

## **GALIL CAPITAL RE SPAIN SOCIMI, S.A.**

**8 de agosto de 2018**

En virtud de lo previsto en el artículo 17 del Reglamento (UE) nº 596/2014, sobre abuso de mercado, y en el artículo 228 del texto refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, y disposiciones concordantes, así como en la Circular 6/2018 del Mercado Alternativo Bursátil (“**MAB**”), Galil Capital Re Spain, SOCIMI, S.A. (“**Galil Capital**” o la “**Sociedad**”), pone en conocimiento del mercado el siguiente

### **HECHO RELEVANTE**

Se pone a disposición del mercado el informe de valoración de la Sociedad emitido por BDO Valuation Services (BDO Auditores, S.L.P.) (“**BDO**”) el 12 de julio de 2018, adjunto al presente (el “**Informe de Valoración**”).

El motivo del presente hecho relevante hace referencia a la publicación en el MAB el 1 de agosto de 2018 de la convocatoria de la junta general extraordinaria de accionistas de la Sociedad a celebrar el próximo 24 de septiembre de 2018 en primera convocatoria o el 25 de septiembre en segunda convocatoria, y en particular al acuerdo segundo relativo a la delegación en el consejo de administración de la ampliación de capital de la Sociedad a los efectos del artículo 297.1.b) de la Ley de Sociedades de Capital.

Tal y como se expone en los preceptivos documentos a someter a la junta general de accionistas (esto es, el informe del consejo de administración sobre la propuesta de delegación en el consejo de la facultad de aumentar el capital social y el texto íntegro de la propuesta de acuerdos a adoptar por parte de la junta), los cuales están publicados en la página web de la Sociedad ([www.galilcapital.es](http://www.galilcapital.es)), el consejo de administración de la Sociedad ha tomado como referencia el Informe de Valoración para determinar la propuesta de precio de las nuevas acciones que se emitirían en caso de que la junta general adopte el acuerdo de referencia.

Para mejor referencia, el consejo de administración propone que el aumento de capital social sea de un máximo de 8.740.000 euros, con un precio por acción de 12 euros determinado atendiendo al rango de valor por acción estimado por BDO (haciendo uso de la metodología NAV) en el Informe de Valoración.

Quedamos a su disposición para cuantas aclaraciones consideren oportunas.

Atentamente,



D. Jerry Zwi Mandel  
Presidente del consejo de administración de  
GALIL CAPITAL RE SPAIN, SOCIMI, S.A.



# GALIL CAPITAL RE SPAIN SOCIMI, S.A.

Valuation report of Galil Capital RE Spain SOCIMI, S.A.

12 July 2018

PRIVATE AND CONFIDENTIAL



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**Galil Capital RE Spain SOCIMI, S.A.**

Carrer Provença, núm 231 “Casa Puig i Cadafalch” primer pis,  
08008 Barcelona, Spain

To the attention of Mr. Jerry Zwi Mandel,

July 12<sup>th</sup>, 2018

Dear Mr. Mandel,

We are pleased to present you our report in relation to the valuation of Galil Capital RE Spain SOCIMI, S.A.

We would like to thank you for the trust placed in BDO Valuation Services, and we will be pleased to provide any further information or clarification regarding this valuation report.

We take advantage of this occasion to send you our best regards.

Yours faithfully,

Eduardo Pérez  
*Partner*

Sergio Martín  
*Director*

**Important note**

This document has been prepared based on private information, that has been provided by the management team of Galil Capital RE Spain SOCIMI, S.A., not having conducted any independent verification of such information.

BDO does not assume or guarantee, the accuracy, correctness and completeness of the information, expressed or implied, contained in this document and provided by the above address to carry out our work.

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# DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS (1 OF 1)

Abbreviation	Meaning
€	Euros
€k	Thousands of euros
DCF	Discounted cash flow
EBITDA	Earnings before interests, taxes, depreciation and amortization
EBIT	Earnings before interest and tax
EBT	Earnings before taxes
FY	Fiscal Year
Galil Spain/ the Client/ the Company	Galil Capital RE Spain SOCIMI, S.A.
Management	Management team of Galil Spain
n.a. / n.m.	Not available / Not meaningful

Abbreviation	Meaning
NAV	Net asset value
NBV	Net book value
NOPLAT	Net operating profit less adjusted taxes
P&L	Profit and loss account
REIT	Real Estate Investment Trust
RICS	Royal Institution of Chartered Surveyors
sqm	Square metre
SOCIMI	Sociedades Cotizadas de Inversión en Mercados Inmobiliarios
Valuation Date	31 May 2018
YTD	Year-to-date

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SECTION 1

# INTRODUCTION



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# INTRODUCTION (1 OF 1)

## Background

### Galil Capital RE Spain SOCIMI, S.A. (“Galil Spain”, the “Company” or the “Client”)

Galil Spain is a Spanish real estate investment company, whose activity is to invest and subsequently manage and lease real estate assets focused on residential property in Spain, primarily Madrid and Barcelona.

The Company’s registered office and tax office is located at Carrer Provença, núm 231 “Casa Puig i Cadafalch” primer pis, 08008 Barcelona.

The corporate purpose of the Company is as follows:

- a) The acquisition, directly or indirectly through investee companies, of residential properties, rental communities, factional condominiums and any other type of residential offer, mainly in Madrid and Barcelona, for subsequent sale or lease.
- b) Notwithstanding the foregoing, the Company may invest up to 25% of the total share capital, premium reserves, contributions made by shareholders and loans and credits granted by shareholders in commercial properties, including office, storage and shopping center buildings, mainly in Madrid and Barcelona or properties outside Madrid and Barcelona.
- c) The acquisition and promotion of real estate of an urban nature for its lease, including the refurbishment of buildings under the terms established in Law 37/1992, of 28 December, on Value Added Tax.
- d) Holding shares in the capital of other listed companies of investment in the real estate market (SOCIMI) or in other entities not resident in Spanish territory that have the same corporate purpose as those and which are subject to a regime similar to that of established for said SOCIMI regarding the mandatory policy, legal or statutory, of distribution of benefits;

- e) The holding of shares in the capital of other entities, resident or not in Spanish territory, whose main corporate purpose is the acquisition of urban real estate properties for lease and which are subject to the same regime established by the SOCIMI as to the mandatory policy, legal or statutory, of distribution of benefits and meet the investment requirements referred to in article 3 of the Law of SOCIMIs.
- f) The holding of shares or participations of Real Estate Collective Investment Institutions regulated in Law 35/2003, of November 4th, of Collective Investment Institutions, or the rule that replaces it in the future. Additionally, the Company may develop other accessory activities, understood as those whose revenues represent, in aggregate, less than 20% of the income of the Company in each tax period or those that may be considered as accessory in accordance with the applicable law at any time.

Galil Spain is subject to the SOCIMI regime and its shares are listed on the Mercado Alternativo Bursátil (“MAB”) since February 28<sup>th</sup>, 2018 , with a current capital admitted and capitalization of approximately €20,600k, under the code “YGCS”.

Currently, the share capital of Galil Spain is comprised of 2,079,986 shares (including 30,000 treasury shares), each at a 10€ nominal price.

As at May 31<sup>st</sup>, 2018, Galil Spain does not have subsidiaries.

### Purpose of our work

As we have been informed, Galil Spain is planning to perform a capital increase for the entrance of new investors into the capital (the “Transaction”).

Within above context, the Company’s management team has considered appropriate to request BDO Financial Advisory (“BDO”) professional collaboration to estimate the possible fair value of Galil Spain’s equity value.



SECTION 2

# OBJECTIVE OF OUR WORK



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# OBJECTIVE OF OUR WORK (1 OF 1)

## Scope of our work

The objective of our collaboration has been to perform the work necessary to estimate the possible range of fair values for the Galil Spain's shares (Equity Value), through the application of generally accepted valuation methods.

The fair value of Galil Spain's shares has been estimated at 31 May 2018, since it corresponds to the date of the last available financial statements of the Company. We have been informed that no significant events have occurred up to the date of this report that might significantly change the range of values estimated for Galil Spain's shares at the valuation date.

Fair value is defined as *“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”*.

In connection with the valuation work objective of this report, we should point out that any valuation exercise implicitly has, in addition to objective factors, other subjective factors involving an opinion and from which, therefore, the “value” obtained constitutes an estimate to be used as a reference point for the interested parties in carrying out a transaction, meaning that it is not possible to guarantee that third parties will necessarily be in agreement with the conclusions of our work.

One has also to take into account the fact that in the context of an open market there may exist different prices for a particular business/asset due to subjective factors such as the negotiating power between the parties or different perceptions of future prospects for its use.



SECTION 3

# BASIS OF INFORMATION AND PROCEDURES PERFORMED



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# BASIS OF INFORMATION AND PROCEDURES PERFORMED (1 OF 1)

## Information basis and procedures applied

### Basis of information

Our work has been based on the economic, financial, operating and market information, provided mostly by Galil Spain as well as on information from public sources.

The main information gathered for performing our work is included below:

- Galil Spain's audited financial statements at 31 December 2017.
- Galil Spain's unaudited financial statements at 31 May 2018.
- Trial balance of Galil Spain at 31 December 2017 and 31 May 2018 YTD.
- Budget for FY18 and recurrent corporate overhead projections (2018-2019) of Galil Spain.
- Rent rolls of Galil Capital's properties as of July 2018.
- List of the MAB on-going costs in tax, legal and financial advisors.
- A detailed inventory of the Company's real estate portfolio.
- Valuation reports of the Company's residential properties issued by Savills-Aguirre Newman and dated June 2018.
- Preliminary performance fee calculation detail as of 30 June 2018, provided by the Management, based on 31 December 2017 Galil Spain's financial statements.
- Investment Management Agreement signed on 12 July 2017 between Galil Spain and GC Nadlan Real Estate, S.L.
- Other information available concerning issues relating to assets and liabilities, accounting details, corporate overheads, etc., of interest for our work.

### Main procedures applied

Our work was carried out using the procedures described below:

- Review and analysis of the information and understanding the Company's business and financial situation.
- Meetings and conversations with the Management in order to obtain other information considered useful for our work.
- Estimation of the fair value of Galil Spain's shares with the application of the selected valuation method (NAV Method), under the going concern criteria and taking into account the context and characteristics of the Company.
- Analysis and conclusions based on the results obtained and discussion of our findings with the Company's Management.
- Obtaining written confirmation from the Management of Galil Spain in which they state to us that the information received is exact and that they have informed us of all relevant aspects that might affect our work.
- Preparation of the present report including our conclusions.



SECTION 4

# BRIEF DESCRIPTION OF GALIL SPAIN

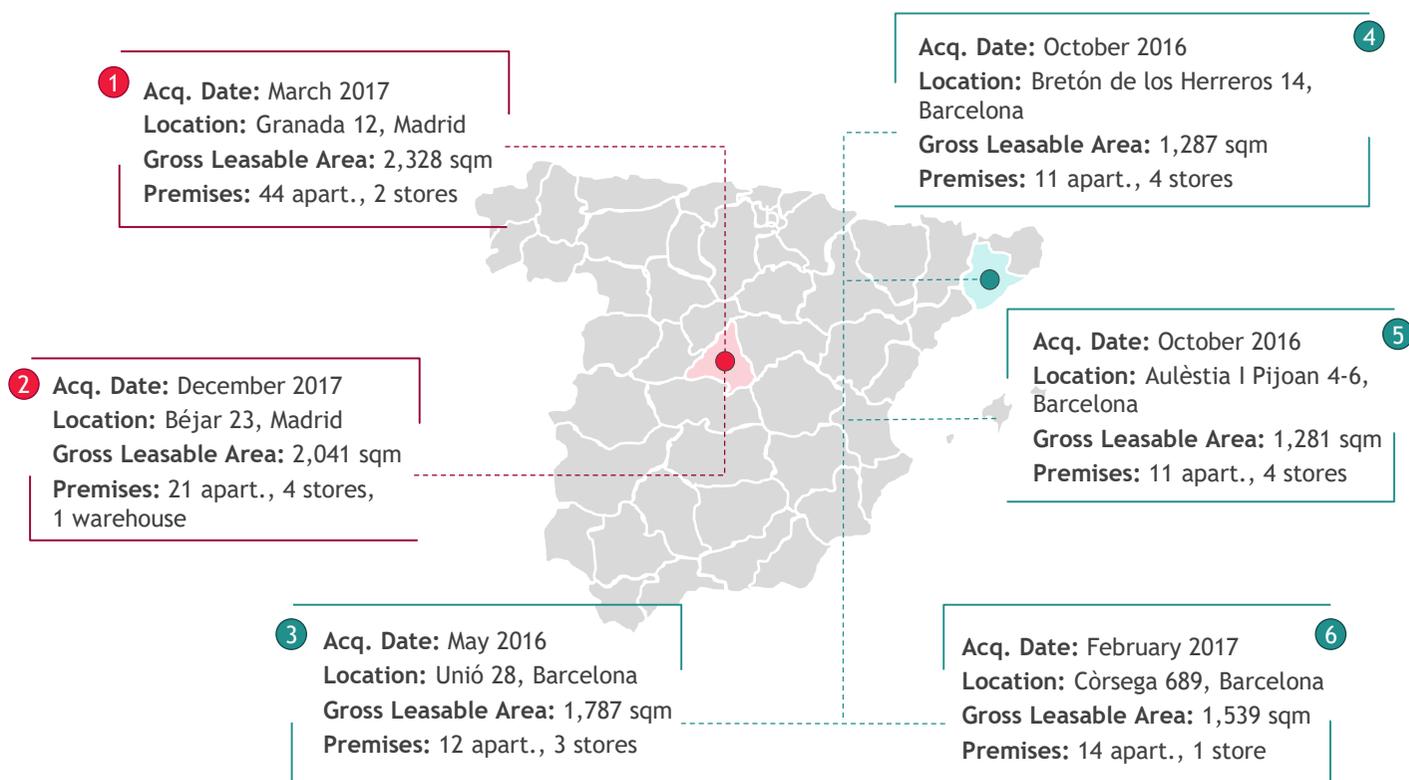


# BRIEF DESCRIPTION OF GALIL SPAIN (1 OF 9)

## Company overview

Galil Spain is a Spanish real estate investment company founded in December 2015 that invests in residential properties in mayor cities in Spain, primarily Madrid and Barcelona. The Company is geared to commit long term investments, focusing on properties that can generate stable income as well as in opportunities for generating profit through value added actions. In this regard, Galil Spain is externally managed by GC Nadlan Real Estate, S.L. an independent private management company specialized in the real estate industry.

Currently, the Company owns the following six residential properties located in consolidated areas of Madrid and Barcelona:



Source: Galil Spain's website.

# BRIEF DESCRIPTION OF GALIL SPAIN (2 OF 9)

## Properties of Galil Spain - Madrid

### 1 Residential building - Granada 12

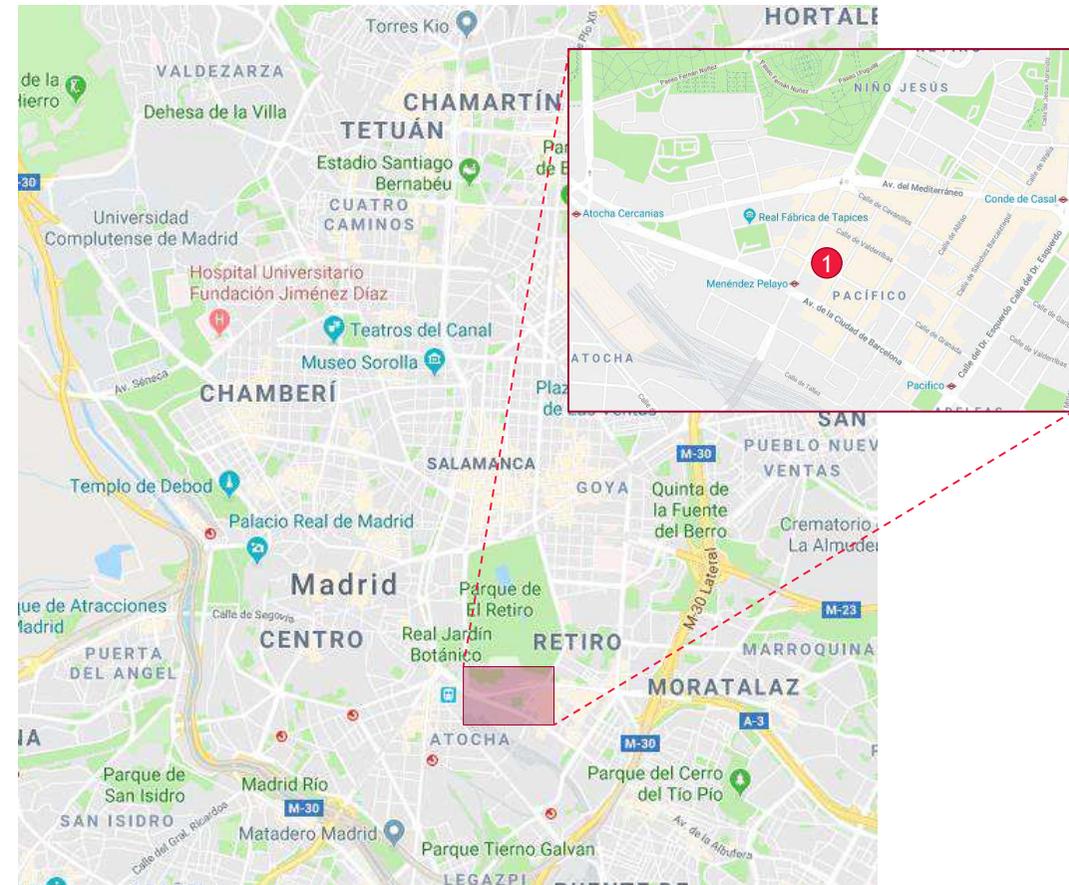
The property is located in calle de Granada 12, in Pacífico neighborhood, in the southern Retiro district of Madrid.

The property is a 6-floor residential building with a total of 56 apartments and 2 commercial premises, of which 44 apartments and the 2 commercial premises were acquired by the Company in March 2017. The ground floor is composed of the 2 commercial stores by each side of the doorway and 6 apartments. The rest of the floors (first to sixth) have 8 apartments each.

The total surface of the property owned by the Company amounts to 2,328 sqm.



Source: Galil Spain's website.



### Connections



Airport: 20km - 20mins by car



Metro: 150m from Menendez Pelayo station



Commuter/ Train: 1.8km from Atocha station - 8mins drive

# BRIEF DESCRIPTION OF GALIL SPAIN (3 OF 9)

## Properties of Galil Spain - Madrid (continued)

### 2 Residential building - Béjar 23

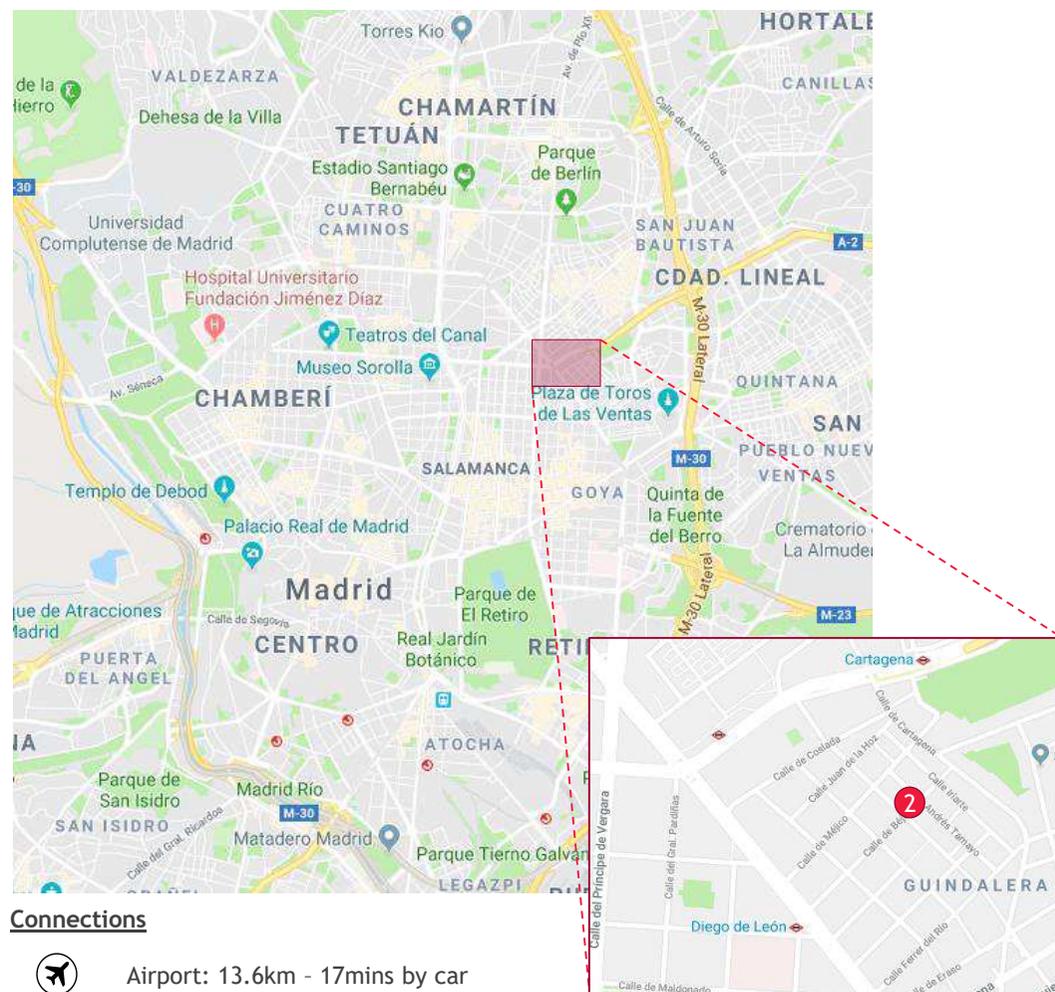
The property is located in calle de Béjar 23, in the Guindalera neighborhood, which belongs to the Salamanca district of Madrid.

The property, which was acquired by the Company in December 2017, is a residential building with commercial premises and apartments on its bottom floor. It has 4 floors, including an attic on the upper level. Currently the building is undergoing a series of works consisting in joining 2 commercial stores to form a single apartment and the split of one apartment into 2 apartments in the second floor. The property will count with 3 commercial premises and 23 apartments.

The total surface of the building is 2,041 sqm, of which 1,634 sqm are for residential purposes, while 216 sqm are formed by the commercial stores.



Source: Galil Spain's website.



### Connections



Airport: 13.6km - 17mins by car



Metro: 650m from Av. América station and 400m from Diego de León station



Commuter/ Train: Atocha station (5.6km) and Chamartin station (6.1km)

# BRIEF DESCRIPTION OF GALIL SPAIN (4 OF 9)

## Properties of Galil Spain - Barcelona

### 3 Residential building - Unió 28

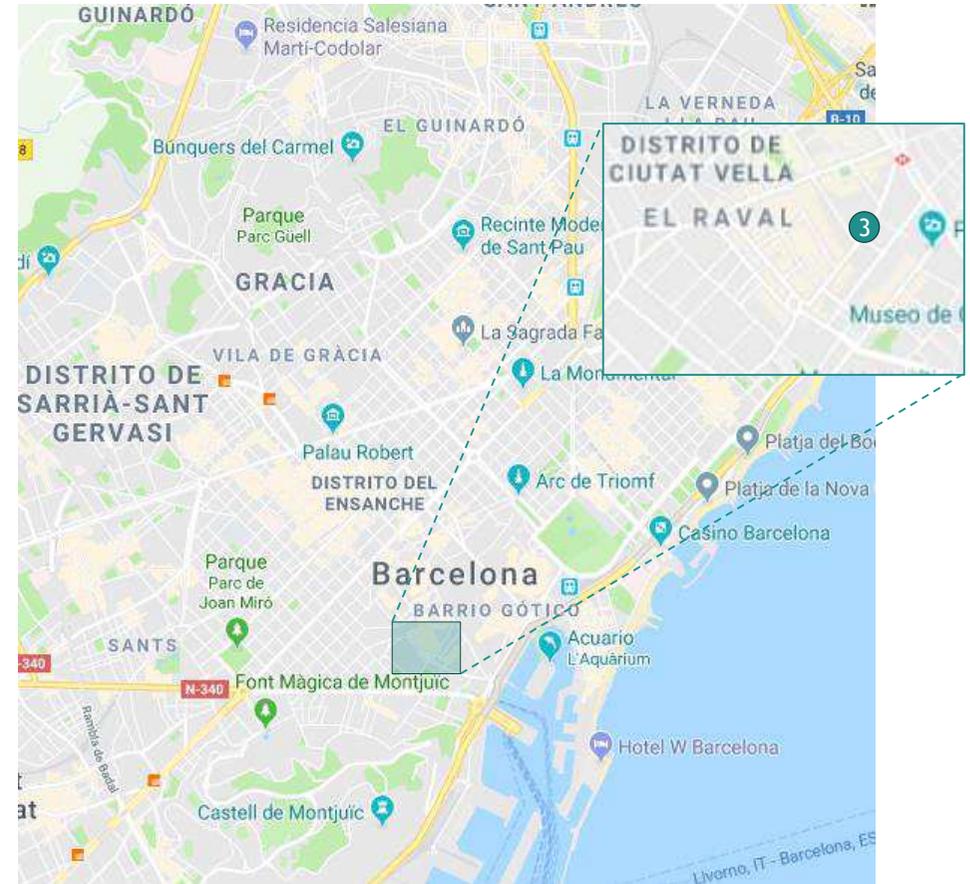
The property is located in calle Unió 28, in the Raval neighborhood, which belongs to the Ciutat Vella district, the most centric area of the city that comprises the historic center of Barcelona.

The property, acquired in May 2016, was built in 1840 and is a 3-floor building with a total of 12 apartments and 3 commercial premises on the ground floor. The first floor is composed of 3 apartments, the second floor has 4 apartments and the third floor (attic) counts with only 1 apartment. Also, the building counts with a mezzanine that holds 3 additionally apartments.

The total surface of the building is 1,787 sqm, of which 1,228 sqm are for residential purposes, while 330 sqm are formed by the commercial stores.



Source: Galil Spain's website.



#### Connections



Airport: 12.5km - 20mins by car



Metro: 200m from Liceu station



Commuter/ Train: Plaça Catalunya station (1.1km) and Barcelona-Sants (3.3km)

# BRIEF DESCRIPTION OF GALIL SPAIN (5 OF 9)

## Properties of Galil Spain - Barcelona (continued)

### 4 Residential building - Bretón de los Herreros 14

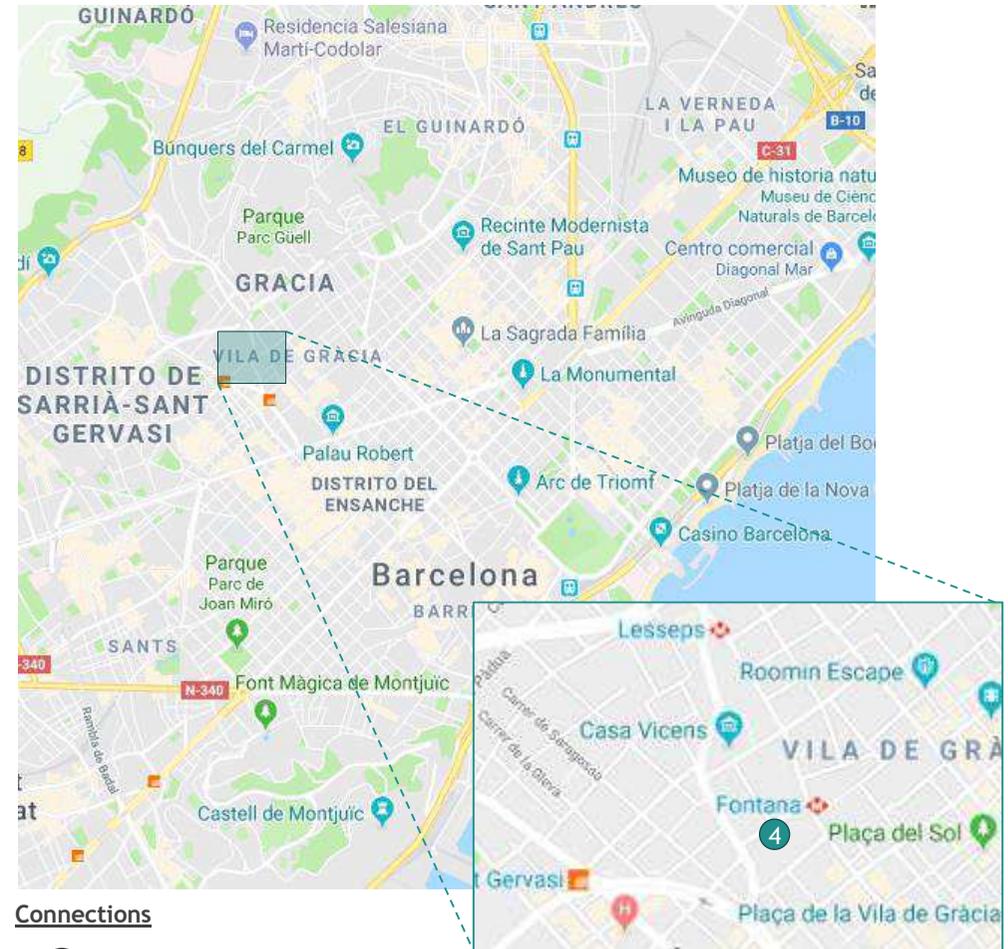
The property is located in Barcelona, in Calle Bretón de los Herreros 14, near the streets of Gran de Gracia and Via Augusta. The district of Gracia, in which the property is located, is the smallest in terms of surface of the ten that comprise the city of Barcelona.

The property, acquired in October 2016, was built in 1932. Its built surface of 1,287 sqm is divided into 5 floors over ground and one mezzanine floor. It is built over a 197 sqm plot.

The building is divided into 11 apartments and four commercial premises located in the ground floor.



Source: Galil Spain's website.



#### Connections



Airport: 17.5km - 20mins by car



Metro: Fontana station (120m) and Lesseps (500m)



Commuter/ Train: Plaça Catalunya station (2.3km) and Barcelona-Sants (3.1km).

# BRIEF DESCRIPTION OF GALIL SPAIN (6 OF 9)

## Properties of Galil Spain - Barcelona (continued)

### 5 Residential building - Aulèstia I Pijoan 4-6

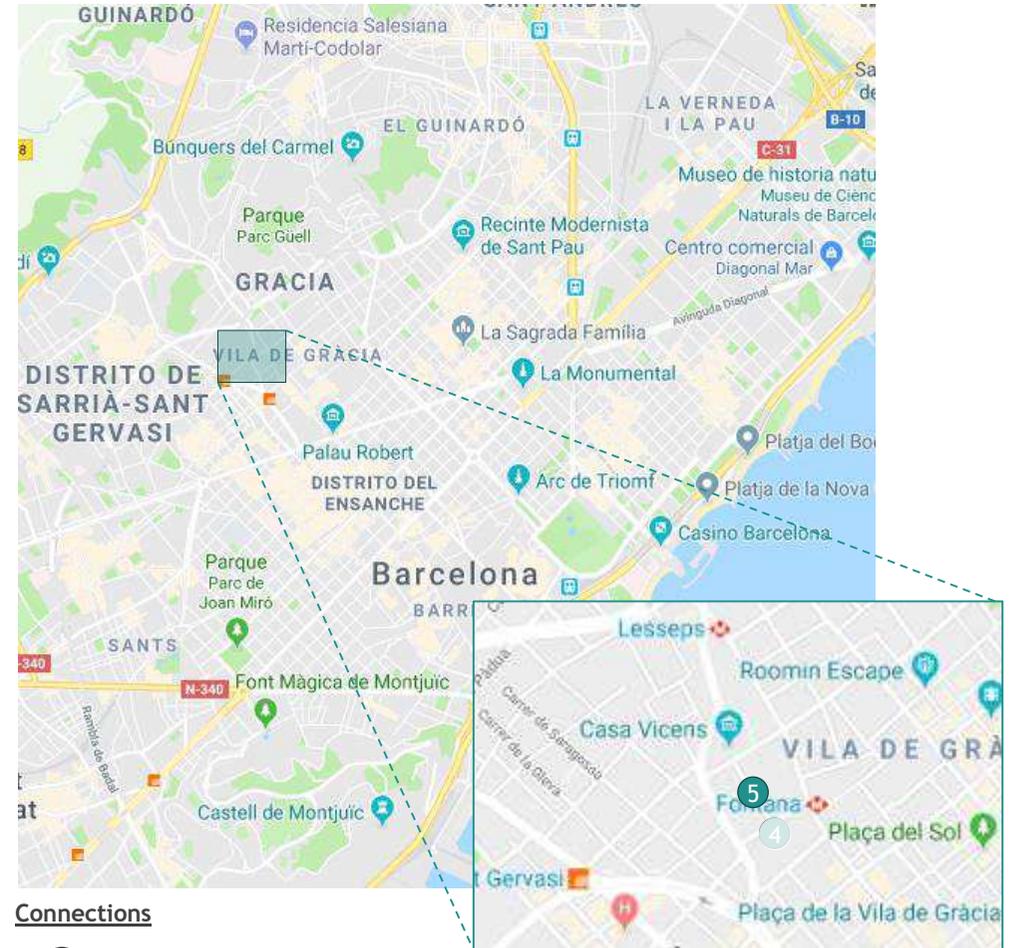
The property is located in Barcelona, in Calle Aulèstia I Pijoan, numbers 4 and 6, near to the streets of Gran de Gracia and Via Augusta. The district of Gracia, in which the property is located, is the smallest in terms of surface of the ten that comprise the city of Barcelona.

The property, acquired in October 2016, was built in 1932. Its built surface of 1,281 sqm is divided into 6 floors (including the mezzanine). It is built over a 328 sqm plot.

The building is divided into 11 residential units and one commercial premise located in the ground floor.



Source: Galil Spain's website.



#### Connections



Airport: 17.5km - 20mins by car



Metro: Fontana station (160m) and Lesseps (450m)



Commuter/ Train: Plaça Catalunya station (2.4km) and Barcelona-Sants (3.1km).

# BRIEF DESCRIPTION OF GALIL SPAIN (7 OF 9)

## Properties of Galil Spain - Barcelona (continued)

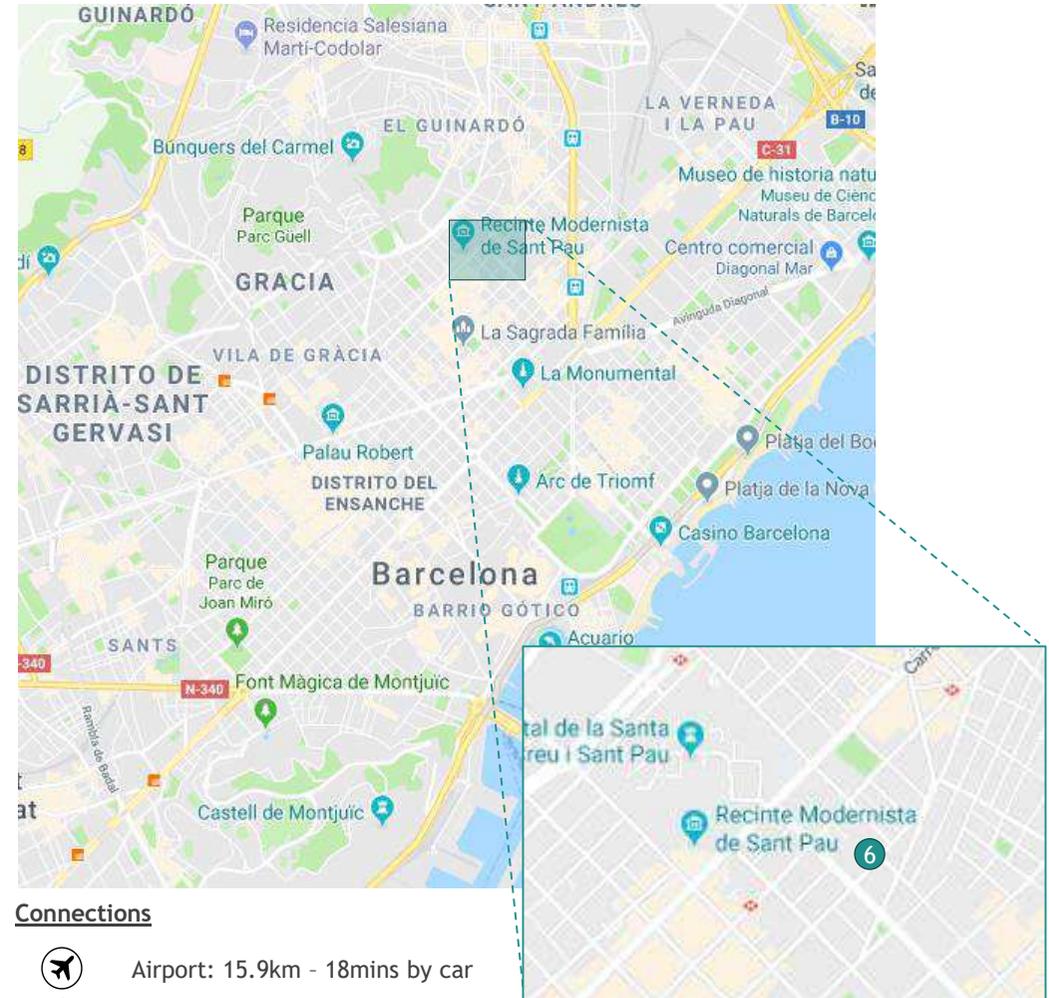
### 6 Residential building - Còrsega 689

The property is located in calle Còrsega 689, in the Eixample neighborhood of Barcelona. This area is characterized for being the most crowded area of the city in absolute terms and stands out for its many leisure and touristic attractions.

The property was acquired in February 2017 and was built in 1960. It is an 8 floor building with a total of 15 apartments and 1 commercial premise located on the ground floor. The total surface of the building is 1.539 sqm, of which 1,235 sqm are for residential purposes (two 84 sqm apartments per floor and a 58 sqm attic) while 301 sqm belong to the commercial store, however, the 58 sqm attic is not considered as habitable at the present time.



Source: Galil Spain's website.



#### Connections

 Airport: 15.9km - 18mins by car

 Metro: 400 from Sant Pau station

 Commuter/ Train: Plaça Catalunya station (3.5km) and Barcelona-Sants (5.0km).

# BRIEF DESCRIPTION OF GALIL SPAIN (8 OF 9)

## Main financial figures - P&L

### Profit and loss account of Galil Spain

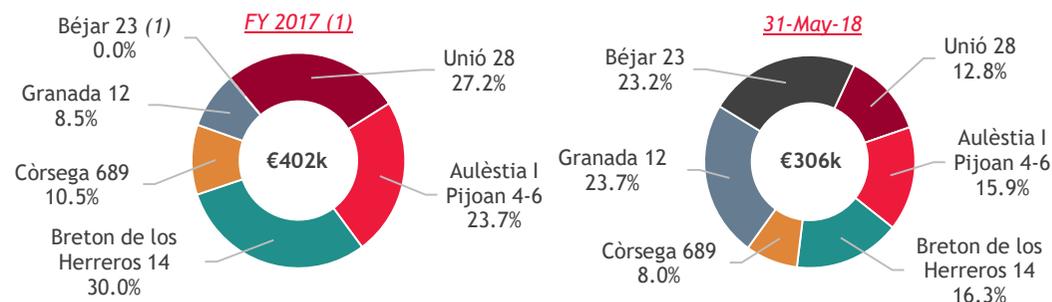
Galil Spain - P&L €k	FY 2016	FY 2017	YTD 31-May-18
<b>A</b> Net turnover	101	402	306
Other operating income	-	6	2
<b>Total revenue</b>	<b>101</b>	<b>408</b>	<b>308</b>
% growth	n.a.	304.2%	n.a.
Personnel expenses	-	-	(4)
Other operating expenses	(505)	(779)	(480)
<b>B</b> - of which external services	(398)	(739)	(434)
Non-financial and other capital gains	55	-	-
Value deterioration of property	-	(9)	-
<b>EBITDA</b>	<b>(349)</b>	<b>(380)</b>	<b>(175)</b>
EBITDA margin (%)	-345.9%	-94.7%	-57.3%
Depreciation	(22)	(109)	(11)
<b>EBIT</b>	<b>(370)</b>	<b>(489)</b>	<b>(186)</b>
Financial results	(117)	(85)	(62)
<b>EBT</b>	<b>(487)</b>	<b>(574)</b>	<b>(249)</b>
Income taxes	(6)	-	-
<b>Net income</b>	<b>(493)</b>	<b>(574)</b>	<b>(249)</b>

Source: Audited annual accounts of FY 2017 and unaudited financial statements at 31 May 2018.

### Main financial figures - P&L

- A** Net turnover refers to the earnings related to the lease contracts with the different tenants of Galil Spain's properties. In FY 2017, net turnover increased up to €402k mainly due to the full operating cycle of the buildings acquired within the year 2016 and the incorporation of 3 new buildings in 2017.

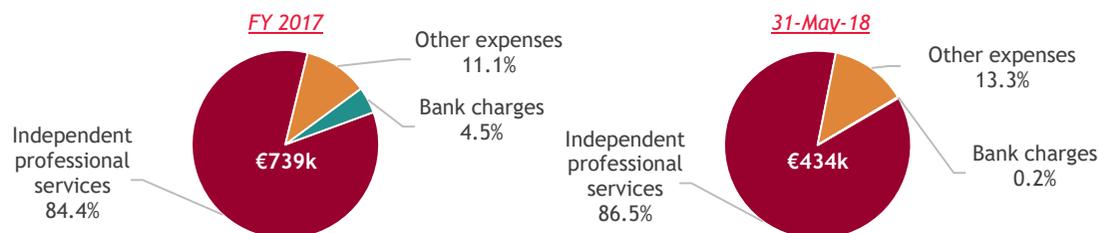
#### Breakdown of revenues by property (%)



(1) The building located in Béjar 23 (Madrid) was acquired in December 2017, therefore it has no accounted revenue for the FY 2017.

- B** External services include (i) independent professional services; (ii) bank charges; and (iii) other expenses.

#### Breakdown of external services by type (%)



Source: Audited annual accounts of FY 2017 and unaudited financial statements at 31 May 2018.

## BRIEF DESCRIPTION OF GALIL SPAIN (9 OF 9)

### Main financial figures - Balance sheet

#### Balance sheet of Galil Spain

Galil Spain - Balance sheet €k	FY 31-Dec-16	FY 31-Dec-17	YTD 31-May-18
<b>A</b> Investment properties	9,080	21,749	22,350
Non - current financial assets	-	44	47
<b>Non - current assets</b>	<b>9,080</b>	<b>21,793</b>	<b>22,396</b>
Trade and other receivables	36	77	107
<b>B</b> Current financial assets	500	2,483	568
Prepaid expenses	-	-	26
Cash and cash equivalents	5,567	1,651	2,508
<b>Current assets</b>	<b>6,103</b>	<b>4,212</b>	<b>3,208</b>
<b>Total assets</b>	<b>15,183</b>	<b>26,005</b>	<b>25,605</b>
<b>C</b> Long term credit with financial institutions	3,500	6,223	6,223
Other long term financial liabilities	-	65	88
<b>Non - current liabilities</b>	<b>3,500</b>	<b>6,288</b>	<b>6,311</b>
Short term debts	11,974	409	327
<b>C</b> - Short term credit with financial institutions	166	203	132
<b>D</b> - Other short term financial liabilities (1)	11,808	206	195
Short term debts with group companies	119	-	-
Trade and other payables	85	102	23
<b>Current liabilities</b>	<b>12,178</b>	<b>511</b>	<b>350</b>
<b>E</b> Net equity	(494)	19,207	18,944
<b>Total equity and liabilities</b>	<b>15,183</b>	<b>26,005</b>	<b>25,605</b>

Source: Audited annual accounts of FY 2017 and unaudited financial statements at 31 May 2018.

**A** Net book value of the investments in properties is the following:

Net book value of investment properties €k	31-Dec-17	31-May-18
Unió 28 - Barcelona	2,928	2,938
Aulèstia I Pijuan 4-6 - Barcelona	3,112	3,030
Breton de los Herreros 14 - Barcelona	2,991	3,112
Còrsega 689 - Barcelona	2,309	2,350
Granada 12 - Madrid	5,851	6,221
Béjar 23 - Madrid	4,557	4,699
<b>Total</b>	<b>21,749</b>	<b>22,350</b>

**B** At 31 May 2018, current financial assets amounts to €568k, mainly corresponding to the capitalization of the upfront payment regarding the acquisition of a new building located in Escorial 9, Madrid (€424k of deposit agreement and €140k of brokerage fee).

**C** Galil Spain has three outstanding balances of interest-bearing loans (mortgage), at 31 May 2018, which were granted for the acquisition of the properties Granada 12, Bretón de los Herreros 14 and Unió 28.

Mortgage loans €k	Maturity	Principal granted	Book value at 31-May-18		
			Short term	Long term	Total
Bankinter	18-11-2036	2,600	38	948	986
Sabadell	31-07-2031	1,100	63	2,380	2,443
Bankinter	16-3-2037	2,926	32	2,894	2,926
<b>Total</b>		<b>6,626</b>	<b>132</b>	<b>6,223</b>	<b>6,355</b>

**D** Other short term financial liabilities corresponds mainly to a €200k investor loan, €8k of other liabilities and -€13k of other outstanding items. At 21 June 2018 the investor loan was capitalized into equity through a capital increase.

**E** Net equity amounts to €18,944k at 31 May 2018.



SECTION 5  
VALUATION APPROACH



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## VALUATION APPROACH (1 OF 2)

### Introduction and valuation methodology proposed

The valuation methods, as well as the information used have to be, in any case, appropriate to the circumstances and context in which the valuation is taking place, considering several aspects like the nature of the business, the valuation reason, the specific situation of the company/assets, the management or shareholder's future expectations, etc.

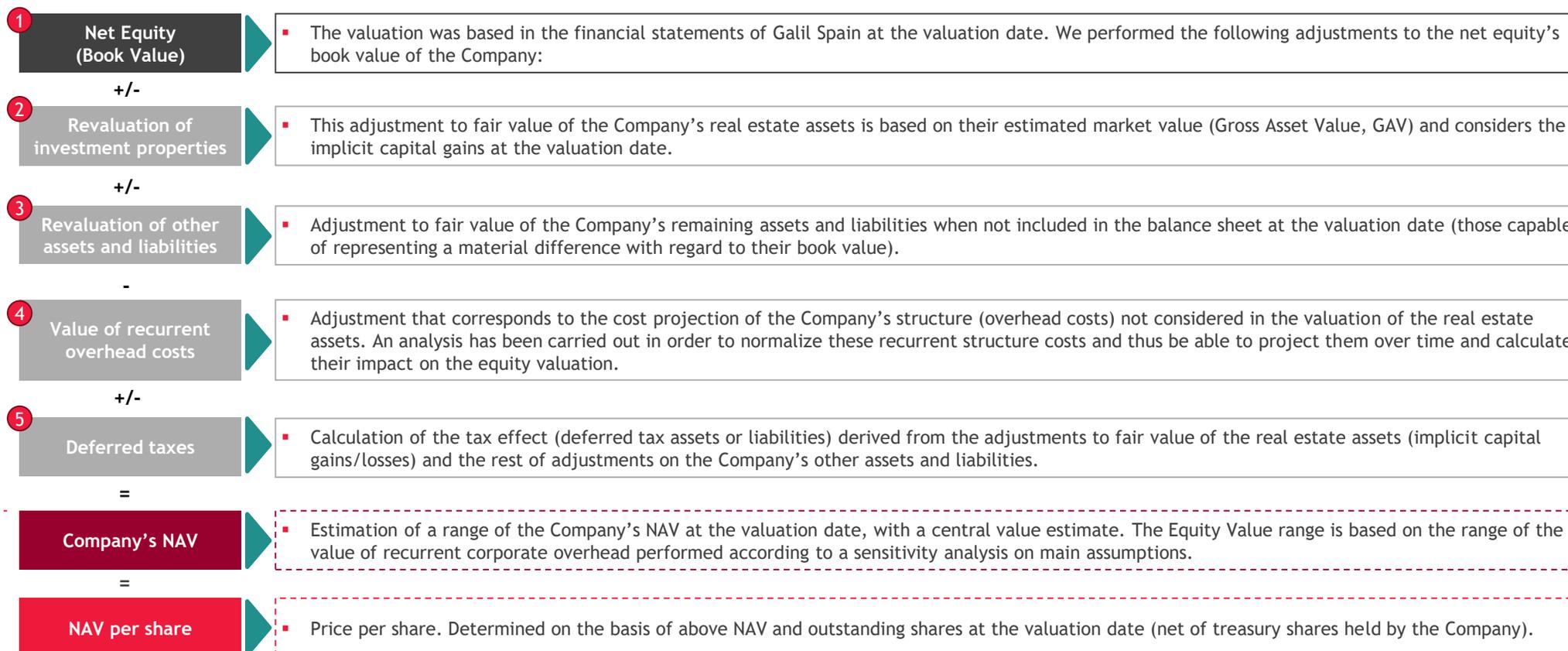
Considering the type of activity carried out by Galil Spain, we believe that the most accurate valuation methodology to apply would be the **Net Asset Value ("NAV") method**, since we consider it is the method which best reflects the market value of companies with real estate business activity.

# VALUATION APPROACH (2 OF 2)

## NAV Method - Description

Net Asset Value is a key performance measure used in the real estate industry. The objective of the NAV measure is to highlight the fair value of the assets and liabilities within an ongoing real estate investment company with a long-term investment strategy.

NAV valuation analysis was conducted as indicated in the graph below:





SECTION 6

# VALUATION ANALYSIS



# VALUATION ANALYSIS (1 OF 3)

## NAV of Galil Spain

### Application of the methodology

#### 1 Net equity's book value of the Company

The net book value of Galil Spain as of 31 May 2018 amounts to €18,944k.

#### 2 Revaluation of investment properties

The Company's real estate assets have been valued at market value following the methodology of the Royal Institution of Chartered Surveyors ("RICS") and according to the International Valuation Standards ("IVS"). This market valuation of the real estate assets owned by the Company has been carried out by Savills-Aguirre Newman, according to six reports dated June 2018.

Since Galil Spain records its real estate assets using the method of acquisition price (net of allowances and amortizations) accepted by the Spanish GAAP (General Accounting Plan, "PGC"), we adjust the value of the Company's equity to the impact of the residential properties' market value less net book value of the same at 31 May 2018 (implicit capital gains or losses). Total fair value of the real estate assets, which corresponds to their aggregated market values, amounts to €31,361k.

The above mentioned estimated adjustment results as follows:

Revaluation of investment properties €k	NBV 31-May-18	Fair Value 31-May-18	Capital gain/loss
Unió 28	2,938	4,234	1,296
Aulèstia I Pijuan 4-6	3,030	4,518	1,488
Breton de los Herreros 14	3,112	4,819	1,707
Córsega 689	2,350	3,296	946
Granada 12	6,221	8,178	1,957
Béjar 27	4,699	6,316	1,617
<b>Total</b>	<b>22,350</b>	<b>31,361</b>	<b>9,011</b>

#### 3 Revaluation of other assets and liabilities

According to our analysis, and the information provided by the Company's Management, it has been considered to make the following adjustments in the other items of the Company's balance sheet at 31 May 2018:

Current liabilities €k	NBV 31-May-18	Fair Value 31-May-18	Capital gain/loss
<b>Current liabilities</b>	<b>350</b>	<b>1,814</b>	<b>(1,464)</b>
- Investor loan <sup>a</sup>	200	-	200
- Performance fee provision <sup>b</sup>	-	1,664	(1,664)

<sup>a</sup> Subsequent event: on 21 June 2018, Galil Spain has agreed a capital increase through the capitalization of an investor's loan in an amount of €200k (20,000 new shares at 10€ of nominal value per share). The purpose of this capital increase is to capitalize the €200k loan of a subscriber of the investment agreement that was not capitalized on September 28, 2017, in order to reduce a portion of the Company's outstanding liabilities and increase own resources.

<sup>b</sup> This liability (provision) refers to the preliminary calculation of the performance fee payment to the Company's Management, estimated by them as of 30 June 2018, based on 31 December 2017 financials, according to the terms of the Investment Management Agreement.

For the rest of assets and liabilities, their fair value coincides with their book values at 31 May 2018 and therefore, there are no other adjustments that could affect the Equity Value of the Company at such date.

# VALUATION ANALYSIS (2 OF 3)

## NAV of Galil Spain (continued)

### Application of the methodology (continued)

#### 4 Value of the recurrent overhead costs (not included in GAV Calculation)

The adjustment corresponding to the projection of the structure costs of the Company, necessary to run the business and not considered in the valuation of the real estate assets, must be made in the Company's equity valuation.

Overhead expenses have been determined on normalized and market basis for current ongoing business, i.e. the costs that would be incurred by a third party in the market in order to manage the Company's current activities/assets.

Normalized overhead expenses of €250k, yearly growing at expected annual inflation rates, have been projected over a 10-year period, and their present values have been calculated by discounting the cash flows of these projected 10-year structure costs with a discount rate equal to the weighted average discount rate used in the RICS valuations performed for each residential property of Galil Spain.

In addition, a sensitivity analysis was carried out varying the estimate of the normalized overhead cost by +/- 20%, with the following results:

Estimated overhead expenses €k	Lower range	Central value	Upper range
Value of recurrent normalized overhead costs	2,360	1,962	1,565

#### 5 Deferred taxes

On May 31<sup>st</sup>, 2016, the Company notified the Tax Agency of its option for the application of the Regime of Listed Companies of Investment in the Real Estate Market, being subject to Law 11/2009, of October 26<sup>th</sup>, with the modifications incorporated to it by means of Law 16/2012, of December 27<sup>th</sup> by which the SOCIMIs are regulated.

The Company complies with all the requirements established in the SOCIMI regime since its incorporation in the Mercado Alternativo Bursátil ("MAB") on February 28<sup>th</sup>, 2018.

By virtue of Law 11/2009, of October 26<sup>th</sup>, by which the Spanish Real Estate Investment Trusts (SOCIMI) are regulated, the companies that choose to be regulated by the special regime of such law will pay 0% of Corporate Tax. If tax losses are generated, article 25 of the Consolidated Text of Corporate Tax Law, approved by the Legislative Royal Decree 4/2004 of March 5<sup>th</sup>, will not be applicable. The deductions and allowances regime established in Chapters II, III and IV of such regulation would not be applicable either. For everything else not considered in Law 11/2009, which is established in the Consolidated Text of Corporate Tax Law will apply.

To fulfill our work, we have assumed full application of the SOCIMI regime to the Company, with the following special considerations:

- The Company plans to follow the SOCIMI requirements of holding each property for at least three years from the date of purchase.
- The obligations of repayment of debt will not interfere in the payment of minimum dividend required by the regulation of the SOCIMIs.
- In case of there being shareholders of the Company with shares over 5% that pay lower than 10% tax (excluding other SOCIMI or REITs), the Company will charge the taxes applicable in that case (19%) to the shareholder that causes that tax burden to the Company, so the tax situation of the Company's shareholders is neutral for the purpose of the Company's cash flows.

# VALUATION ANALYSIS (3 OF 3)

## NAV of Galil Spain (continued)

### Application of the methodology (continued)

#### 5 Deferred taxes (continued)

Thus, considering the Company's SOCIMI condition and its compliance with the SOCIMIs' regime mentioned previously, we have assumed a 0% tax rate; therefore, no tax effects have been estimated on the adjustment to market value of the real estate assets (implicit gains/capital loss) and on the rest of adjustments of other assets and liabilities.

#### 6 Valuation results

Based on the work carried out and the sensitivity analysis on the corporate overhead costs, we have calculated the lower range and the upper range of value of the Company's shares.

Thus, the estimated range of fair value of Galil Spain's shares at 31 May 2018 would be as follows:

Valuation of Galil Spain (NAV Method) €k	Lower range	Central value	Upper range
Net equity's book value	18,944	18,944	18,944
+ / (-) Revaluation of investment properties	9,011	9,011	9,011
+ / (-) Revaluation of other assets and liabilities	(1,464)	(1,464)	(1,464)
(-) Value of recurrent overhead costs	(2,360)	(1,962)	(1,565)
+ / (-) Deferred taxes	-	-	-
<b>FV of Galil Spain's Equity Value</b>	<b>24,131</b>	<b>24,529</b>	<b>24,927</b>
# shares (net of treasury shares) (1)	2,049.986	2,049.986	2,049.986
<b>Value per share (€)</b>	<b>11.77</b>	<b>11.97</b>	<b>12.16</b>

(1) It refers to the total number of subscribed shares (2,059,986) as of 31 May 2018, minus the existing treasury shares (30,000), plus the new 20,000 shares from the capital increase of the investor loan performed by 21 June 2018.



SECTION 7

# RELEVANT MATTERS TO BE CONSIDERED

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## RELEVANT MATTERS TO BE CONSIDERED (1 OF 1)

The information used by BDO for the preparation of this report has been obtained from different sources such as indicated in the same. Our work has included the analysis of financial and accounting information, but the scope of the same has not included the revision or verification of the financial information provided, or the auditing according to the generally accepted audit regulations. As a result, we do not assume any responsibility and we do not issue any opinion in regard to the accuracy or entirety of the information that has been provided by the Company or obtained from external sources.

Our work has not included a due diligence from a financial, commercial, technical, environmental, tax, labor, registry, legal or any other point of view. As a result, the potential resulting implications have not been considered in our analysis. Our work has not included the verification of compliance of the requirements to become a SOCIMI or to apply the especial tax regime of that type of companies. Our valuation work is based on the hypothesis mentioned previously and on the assumption that the Company is already under SOCIMI regime (tax benefits applied), and therefore will be subject to tax payments at 0% in the following years, and its debt repayment obligations will not interfere with the minimum dividend payments required by the legislation of the SOCIMI.

It is necessary to explain that the entire valuation assumes, apart from the objective factors, certain subjective factors that imply judgment and the establishment of work hypothesis, whose compliance depends on, to a large extent, future events for which it is impossible to know its final outcome, and therefore, despite final values are a reference for the parties involved in the transaction, it is not possible to assure that third parties will necessarily agree with the conclusions of this report.

Likewise, we must consider that in an open market context, different prices could exist for a particular business due to subjective factors such as the negotiation power between the parties or different perceptions of the business's future perspectives. In this regard, potential purchasers could consider this when determining the price to pay, certain positive or negative synergies such as costs savings, prospects of increasing or decreasing its business figures, tax purposes and others.

The Company's calculated value must be understood in a context of continuity and under similar conditions to the activities currently being carried out. The mentioned calculation has been based on the hypothesis of best estimate and judgment according to the current circumstances and expectations.

We have based our valuation analysis on the economic and financial information as at May 31<sup>st</sup>, 2018, considering the current market and business conditions and forecasts on the date mentioned, meanwhile we have obtained all this relevant updated information as at valuation date to be able to conclude the valuation on this date.

According the information received from the Company's Management, no significant events have occurred between May 31<sup>st</sup>, 2018 and the date of this report that could significantly affect the value of the Company, and therefore, the results of our work.

We have been provided with non-audited financial statements of Galil Spain as at May 31<sup>st</sup>, 2018 and a confirmation that they give a true and fair view of the state of affairs of Galil Spain at such date. Additionally we have been informed by the Company's Management that no significant events have occurred between May 31<sup>st</sup>, 2018 and the date of this report which could significantly affect the results of our work.

We have been provided with a preliminary performance fee calculation prepared by the Company's Management as of 30 June 2018, based on 31 December 2017 financials, estimated according to the terms of the Investment Management Agreement. BDO assumes no responsibility on its estimation.

We must point out that our work is of independent nature and does not constitute a fairness opinion, a solvency opinion or an investment recommendation to the Company, its shareholders or third parties on the position they should take with regard to potential transactions involving the shares of Galil Spain, or on the effects these might have for them. Any decision by third parties must be carried out under their own responsibility and using their own analysis and verifications considered necessary to reach their own conclusions.



**SECTION 8**  
**CONCLUSION**



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## CONCLUSION (1 OF 1)

According to the information used and the work carried out, and subject to the relevant matters described in previous section, based on the valuation methodology used in our analysis (NAV method) we conclude that the fair value per share of Galil Spain is estimated to range from €11.77 to €12.16, with a central value of €11.97.



SECTION 9

# LIMITATIONS ON THE USE AND DISTRIBUTION OF THE REPORT



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# LIMITATIONS ON THE USE AND DISTRIBUTION OF THE REPORT (1 OF 1)

## Report distribution

The report is only intended to be for general and internal use of Galil Spain (our client), and will not represent any type of professional advisory document with regards to the potential buy/sell transaction. In this sense, it will not be used for any other aim, even partially or totally, without the prior and written consent of BDO and under any reason Galil Spain will be able to provide it to any third party.

We understand that Galil Spain would probably want to share our report with potential investors or publish it on the MAB, the “Documento de Ampliación” to be approved by MAB, and/or Company’s website. We hereby give our consent to your disclosing our final report on the basis that:

- it will be your responsibility to review the report and identify any confidential information that you do not wish to disclose, and
- to the fullest extent permitted by law, we accept no responsibility or liability to third parties in connection with this report.

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