

Board's reasoned opinion

Société de la Tour Eiffel's Board (Paris: EIFF), convened on 18 April 2014, having taken note of the improved offer initiated by SMABTP and filed with the AMF (French stock market authority) on 16 April 2014, has issued the following reasoned opinion.

SOCIETE DE LA TOUR EIFFEL'S BOARD REASONED OPINION

A Board meeting of Société de la Tour Eiffel was held on 18 April 2014 at its Registered Office under the chairmanship of Mr. Mark Inch, in order to consider the revised draft offer (the "**Improved Offer**") that the SMABTP (the "**Offeror**") has filed in connection with its initial public offer for the shares of Société de la Tour Eiffel (the "**Offer**") by the Autorité des Marchés Financiers (French stock market regulator, "**AMF**").

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:

- Notice of filing of the Offer published by AMF on 29 January 2014 (Notice of Filing No. 214C0170);
- The draft offer document filed with AMF on 29 January 2014 setting out the reasons for the Offer, the Offeror's objectives, as well as the characteristics and elements used to evaluate the price of the Offer;
- The revised offer document filed with AMF on 4 February 2014 (the "**Prospectus**");
- The "other information" document the Offeror filed with the AMF on 4 March 2014;
- The conformity ruling published by AMF on 4 March 2014 (notice of filing No 214C0339) ;
- The memo in reply from the Company approved by AMF on 19 March 2014 (Approval No. 14-089);
- The "other information" document the Company filed with AMF on 19 March 2014;
- The timetable for the Offer published by AMF on 11 April 2014 setting 23 May 2014 as the closing date for the Offer (Notice of Filing No. 214C0555);
- Notice of filing of the draft Improved Offer for the shares of the Company published by AMF on 16 April 2014 (Notice of Filing No. 214C0580);
- The draft supplemental document to the prospectus of the Offeror filed with AMF on 16 April 2014, which contains the terms and characteristics of the Improved Offer (the "Supplemental Document");
- The analysis and valuation work of Rothschild & Cie, financial adviser of the Company.

In order to give its opinion on the 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, and on 18 April 2014.

In accordance with Article 231-19 of the General Regulation of AMF, the Board has been asked to review and assess the benefits of the Offer and its consequences thereof for the Company, its shareholders and employees.

Background to the Improved Offer

The Board of Directors of the Company recalls that, in the reasoned opinion issued on 20 February 2014, its members unanimously considered that the initial Offer was in the best interests of the Company and its employees, but felt that the price of 48.0 euros per share proposed by the Offeror did not sufficiently reflect the intrinsic value of the Company.

Against this background, the Board had decided on 20 February 2014 not to tender to the initial Offer the 72,594 treasury shares. All the members of the Board had also indicated their intention to tender 51% of their shares to the initial Offer.

The Board also recalled that the initial public offering, which was declared compliant by the AMF in its ruling dated 4 March 2014, has been open since 7 March 2014, pursuant to the notice of opening the Offer published by the AMF on 6 March 2014.

Reasoned opinion of the Board on the Improved Offer

In view of the Supplemental Document filed by the Offeror with the AMF on 16 April 2014, the Board found that:

- The Offeror has raised the price offered per share of the Company from €48.0 to €53.0, an increase of over 10 % compared with the initial offer;
- The Offeror has lowered the threshold of success from 51% to 40% of the share capital and voting rights of the Company on a fully diluted basis; and that
- The Offeror has undertaken to pay a portion of the brokerage fee under the conditions laid down in paragraph 2.14 of the Supplemental Document.

The Board also noted that the nature of the Improved Offer remains unchanged and in particular that:

- The Improved 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 the Offeror irrevocably offers to the Company's shareholders to purchase their shares;

- If the Improved Offer is successful, it will be automatically reopened within 10 trading days following the publication of the result of the Offer, for a minimum period of 10 trading days; and that
- On the date of filing the Supplemental Document, the Offeror held no shares in the Company.

The Board of Directors confirmed that, as stated in paragraph 1.1 of the Note in Reply that it will not exercise during this Improved 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.

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

i. Appeal against the conformity ruling of the Offer

It is reminded that on 13 March 2014, several shareholders holding and acting together close to 29.5% of the capital and the voting rights of the Company filed with the Paris Court of Appeal an appeal demanding cancellation of the conformity ruling rendered by AMF (the « **Appeal** »).

The same claimants filed with the First President of the Paris Court of Appeal a request asking for a stay of execution of the conformity ruling until delivery of the judgement of the Court of Appeal, called to rule on the merits of the motion. By ordinance rendered on 10 April 2014, the First President of the Paris Court of Appeal rejected the stay of execution request.

In this respect, the Board of Directors took notice of the following items noted by the Offeror in the Supplemental Document:

“Société de la Tour Eiffel's shareholders' attention is also drawn to the fact that a ruling of annulment of the Conformity Ruling, should it be rendered by the Court of Appeal, would result in the Offer and the Improved Offer being considered as null and void, and consequently, the Shares contribution transactions would be cancelled.”

In this case, the aforementioned ordinance dated 10 April 2014 stated that the financial risk, and in particular the risk of immobilising the Shares contributed to the Offer during the proceedings at the Paris Court of Appeal, will be borne by SMABTP.

Furthermore, as stated by the aforementioned ordinance, “the restitution of shares and price which the requested annulment would entail would be made easier by the centralisation of the orders provided for by articles 232-1 et seq. of the general rules of AMF, resulting in particular from recording the contribution offers resulting from it, which enables keeping a nominative track of the shareholders having contributed to the offer “.

As a consequence, in case of nullity, SMABTP will return the Shares to the former shareholders of Société de la Tour Eiffel who would so wish against reimbursement of the received price with a delay and according to terms which will be determined under the supervision of AMF pursuant to the judgment of the Paris Court of Appeal.”

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

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

- *Reinforcement of the Company's equity*

The Supplemental Document specifies the Offeror's wish to reinforce the Company's equity through capital increase according to the following terms:

"SMABTP will take all necessary measures to maintain appropriate financing means for Société de la Tour Eiffel in particular through participating to the reinforcement of its equity to reduce the Loan To Value (LTV) ratio to a level of approximately 30/35% and to finance an investment strategy.

In this respect, SMABTP indicates 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 Société de la Tour Eiffel after closing of the Improved Offer."

- *SIIC status of the Company Statut SIIC de la Société*

The Board recalls that in its reasoned opinion on the initial Offer, it felt it was important, especially for those shareholders who wish to remain in the capital of the Company, that the Offeror clarify its intentions with respect to upholding Company's SIIC status.

In this regard, the Board noted that the Offeror states in the Supplemental Document that, given the existence of the Appeal, it needs to block all the shares it receives in connection with the Improved Offer in order to be able to return them should the Offer be cancelled. Accordingly, the Offeror considers that the reclassification of its shareholding exceeding the 60% threshold of the Company's capital would no longer be legally feasible. . Consequently, the Board notes that if the Offeror were to obtain a shareholding exceeding the 60% threshold referred to above, 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.

iii. On the implications for the employees and the management of the Company

The Board noted that the intentions of the Offeror concerning the safeguarding of employees and management of the Company remain unchanged in relation to the initial Offer and that, consequently, the Improved 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 noted that the Offeror does not wish to provide a liquidity facility for the holders of free shares or stock options who are unable to participate in the Improved 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, the Offeror's substantial equity stake may 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 free shares at the end of their legal lock-up periods.

iv. On the price proposed by the Offeror

The higher bid contained in the Improved Offer, for a price of 53.0 euros per share, represents an increase of 10.4% compared with the initial offer and corresponds to the maximum market price of the share over 24 months.

This price lies within the range of the multi-criteria valuation made by Rothschild, the Company's financial advisor. In particular:

- It represents a premium of nearly 10% over the weighted average market price over the 12 months preceding the filing of the initial Offer;
- It corresponds to the top of the range of valuation by market multiples, reflecting its consistency with current market conditions;
- It is in line with the valuation by DCF, which includes the financial prospects of the company in the medium term;
- It induces a discount to NAV similar to comparable transactions and a significantly lower discount to NAV than the one implied in the trading price of the Company's shares over the last 5 years.

In conclusion:

In view of the foregoing, after deliberation, the Board of Directors of the Company unanimously considers that the Improved Offer represents a significant improvement of the proposed conditions and is in the best interest of the Company, its shareholders and its employees.

In particular, the Board believes that the price of 53.0 euros per share of the Company is fair and accurately reflects the value of the shares. Under these circumstances, the Board -unanimously except for one vote recommends that all the Company's shareholders tender their shares to the Improved Offer.

In addition, the Board has unanimously decided to tender the Company's 72,594 treasury shares to the Improved Offer.

Finally, the Board noted that all of the Company's directors, with the exception of Mr Philippe Prouillac, have expressed their intention to tender to the Improved Offer all of the shares they hold in the Company, provided that the shares in question 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.

In compliance with French regulations, the offer documentation setting out the terms of conditions of the Offer will be submitted to the AMF. The present communication is given for information only. It does not constitute a take-over bid for the shares of Société de la Tour Eiffel and is not valid outside France. Distribution of this communiqué can be legally restrained in certain jurisdictions and, consequently, all persons in possession of it must refer to and respect the prevailing legal restrictions. The Company declines all responsibility in the event of transgression of local rulings.

About Societe de la Tour Eiffel

A listed real estate investment company (SIIC) on NYSE Euronext Paris, the company pursues a strategy focused on the ownership and the development of quality offices mainly in Paris and its region capable of attracting a wide range of tenants. The company's portfolio stood at 809 million Euros of assets as at 30 June 2013. Societe de la Tour Eiffel is listed on NYSE Euronext Paris (compartment B) – ISIN code: 0000036816 – Reuters: TEIF.PA – Bloomberg EIFF.F. Indexes: GIEIF Foncières, IEIF Immobilier France.

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