

Cofinimmo

Public limited company – Regulated real estate company under Belgian law

58 Boulevard de la Woluwe

1200 Brussels

VAT No. 426.184.049

Register of Legal Entities No. 0426.184.049

(the "**Company**")

REPORT PREPARED BY THE BOARD OF DIRECTORS OF COFINIMMO PURSUANT TO ARTICLE 604 OF THE
COMPANY CODE
FOR THE EXTRAORDINARY GENERAL MEETING OF 20 DECEMBER 2019
AND, IF APPLICABLE, THE SECOND EXTRAORDINARY GENERAL MEETING OF 15 JANUARY 2020 IF THE
QUORUM IS NOT MET AT THE FIRST MEETING

7 November 2019

1 INTRODUCTION

This report has been drawn up pursuant to Article 604 of the Company Code and concerns the proposal to renew and extend the authorisation granted to the board of directors relating to the authorised capital.

This proposal will be submitted to the Company's shareholders for approval at the extraordinary general meeting to be held on 20 December 2019 and, if applicable, at the second extraordinary general meeting to be held on 15 January 2020, if the required quorum is not met on 20 December 2019.

This special report describes the circumstances under which the Company's management body is authorised to increase the capital and the objectives it can pursue in this regard.

2 PROPOSED AUTHORISATION RELATING TO THE AUTHORISED CAPITAL

On 1st February 2017, the Company's extraordinary general meeting granted the board of directors an authorisation to increase the Company's capital, within the limits of the authorised capital, for a period of five years, up to a maximum amount of (i) EUR 1,127,000,000 (i.e. 100% of the capital on 1st February 2017) for capital increases by way of cash contributions with either the possibility for shareholders to exercise a preferential subscription right or providing for a priority allocation right and (ii) EUR 225,000,000 for all other types of capital increases. This five-year period began on 17 February 2017 (i.e. the publication date in the Annexes to the *Moniteur belge* of the decision approving the authorisation relating to the authorised capital adopted by the extraordinary general meeting of 1st February 2017) and runs until 17 February 2022.

The available balance of the authorised capital has been substantially reduced in the past few years following various capital increases. It is thus proposed that the general meeting replace the existing authorisation relating to the authorised capital with a new authorisation allowing the Company's board of directors to increase the Company's capital on one or more occasions by a maximum amount of:

1. 50% of the capital on the date of the extraordinary general meeting that approves the authorisation, rounded down, for capital increases **by means of cash contributions with the possibility for the Company's shareholders to exercise a pre-emptive right or priority allocation right;**
2. 20% of the capital on the date of the extraordinary general meeting that approves the authorisation, rounded down, for capital increases in the context of the **distribution of an optional dividend;**
3. 10% of the capital on the date of the general meeting that approves the authorisation, rounded down, for (i) capital increases **through contributions in kind**, (ii) capital increases **through cash contributions without the possibility for the Company's shareholders to exercise a pre-emptive right or priority allocation right** and (iii) **any other type of capital increase,**

it being understood that the capital, pursuant to the exercise of these authorisations, may never be increased by an amount in excess of the cumulated amount of these authorisations.

The proposed authorisation will be granted for a period of five years as from the publication date in the Annexes to the *Moniteur belge* of the minutes of the extraordinary general meeting that approves it.

The proposed authorisation set out in **point 1** above covers, on the one hand, a classic capital increase (with the issuance of shares, convertible bonds or warrants) through a cash injection with the application of a pre-emptive right as provided for by company law and, on the other hand, a capital increase (with the issuance of shares, convertible bonds or warrants) with the application of a priority allocation right for the Company's shareholders, as provided for by Article 26 §1 of the Act of 12 May 2014 on regulated real estate companies (the "**RREC Act**").

The RREC Act indeed allows derogation from the pre-emptive right of shareholders, which it replaces with a "priority allocation right" in favour of existing shareholders. This mechanism reflects market practice, as a pre-emptive right can, depending on the circumstances, be unsuited to international markets, particularly due to its duration. The priority allocation right provided for by the RREC Act is thus regarded as equivalent to the traditional preferential subscription right provided for by the Company Code.

This is an authorisation to increase the capital by up to 50% of the amount of capital on the date of the extraordinary general meeting that approves it, rounded down.

The proposed authorisation set out in **point 2** above refers to the possibility to compensate shareholders in a specific way by proposing an optional dividend. The shareholders thus have the possibility to contribute to the Company's capital their (net) dividend entitlements in exchange for new shares of the Company.

This is an authorisation to increase the capital by up to 20% of the amount of capital on the date of the extraordinary general meeting that approves it, rounded down.

The proposed authorisation set out in **point 3** above refers to capital increases (in particular with the issuance of shares, convertible bonds or warrants) (i) through contributions in kind or (ii) through cash contributions without the possibility for the Company's shareholders to exercise a pre-emptive right or the abovementioned priority allocation right or (iii) any other type of capital increase.

This is an authorisation to increase the capital by up to 10% of the amount of capital on the date of the extraordinary general meeting that approves it, rounded down.

The capital increases referred to in point 3(ii) were made possible by the amendment of Article 26 §1 of the RREC Act by Article 186 of the Act of 2 May 2019 containing various financial provisions. The amendment allows, for example, regulated real estate companies to carry out a capital increase by means of a procedure known as *accelerated bookbuilding* (accelerated private placement with the creation of an order book). The possibility to conduct this type of capital increase is limited by law in that the total value of the capital increases carried out in accordance with the authorisation set out in point 3(ii), over a period of twelve months, may not exceed 10% of the capital as it stood at the time of the decision to increase the capital.

For the sake of clarity, it is noted that unless the board of directors decides otherwise, capital increases in the context of the payment of an optional dividend are deemed to fall under the authorisation proposed

in point 2.

However, if the authorisation proposed in point 2 (that is, a distinct authorisation for capital increases in the context of the distribution of an optional dividend) is not approved by the extraordinary general meeting, such capital increases may then fall under the authorisation proposed in point 3 (provided this authorisation is approved by the extraordinary general meeting).

In any case, pursuant to the exercise of these authorisations, the capital may never be increased by an amount in excess of the cumulated amount of these authorisations.

The proposed authorisation will be granted for a period of five years as from the publication date of the minutes of the extraordinary general meeting that approves it in the Annexes to the *Moniteur belge*. The current authorisation relating to the authorised capital will be replaced with the proposed authorisation. However, if the proposed authorisation is not approved by the extraordinary general meeting, the current authorisation relating to the authorised capital will continue to apply to the Company's board of directors.

Capital increases thus determined by the board of directors may be subscribed in cash, in kind or by a combination of both or effected through the incorporation of reserves, including profits carried forward and issue premiums, as well as all components of equity reflected in the Company's IFRS financial statements (drawn up pursuant to the applicable RREC rules) capable of being converted into capital, with or without the creation of new securities. Such capital increases may also be realised through the issuance of convertible bonds, subscription rights or mandatory convertibles, which may give rise to creation of the same securities.

When capital increases decided on pursuant to this authorisation include an issue premium, the amount thereof shall be credited to one or more distinct accounts in the equity section on the liability side of the balance sheet. The board of directors is free to decide to place any issue premium, possibly after deduction of an amount capped at the costs of the capital increase determined in accordance with the applicable IFRS rules, in a non-distributable account, which shall constitute, like the capital, a guarantee for third parties and which may only be reduced or abolished pursuant to a decision of the general meeting taken in accordance with the conditions required to amend the articles, except in the case of conversion into capital. In the event of a capital increase accompanied by an issue premium, only the amount credited to capital shall be deducted from the remaining useable balance of authorised capital.

3 OBJECTIVES PURSUED BY THE USE OF AUTHORISED CAPITAL

The purpose of this request for an authorisation to increase the capital within the limits of the authorised capital is, as in the past, to allow the Company to react quickly and flexibly to all opportunities and proposals for contributions in cash or in kind that meet the criteria mentioned in its corporate purpose (Article 3 of the articles).

The calling of a general meeting to proceed with a capital increase, and the burdensome procedure this entails, is not always in the Company's interest. This is especially true, for example, when the calling of a general meeting, due to its timing and the disclosure thereof, is liable to compromise a proposed transaction or when the costs associated with calling a general meeting are disproportionate compared to the amount of the proposed capital increase. The board of directors may thus have recourse to the authorised capital in all cases when calling a general meeting is not advisable.

The authorised capital may also be used in cases where it is important to make the most of market developments and conditions in order to respond to interest expressed by investors and, in general, take advantage of all opportunities to strengthen the Company's own funds, adapt the Company's financial structure to business development needs and statutory and regulatory provisions, improve the Company's capacity to act, and promote the development of its activities.

It also appears appropriate to use the authorised capital when there is a need for quick financing or when it is necessary to respond swiftly to a financing opportunity, without the possibility for the Company's shareholders to exercise a pre-emptive right or priority allocation right.

The authorised capital may be used when the board of directors wishes to proceed with a capital increase in the context of an optional dividend, regardless of whether the dividend is (fully or partially) paid directly in shares or in cash and, thereafter, it is possible to subscribe, in whole or in part, to the new shares, with or without a balancing cash adjustment.

Finally, the board of directors may also use the authorised capital in the context of the remuneration policy, including to grant, for example, shares, or warrants to employees of the Company or its subsidiaries (as defined by applicable company law).

Due to its flexibility, this technique of the authorised capital facilitates continued pursuit of the growth policy successfully followed by the board of directors for many years.

The specific circumstances in which the authorised capital may be used and the objectives described in this report are not exhaustive and should be interpreted as broadly as possible.

4 PROPOSED AMENDMENTS TO THE ARTICLES

In view of the foregoing, the board of directors proposes to amend and replace Article 6.2 relating to the authorised capital in order to align it to the aforementioned proposals.

"The board of directors is authorised to increase the capital on one or more occasions by a maximum amount of:

- 1) six hundred ninety-two million euros (€692,000,000),¹ namely 50% of the capital on the date of the extraordinary general meeting of [20 December 2019 or, if the quorum is not met, 15 January 2020], rounded down, for capital increases by means of cash contributions with the possibility for the Company's shareholders to exercise a preemptive right or priority allocation right;*
- 2) two hundred seventy-seven million euros (€277,000,000),² namely 20% of the capital on the date of the extraordinary general meeting of [20 December 2019 or, if the quorum is not met, 15 January 2020], rounded down, for capital increases in the context of the distribution of an optional dividend;*
- 3) one hundred thirty-eight million euros (€138,000,000),³ namely 10% of the capital on the date of the extraordinary general meeting of [20 December 2019 or, if the quorum is not met, 15 January*

¹ To be amended, if necessary, based on the level of capital on the date of the extraordinary general meeting that approves the authorisation.

² To be amended, if necessary, based on the level of capital on the date of the extraordinary general meeting that approves the authorisation.

³ To be amended, if necessary, based on the level of capital on the date of the extraordinary general meeting that approves the authorisation.

2020], rounded down, for

a. capital increases by means of contributions in kind,

b. capital increases by means of cash contributions without the possibility for the Company's shareholders to exercise a preemptive right or priority allocation right, or

c. any other type of capital increase,

it being understood that the capital, pursuant to the exercise of this authorisation, may never be increased by an amount in excess of one billion one hundred seven euros (€1,107,000,000),⁴ namely the cumulated amount of the authorisations.

This authorisation is granted for a renewable period of five years as from the publication date in the *Moniteur belge* of the minutes of the general meeting of [20 December 2019 or, if the quorum is not met, 15 January 2020].

Upon any capital increase, the board of directors shall determine the price, the issue premium, if any, and the conditions for issuance of the new securities.

Capital increases thus determined by the board of directors may be subscribed in cash, in kind or by a combination of both or effected through the incorporation of reserves, including profits carried forward and issue premiums, as well as all components of equity reflected in the Company's IFRS financial statements (drawn up pursuant to the applicable RREC rules) capable of being converted into capital, with or without the creation of new securities. Such capital increases may also be realised through the issuance of convertible bonds, subscription rights or mandatory convertibles, which may give rise to creation of the same securities.

When capital increases decided on pursuant to this authorisation include an issue premium, the amount thereof shall be credited to one or more distinct accounts in the equity section on the liability side of the balance sheet. The board of directors is free to decide to place any issue premium, possibly after deduction of an amount capped at the costs of the capital increase determined in accordance with the applicable IFRS rules, in a non-distributable account, which shall constitute, like the capital, a guarantee for third parties and which may only be reduced or abolished pursuant to a decision of the general meeting taken in accordance with the conditions required to amend the articles, except in the case of conversion into capital.

In the event of a capital increase accompanied by an issue premium, only the amount credited to capital shall be deducted from the remaining useable balance of authorised capital.

The board of directors is authorised to restrict or cancel the pre-emptive right of shareholders, even in favour of one or more specified persons other than employees of the Company or of one of its subsidiaries, provided, to the extent required by the RREC rules, a priority allocation right is granted to the existing shareholders upon allocation of the new securities. If applicable, this priority allocation right shall meet the conditions provided for by the RREC rules and Article 6.4 of the articles. In any case, it should not be granted in the case of cash contributions made in accordance with Article 6.4 of the articles.

Capital increases by way of a contribution in kind shall be carried out in accordance with the requirements of the RREC rules and the conditions set out in Article 6.4 of the articles. Such contributions may also concern dividend entitlements in the context of the distribution of an optional dividend.

The board of directors is authorised to have set down in a notarised document the resulting amendments to the articles."

⁴ To be amended, if necessary, based on the level of capital on the date of the extraordinary general meeting that approves the authorisation.

Consequently, the board of directors also proposes to replace Article 6.4 of the articles with the following wording:

"Any capital increase shall be carried out in accordance with the provisions of the Code of Companies and Associations and the RREC rules.

The Company may not subscribe directly or indirectly to its own capital increase.

For any capital increase, the board of directors shall determine the price, the issue premium, if any and the conditions for issuance of the new securities, unless the general meeting takes a decision on these points.

If the general meeting decides to request the payment of an issue premium, the amount thereof must be credited to one or more distinct accounts in the equity section of the balance sheet.

Contributions in kind may also relate to the entitlement to a dividend in the context of the distribution of an optional dividend, with or without a complementary cash injection.

*In the event of a **capital increase by way of a cash contribution** pursuant to a decision of the general meeting or within the limits of the authorised capital, the pre-emptive right of shareholders may only be restricted or abolished provided, insofar as required by the RREC rules, a priority allocation right is granted to the existing shareholders upon allocation of the new securities. If applicable, this priority allocation right shall meet the following conditions pursuant to the RREC rules:*

- 1. it extends to all newly issued securities;*
- 2. it is granted to shareholders in proportion to the capital represented by their shares at the time of the transaction;*
- 3. a maximum price per share is announced no later than the day before the opening of the public subscription period, which must last for at least three trading days.*

The priority allocation right is applicable to the issuance of shares, convertible bonds and subscription rights exercisable through cash contributions.

In accordance with the RREC rules, such a right should not be granted in the event of a capital increase through a cash contribution carried out at the following conditions:

- 1. the capital increase is effected by means of the authorised capital;*
- 2. the total value of the capital increases carried out over a period of twelve (12) months, in accordance with this paragraph, does not exceed 10% of the amount of capital at the time of the decision to increase the capital.*

Nor should it be granted in the event of a cash contribution with restriction or cancellation of the pre-emptive right of shareholders, complementary to a contribution in kind in the context of the distribution of an optional dividend, provided grant of the latter is effectively open to all shareholders.

*Capital increases **by way of a contribution in kind** are subject to the rules set out in the Code of Companies and Associations.*

Moreover, the following conditions must be respected in the event of a contribution in kind, pursuant to the RREC rules:

- 1. the identity of the contributor must be mentioned in the report prepared by the board of directors on the capital increase by way of a contribution in kind as well as, if applicable, in the notice calling the general meeting to vote on the capital increase;*
- 2. the issue price may not be less than the lower of (a) a net asset value per share determined within the four-month period prior to the date of the contribution agreement or, at the Company's choosing, prior to the date of the document formalising the capital increase and (b)*

the average closing price for the period of thirty calendar days preceding this same date; in this regard, it is permitted to deduct from the amount referred to in point 2(b) an amount corresponding to the gross undistributed dividends of which the new shares could be deprived, provided the board of directors specifically justifies the value of the accrued dividends to be deducted in a special report and sets out the financial conditions of the transaction in the annual financial report;

- 3. unless the issue price or, in the case mentioned in Article 6.6, the exchange ratio, as well as the conditions thereof, are determined and communicated to the public no later than the working day following conclusion of the contribution agreement, mentioning the period within which the capital increase will effectively be carried out, the document formalising the capital increase shall be executed within a maximum period of four months; and*
- 4. the report mentioned at point (1) above must also explain the impact of the proposed contribution on the situation of former shareholders, in particular with regard to their share of the profits, the net asset value per share and the capital as well as in terms of voting rights. In accordance with the RREC rules, these supplementary conditions are not, in any case, applicable to a contribution of a dividend entitlement in the context of the distribution of an optional dividend, provided the grant thereof is effectively open to all shareholders."*

5 CONCLUSION

The board of directors believes that the authorisation relating to the authorised capital is in the Company's interest.

The board of directors therefore requests that the Company's shareholders vote in favour of the amendment to the Company's articles for the purpose of granting to the board a new authorisation relating to the authorised capital, at the terms and conditions set out in this report.

Done in Brussels, on 7 November 2019.

For the board of directors,

Jean-Pierre Hanin
Managing director

Jacques van Rijckevorsel
Chairman of the board of directors