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PARTIAL ASSET CONTRIBUTION OF GECINA'S RESIDENTIAL BUSINESS TO GEC 25

Report of the independent appraisers
on the consideration for the Contribution

To the Shareholders,

In accordance with the assignment entrusted to us by order of the Presiding Judge of the Paris Commercial Court on 16 December 2019 concerning the partial asset contribution (hereinafter the "**Contribution**") of a business line by the company Gecina (hereinafter "**Gecina**") to the company GEC 25 (hereinafter "**GEC 25**"), we have drafted this report about the consideration for the contribution, as provided for under Article L. 236-10 of the French Commercial Code. We report our assessment of the value of the Contribution in a separate report.

The consideration for the Contribution was laid down in the *draft partial asset contribution agreement subject to the demerger regime* entered into by the legal representatives of the relevant companies on 19 February 2020 (hereinafter the "**Contribution Agreement**").

Our role is to express our opinion on the fairness of this exchange ratio. To this end, we carried out procedures in line with the professional guidelines drawn up by the Compagnie Nationale des Commissaires aux Comptes (CNCC, French national association of statutory auditors) for this type of assignment. These guidelines require that we implement procedures both to verify that the relative values assigned to the net assets to be transferred and to GEC 25 shares are relevant and to analyse the positioning of the exchange ratio compared with the relative values that are deemed relevant.

At no time did we find ourselves in a situation that was incompatible or prohibited or that should have led to our disqualification, as provided for under the law.

Since our assignment comes to an end with the submission of our two reports, we are not required to update this report to reflect facts or circumstances that might arise after its signature date.

We kindly request that you read through our report, which contains the following sections:

1. Presentation of the transaction
2. Verification of the pertinence of the relative values assigned to the net assets to be transferred and to the transferee company's shares
3. Assessment of the fairness of the proposed consideration for the Contribution
4. Conclusion

1. Presentation of the transaction and description of the Contribution

1.1. Background to the transaction

As of 31 December 2019, Gecina owned, managed and developed a portfolio worth around €20 billion consisting of around €17 billion in office real estate and around €3 billion in residential real estate.

To accelerate the development of the residential real estate business line, which is regarded as strategically important, and attract top-tier investors, the plan involves spinning off Gecina's residential business (hereinafter, the "**Residential Business**") through a partial asset contribution to GEC 25, a company wholly-owned by Gecina.

1.2. Companies involved in the transaction

1.2.1. Gecina, the transferor company

Gecina is a *société anonyme* (public limited company) registered on the Paris Trade and Companies Register under no. 592 014 476. Its registered office is located at 14-16, rue de Capucines, 75002 Paris.

Gecina's corporate object is the operation of buildings or groups of buildings for rental located in and outside France, notably including:

- *"the acquisition through purchases, exchanges, contributions in kind or otherwise, of building lots or similar items;*
- *the construction of buildings or groups of buildings;*
- *the acquisition through purchases, exchanges, contributions in kind or otherwise, of already constructed buildings or groups of buildings;*
- *the financing of acquisitions and construction programmes;*
- *the rental, administration and management of any and all buildings on its behalf or on behalf of third parties;*
- *the sale of any and all real estate assets or rights;*
- *the establishment of a shareholding in any and all companies or organisations active in relation to the corporate object by means of contributions, subscriptions, purchases or exchanges of securities or corporate rights or otherwise; and*
- *generally, any and all financial, real estate and moveable property transactions, related directly or indirectly to this corporate object where liable to facilitate the development and implementation thereof".*

Gecina's financial year-end is 31 December.

Gecina's share capital of €573,076,950 is made up of 76,410,260 ordinary shares each with a nominal value of €7.50, all fully paid-up.

Ownership of Gecina's share capital is as follows:

- 15.15% by Ivanhoé Cambridge,
- 13.75% by the Crédit Agricole Assurances group - Prédica,
- 9.31% by Norges Bank,
- 6.48% by other French institutional investors,
- 3.72% by individual shareholders,
- 47.72% by non-resident shareholders,
- around 3.87% consisting of treasury shares held by Gecina.

Gecina has not issued or granted instruments, negotiable securities (giving access to its share capital or otherwise) or rights (giving access to its share capital or otherwise), other than the stock (subscription or purchase) option plans (under which 19,951 outstanding potential shares as of 31 December 2019) and the bonus share allotments (including 137,455 bonus shares currently vesting as of 31 December 2019) Gecina has established.

In accordance with the provisions of the Contribution Agreement, Gecina will not contribution the following financing and financial instruments in force at the date of the completion of the Contribution:

- the Euro Medium Term Notes (EMTN) and bonds carried or issued by Gecina in connection with private placements of bonds other than the EMTN programme[1]; the latter gives no access to Gecina's share capital;
- credit lines and commercial paper;
- hedging instruments.

1.2.2.GEC 25, the transferee company

GEC 25 is a *société par actions simplifiée* (simplified public limited company) registered on the Paris Trade and Companies Register on 2 January 2020 under no. 880 266 218. Its registered office is located at 16, rue de Capucines, 75002 Paris.

GEC 25's corporate object in and outside France is:

- *"the acquisition by any and all means, including through purchases, exchanges, contributions in kind or otherwise, of building lots or similar items, real estate rights, existing buildings or groups of buildings as well as any assets and rights accessory to or associated with such real estate assets;*

[1] Previously carried by EUROSIC and FONCIÈRE DE PARIS.

- *the construction of buildings and groups of buildings and any transaction directly or indirectly related to the construction of buildings or groups of buildings;*

- *the financing of acquisitions and construction programmes;*

- *the rental, administration and management of any and all buildings on its behalf or on behalf of third parties, and more generally, the operation and improvement, mainly through rental agreements, of real assets;*

- *the contribution or sale of any and all real estate assets or rights;*

- *All this may be conducted directly or indirectly, either alone or in partnership, as a shareholding, consortium or company, with all other entities and companies;*

- *the ownership or establishment of a shareholding in any and all companies or organisations active in relation to the corporate object, and by means of contributions, subscriptions, purchases or exchanges of securities or corporate rights or otherwise;*

- *any and all services or assistance associated with the aforementioned, specifically including advisory, accounting, audit, logistics and treasury activities;*

- *the acquisition, ownership and management of any and all instruments and negotiable securities in corporate entities in and outside France;*

- *and, more generally, any and all transactions of any nature whatsoever, be they financial, commercial, industrial, or in respect of moveable or real estate assets, relating directly or indirectly to GEC 25's corporate object as laid out hereinabove and any and all similar or connected objects liable to facilitate the implementation thereof or foster the promotion or development thereof in whatsoever form*".

GEC 25 was incorporated with a share capital of €2,000 made up of 2,000 ordinary shares, each with a nominal value of €1 and all fully paid-up.

Following the decision by its sole shareholder on 7 February 2020, under condition precedent of the absence of objection from the creditors, its share capital was reduced by €1,980 through a reduction in the nominal value of the shares from €1 to €0.01.

Assuming that creditors will not object the capital reduction and that the capital reduction – expected by the end of February 2020 or beginning of March 2020 - will be completed, GEC 25's share capital will thus be lowered to €20, consisting of 2,000 shares, each with a nominal value of €0.01 and wholly-owned by Gecina.

GEC 25's financial year-end is 31 December.

On 15 January 2020, GEC 25 notified the relevant Corporate Income Tax department that it was electing for the SIIC-subsidiary regime set forth in Article 208 C II of the French General Tax Code (hereinafter the "**Tax Code**").

1.2.3.Relationship between the companies

At the date of the Contribution Agreement:

- Gecina holds directly all the shares making up GEC 25's share capital;
- Méka Brunel is Gecina's Chief Executive Officer and also a director of the company. She represents Gecina as Chairman of GEC 25.

1.3. Description of the transaction

The implementation arrangements of the Contribution are laid out in detail in the Contribution Agreement entered into on 19 February 2020. They can be summarised as follows:

1.3.1.Key characteristics of the transaction

1.3.1.1. Completion date and effective date of the Contribution

The completion date of the Contribution shall, subject to the fulfilment of the conditions precedent stipulated in Article 7 of the Contribution Agreement[2], be the date of GEC 25's General Meeting called to approve the Contribution.

In accordance with Articles L. 236-4 and R. 236-1 of the French Commercial Code, the Contribution shall be effective retroactively from 2 January 2020 for accounting and tax purposes. Accordingly, transactions relating to the Residential Business performed by Gecina from the effective date of 2 January 2020 until the completion date shall be considered by operation of law as having been carried out on behalf of GEC 25.

1.3.1.2. Legal aspects

From a legal perspective, the transaction will be subject to the demerger regime.

The parties have decided not to submit the transaction under the "simplified" regime for partial asset contributions subject to the demerger regime provided for under paragraphs 2 and 3 of Article L. 236-22 of the French Commercial Code.

The parties expressly agree:

- to set aside any joint and several responsibilities between them for the liabilities assumed in connection with the Contribution;
- exclude the items listed in Article 2.1.2 from the Contribution Agreement.

In accordance with the ministerial response published in the French Official Journal on 15 October 2019, which confirmed that contributions of buildings through a partial contribution of assets falling under the demerger regime are not subject to urban authorities' pre-emption right, Gecina has not filed any declaration of intent to sell for the buildings forming the "Residential Business" involved in the Contribution.

[2] Or the waiver by Gecina and GEC 25 of these conditions precedent.

1.3.1.3. Applicable tax regime

The tax regime applicable to the Contribution is outlined in Article 6 of the Contribution Agreement.

When it comes to corporate income tax, Gecina and GEC 25 have opted for the transaction to be taxed under the standard regime, with application of the exemption provided for under Article 208 C II bis of the Tax Code relating to unrealised capital gains on buildings and the *in rem* rights in real estate transferred.

As regards registration duties, since Gecina and GEC 25 consider that the transaction concerns a business line that can be operated independently as defined in Articles 301 A and 301 E of Annex II to the Tax Code, the Contribution will be registered free of charge in accordance with Articles 816 and 817 of the Tax Code.

1.3.2.Conditions precedent

The Contribution is subject to the following conditions precedent, as set forth in Article 7 of the Contribution Agreement:

- full and final completion of the capital reduction of GEC 25;
- approval of the Contribution, which specifically includes the approval of its valuation and consideration therefor, by Gecina's shareholders at the Extraordinary General Meeting;
- the approval of the Contribution[3] and of the capital increase to be carried out in consideration therefor by GEC 25's shareholder at the Extraordinary General Meeting.

If the conditions precedent are not met by 31 December 2020 at the latest, the Contribution Agreement shall be deemed null and void[4].

1.3.3.*Valuation of the Contribution*

In accordance with Autorité des normes comptables (ANC)'s regulation no. 2017-01 of 5 May 2017 amending the annex to ANC's regulation no. 2014-03 of 15 June 2014 relating to the general chart of accounts, since this "*à l'endroit*" transaction involves companies under joint control, the assets and liabilities will be transferred based on their net book value as shown in Gecina's financial statements.

Under the terms of the Contribution Agreement, the parties set the value of the net assets to be transferred to the amount of €81,679,735.

That amount was based on (i) Gecina's annual financial statements for the period ended 31 December 2019 in relation to the Residential Business, (ii) adjusted to account for the transactions involving the Residential Business completed on 1 January 2020.

[3] Which includes the approval of its valuation and its consideration.
[4] Without any indemnity being payable by either party, except for any rights to an indemnity due to each party in the event of a breach by the other party of its obligations under the Contribution Agreement.

Since the Residential Business has a record of being profitable and since a profit is forecasted in the budget for year 2020, there are no grounds for provisioning for a loss in respect of the retroactive period.

2. Verification of the pertinence of the relative values assigned to the net assets to be transferred and to the transferee company's shares

2.1. Procedures carried out by the independent appraisers

Our assignment is one of the assignments prescribed by law and by the conceptual framework underpinning our professional guidelines. It aims to provide guidance for Gecina's and GEC 25's shareholders about the relative values considered by the parties to determine the exchange ratio and to assess the fairness of that ratio.

It cannot be regarded as a due diligence assignment performed on behalf of a lender or a buyer and it does not include all the work required for such an assignment. In addition, it does not constitute either an audit or limited review assignment. Therefore, our report cannot be used for such purposes.

The transaction submitted for your approval relates to Gecina's plan to spin off Gecina's Residential Business; we express no economic, accounting, legal, tax or investment opinion on that plan.

Our opinion is provided at the date of this report, which marks the end of our assignment.

We performed the procedures we deemed necessary according to the professional guidelines laid down by the CNCC for this type of assignment to assess the pertinence of the relative values ascribed to the net assets to be transferred and to the transferee company's shares.

Accordingly, we:

- gathered information about the background and purposes of the Contribution;
- discussed with the people responsible for the Contribution and the legal advisors of the companies involved both to gain insights into the background of the transaction and to understand its economic, accounting, legal and tax arrangements;
- reviewed the Contribution Agreement and its appendices, which were signed on 19 February 2020;
- reviewed the legal documents relating to GEC 25's incorporation and to GEC's 25 operations since then;
- ensured that GEC 25 has performed no business activity since its incorporation, in order to confirm that GEC 25's equity actually reflects the real value of its shares;
- examined the legal and financial documentation provided to us concerning the Residential Business to be transferred by Gecina;

- read the reports issued by Gecina's statutory auditors in respect of its last two financial years;
- analysed Gecina's annual and consolidated financial statements for the year ended 31 December 2019, on which the statutory auditors issued an unqualified opinion;
- drew on the work we performed for our assessment of the Contribution's value;
- reviewed the values of the real estate assets included in the Contribution based on the property valuations. Most of the property valuations of the portfolio to be transferred were carried out externally by an independent real estate appraiser; part of them, relating to the real estate assets for sale, was appraised internally by Gecina. We compared the valuations conducted internally with the fair market values of comparable properties;
- reviewed the Residential Business' historical profitability trends;
- reviewed the business plan for the Residential Business drawn up by Gecina's management;
- analysed whether the valuation method adopted by the parties to determine the relative value of the Residential Business is relevant and properly implemented;
- conducted alternative valuation methods for the Residential Business;
- obtained a letter of representation from Gecina's legal representative confirming there is no fact nor event likely to call into question significantly the consideration for the Contribution.

2.2. Assessment of the pertinence of the relative values attributed to the net assets to be transferred and to GEC 25's shares

To determine the consideration for the Contribution, the parties to the Contribution Agreement used an exchange ratio based on the real values of the net assets to be transferred and of the transferee company's shares.

2.2.1. Transferee company

GEC 25, which was registered on 2 January 2020, has conducted no operational activity to date.

The company has been valued by reference to its equity, which corresponds to the sum of (i) its share capital and (ii) its issue premium comprising the capital reduction that will be definitively completed prior to the completion of the Contribution: that valuation was based on a value of €1 per share.

Since GEC 25 is a dormant company, this method is appropriate because it reflects its net assets to date. It does not call for any comment from us.

2.2.2.Residential Business

We reviewed the work performed by the parties to the Contribution Agreement to value the assets to be transferred and liabilities to be passed on in respect of the Residential Business.

Gecina's management opted for a valuation based on the net assets of the Residential Business. This is reflected through the restated net asset value (hereinafter "**NAV**") of the Residential Business.

In our opinion, this customary method is appropriate to evaluate the Residential Business.

As part of our analysis, we verified the restated NAV calculation. To this end, we reviewed the property appraisals underpinning the real value of the real estate assets, by means of performance analyses and of interviews. Subsequently, we extended the valuation criteria and methods to assess the sensitivity of the consideration to various parameters.

The complementary valuations we performed, as described hereinafter[5], are intended solely for the purpose of determining the relative values of the Residential Business in order to assess the fairness of the exchange ratio proposed in the Contribution Agreement.

2.3. Valuation methods for the Residential Business implemented by the independent appraisers

2.3.1.Parameters used in the various valuation methods conducted

Sources of accounting data

Our valuation analysis was conducted based on the assets to be transferred and the liabilities to be passed on in respect of the Residential Business. The contribution values of those items originates from Gecina's annual financial statements for the year ended 31 December 2019, on which the statutory auditors issued an unqualified opinion.

Business plan

Gecina's management drew up a standalone business plan for the Residential Business covering the 2020-to-2028 period. The business plan shows business volumes and profitability figures.

2.3.2.Valuation methods implemented for the Residential Business

2.3.2.1. Restated net asset value (NAV)

Restated NAV is a most common valuation method for real estate companies. In its registration document, Gecina reports a triple net NAV calculated in line with EPRA's recommendations.

Triple net NAV (EPRA NNNAV) is determined based on net book value under IFRSs, including the impact of fair value adjustments (excluding contribution taxes) related to investment

[5] § 2.3.2.1 to 2.3.2.4.

properties. It is calculated based on EPRA NAV after factoring in the potential impact of taxes on unrealised capital gains and the fair value of debt and financial instruments.

With respect to the NAV of the Residential Business, we verified that, except for the fair value adjustments relating to the real estate portfolio, which are based on (i) property valuations conducted by the independent appraiser and (ii) market values for properties valued internally, the items requiring adjustments in the transition from IFRS equity to EPRA NNNAV were not transferred and did not fall within the scope of the transaction.

2.3.2.2. Valuation under the discounted cash flow (DCF) method

We implemented an intrinsic valuation method (Discounted Cash Flow, hereinafter "**DCF**"), which involved discounting future available cash flows after adjusting for capital requirements.

For that purpose, we reviewed the standalone business plan drawn up for the 2020-2028 period by Gecina's management. This business plan forecasts no significant change in the business, other than the acquisitions of real estate assets envisaged by reinvesting the proceeds from the sale of real estate assets deemed non-core.

First, we conducted a critical analysis of the business plan and the underlying assumptions used to project the cash flows.

These cash flows were discounted at the weighted average cost of capital (WACC)[6].

Under this method, the value of the Residential Business lies in the sum of (i) discounted cash flows over the forecasted period and (ii) the terminal value. The terminal value was calculated in two ways: as an exit value, based on the disposal value of the real estate portfolio, or as a normalised terminal cash flow assuming the rental business is continuing.

In addition, we tested the sensitivity of the real value obtained using this method to a change in the main valuation parameters, such as the discount rate and the perpetual growth rate.

2.3.2.3. Valuation under the discounted dividend model (DDM) method

A dividend-based valuation method is relevant to assess the Residential Business given its SIIC status, which applies to the revenues generated by real estate businesses and requires the distribution of regular dividends.

We implemented the Discounted Dividend Model (DDM) method based on the dividends that the Residential Business is expected to pay out. Terminal value was estimated using the same principles as those considered under the DCF method.

The cost of capital[7] used to discount forecasted dividend flows was calculated based on current financial indicators, including interest rates and market risk premiums. The perpetual growth rate was determined using the growth rates adopted by the independent real estate appraiser.

[6] Discount rate ranging between 3.8% and 4.4%.
[7] Discount rate ranging between 4.6% and 5.5%.

2.3.3. Peer comparison based on stock market multiples

A peer comparison based on the application of stock market multiples consists in valuing the business to be transferred using multiples observed among samples of listed companies deemed comparable.

We considered two distinct samples: the first[8], gathering European residential real estate pure players, was favoured; the second[9], which was considered for complementary reference purposes, included French real estate companies with a diversified range of business activities.

In line with standard practices, we considered EPRA NNNAV[10] as the benchmark and we applied the EPRA NNNAV multiples we obtained to the figures relating to the Residential Business.

2.3.4. Conclusion concerning the pertinence of the relative values

The relative value of the Residential Business that resulted from the asset-based valuation which was rightly favoured by Gecina given the nature of the Contribution (real estate activities) lies within the range of the relative values produced through our analyses.

Consequently, the relative values considered by the parties seem relevant given that (i) they result from implementing usual and appropriate valuation criteria and (ii) the asset-based valuation of the Residential Business is supported by the alternative valuation methods we conducted.

3. Assessment of the fairness of the consideration proposed for the Contribution

3.1. Consideration proposed by the parties

Based on the relative values considered, the consideration for the Contribution made by Gecina will result in the issue of 1,919,200,000 GEC 25 shares.

3.2. Procedures implemented by the independent appraisers

In accordance with the assignment entrusted to us, we performed the procedures we deemed necessary to assess the fairness of the proposed consideration.

The procedures were designed with reference to the professional guidelines laid down by the CNCC for this type of assignment.

[8] Vonovia, Deutsche Wohnen, LEG Immobilien, TAG Immobilien, Grand City Properties, ADO Properties, Kojamo Oyj, Hembla AB.
[9] Covivio, Icade, Société de la Tour Eiffel, CeGeREAL, Foncière Inea, Altarea.
[10] As of 31 December 2018 and 30 June 2019.

Accordingly, we:

- analysed the positioning of the exchange ratio compared with the relative values deemed relevant;
- analysed the impact of the consideration on shareholders' future situation.

We obtained assurance that the proposed consideration had been determined appropriately.

3.3. Level and assessment of the consideration

The consideration for the Contribution is the product of a comparison of relative values. Since the Residential Business to be transferred relates to real estate, restated NAV is the valuation method of choice.

To assess the sensitivity of the exchange ratio, we determined the number of GEC 25 shares to be issued in consideration for the Contribution depending on the real values of the Residential Business we obtained through the alternative valuation methods presented hereinabove in § 2.

The number of GEC 25 shares to be issued in consideration for the Contribution under each method is shown in the table hereinafter:

Gecina	GEC 25	New shares		
En millions		Min		Max
The consideration for the Contribution retained			**1 919,2**	
NAV	NAV		1 919,2	
DCF - Exit value	NAV		2 079,6	
DCF - Terminal value	NAV		2 426,4	
DDM - Terminal value	NAV		2 201,1	
DDM - Exit value	NAV		2 154,6	
Peers as of 31 December 2018	NAV	1 301,0		2 357,0
Peers as of 30 June 2019	NAV	1 727,0		2 040,0

It shall be highlighted that the exchange ratio agreed by the parties lies within the range of values that we obtained.

Given the explanations provided hereinabove, the consideration for the Contribution determined by the parties is, in our opinion, appropriate and relevant.

3.4. Impact of the consideration on shareholders' future situation

It shall be noted that GEC 25, the transferee company, is controlled by Gecina, the transferor company. The transaction, the terms and conditions of which are being submitted for your approval, takes place strictly within the confines of the Gecina group.

Given that the share capital of the transferee company is wholly owned by the transferor company, the consideration for the Transfer will not affect the latter's net assets, since the transferor company will remain in all events the transferee company's sole shareholder.

4. Conclusion

Based on our work and at the date of this report, the consideration for the Contribution agreed by the parties, leading to the issuance of 1,919,200,000 GEC 25 shares, is fair in our opinion.

Paris, March 4, 2020

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