

KPMG S.A.  
Tour Eqho - 2, avenue Gambetta – CS 60055  
92066 Paris La Défense Cedex  
France

DELOITTE & ASSOCIES  
6 place de la Pyramide  
92908 Paris La Défense Cedex  
France

## **Carmila S.A.**

Share capital of € 819,370,170

58, Avenue Emile Zola  
92100 Boulogne Billancourt

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### **Statutory auditors' report on the consolidated financial statements**

Year ended December 31, 2018

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Year ended December 31, 2018

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*This is a free translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Carmila S.A. Shareholders' annual general meeting

#### **Opinion**

In compliance with the engagement entrusted to us by the Shareholders' meetings, we have audited the accompanying financial statements of Carmila S.A. for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

#### **Basis for Opinion**

##### ***Audit Framework***

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

**Independence**

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

**Emphasis of Matter**

Without qualifying our conclusion, we draw attention to the Note “3.3 Accounting Standards” to the notes of the consolidated financial statements regarding the initial application of the standards IFRS 9- Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

**Justification of Assessments - Key Audit Matters**

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Key Audit Matters	Responses as part of our audit
<p><b><u>Valuation of investment property</u></b>                      (Note 6 to the financial statements)</p> <p>As of December 31, 2018, investment property is recorded on the balance sheet for a net carrying amount of €5,954 million compared to total assets of €6,594 million.</p> <p>As indicated in Note 6 to the consolidated financial statements, in application of the method proposed by IAS 40, Investment property is recorded at fair value. The fair values used are those determined on the basis of findings by independent experts.</p> <p>The property assets are appraised twice a year by experts. They independently establish their current and</p>	<p>We have assessed the compliance of the accounting treatment applied by the Group to IFRS accounting principles and the pertinence of the disclosures presented in Note 6 to the consolidated financial statements.</p> <p>Our work and work performed by Components' auditors under our instructions and control consisted in :</p>

future cash flow estimates by applying risk factors either to the net income capitalization rate or to future cash flow. In order to conduct their work, the experts have access to all the information needed to value the assets, and specifically the list of leases, the vacancy rate, rental arrangements and the main aggregates on lessees (such as sales).

The valuation of investment property which is the main portion of total assets, is considered to be a key audit matter due to :

- the use of judgments of Management and independent experts to determine the fair value of investment property,
- the complexity of the fair value valuation model
- the sensitivity of these fair values to assumptions adopted by the experts.

- Conducting interviews with independent appraisers and Management to assess the pertinence of the valuation methodology and assumptions used;
- Assessing the competence, independence and objectivity of the external appraisers of the Group, in particular with regard to their reputation and by verifying the certificate of independence issued by the expert included as a statement in its report;
- Analyzing the changes in fair value of each investment property and assessing the basis with respect to market changes and the rental situation of the building;
- Verifying that the fair value methods used are in line with market practices, and assess the consistency with the market data of the valuation assumptions used by the independent experts, particularly the rates of return and the market rental values;
- Corroborating the main information provided by the company to independent experts with rental statements and investments;
- Substantiating the main information provided by the Company to independent experts with the rent schedule and investments;
- Comparing investment property amounts in the consolidated financial statements with independent experts' valuation;

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	<ul style="list-style-type: none"><li>- Assessing the appropriateness of the disclosures presented in Note 6 to the consolidated financial statements.</li></ul>
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### **Specific verifications**

As required by French laws and regulations, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

### **Report on Other Legal and Regulatory Requirements**

#### ***Appointment of the Statutory Auditors***

We were appointed statutory auditors of Carmila S.A. by the Shareholders' Meeting of June 25, 2010 for KPMG and June 25, 2009 for Deloitte & Associés.

As at December 31, 2018, KPMG was in its 9th year of uninterrupted engagement and Deloitte & Associés in its 10th year of uninterrupted engagement, and respectively 9 and 10 years since the securities were admitted to trading on a regulated market.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

### **Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

#### *Objectives and audit approach*

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

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- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

#### *Report to the Audit Committee*

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

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We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, February 13, 2019

KPMG S.A.

DELOITTE & ASSOCIÉS

French original signed

French original signed

Eric Ropert  
*Partner*

Adrien Johner  
*Partner*

Stephane Rimbeuf  
*Partner*