer, provided that these shares are not subject to a fiscal or legal lock-up period or fiscal constraints or an obligation to retain them because of the holders' capacity as corporate officers, as stipulated in the Company's articles of association.

**Agenda:** July, 23 2014 (after trading): half year results

**About Société de la Tour Eiffel**

*A listed real estate investment company (SIIC) on NYSE Euronext Paris, the company pursues a strategy focused on investing in areas with high potential and the provision of new buildings leased to quality covenants. At 31 December 2013 its portfolio stood at € 701 million of assets located primarily in the Paris region.*

*The shares of Société de la Tour Eiffel are listed on NYSE Euronext Paris (Eurolist B) - ISIN Code: FR 000036816 - Reuters: TEIF.PA - Bloomberg: EIFF.FP - Indexes: IEIF Foncières, IEIF Immobilier France*

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