

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

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

## **Carmila S.A.**

Société Anonyme

58, avenue Emile Zola  
92100 Boulogne-Billancourt

Share capital: €.819,370,170

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## **Statutory Auditors' report on the financial statements**

For the year ended December 31, 2018

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Registered office: 58, avenue Emile Zola 92100 Boulogne Billancourt  
Share social : €.819,370,170

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

For the year ended December 31, 2018

*This is a translation into English of the statutory auditors' report on the 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 specifically required by 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' Meeting,

#### **Opinion**

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

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with accounting rules and principles applicable in France.

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.

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Our responsibilities under those standards are further described in the “Statutory Auditors’ Responsibilities for the Audit of the Financial Statements” section of our report.

**Independence**

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2018 to the issue date of our report and in particular 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 for statutory auditors.

**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 bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as how we addressed those risks.

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

<b>Key Audit Matters</b>	<b>Responses as part of our audit</b>
<p><b>Valuation of investments</b>  <i>(Notes 3.2.3. and 4.2 to the financial statements)</i></p> <p>As of December 31, 2018, investments are recorded in the balance sheet at a net carrying amount of €3,158 million and represent 56 % of total assets.</p> <p>As indicated in Note 3.2.3 to the financial statements, they are recorded as of their entry date at acquisition cost and impaired when their book value is less than their acquisition cost. The book value corresponds to the value in use, determined by taking into consideration revalued equity. Revalued equity of real estate companies is estimated based on valuations of investment property carried out by independent experts who take into account specific information about the assets as well as market returns.</p>	<p>To assess the reasonableness of the value in use estimates of investments, based on the information communicated to us, our work mainly consisted in:</p> <ul style="list-style-type: none"> <li>-Verifying that the estimate of these values in use made by Management is based on an appropriate valuation method;</li> <li>-Verifying the calculation of the share of the revalued equity which notably takes into account the underlying capital gains or losses on investment property.</li> </ul> <p>The procedures that we have performed on investment property, and that was also carried out by auditors of the components, under our management and supervision, has mainly consisted in:</p> <ul style="list-style-type: none"> <li>— Conducting interviews with independent appraisers and Management to assess the pertinence of the valuation methodology and assumptions used;</li> </ul>

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<p>The valuation of investments is considered to be a key audit matter due to the importance:</p> <ul style="list-style-type: none"> <li>- of this account heading compared to total assets,</li> <li>- of the use of judgments by Management and independent experts to determine the fair value of investment property,</li> <li>- the sensitivity of these fair values to assumptions adopted by the experts.</li> </ul>	<ul style="list-style-type: none"> <li>- Assessing the competence, independence and objectivity of the external appraisers of the Group, in particular with regards to their reputation and by verifying the certificate of independence issued by the expert included as a statement in its report;</li> <li>— 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;</li> <li>- 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;</li> <li>- Corroborating the main information provided by the company to independent experts with rental statements and investments;</li> <li>— Substantiating the main information provided by the Company to independent experts with the rent schedule and investments;</li> <li>- Comparing investment property amounts in the consolidated financial statements with independent experts' valuation.</li> </ul> <p>We also assessed the appropriateness of disclosures in Note 3.2.3. and 4.2 to the financial statements.</p>
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### **Specific verifications**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

***Information given in the management report and in the other documents addressed to shareholders with respect to the financial position and the financial statements***

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We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents addressed to shareholders with respect to the financial position and the financial statements.

We attest to the fair presentation and consistency with the financial statements of disclosures relating to the payment period required by Article D. 441-4 of the French Commercial Code (*Code de commerce*).

### ***Report on corporate governance***

We attest that the Board of Directors' report on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information presented in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*Code de commerce*) relating to remuneration and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

### ***Other disclosures***

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to acquisitions and controlling interests and the identity of and share capital or voting rights held by shareholders.

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

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

We were appointed as 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 Financial Statements**

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Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 its operations.

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

The financial statements have been approved by the Board of Directors.

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

### ***Objective and audit approach***

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the 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 financial statements.

As specified by Article L.823-10-1 of the French Commercial Code (*Code de commerce*), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit 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 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 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 we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;
- evaluates the overall presentation of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

### ***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 significant audit findings. We also bring to its attention 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 financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) no. 537/2014, confirming our independence pursuant to the rules applicable in France as defined 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 for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Paris La Défense, February 13, 2019

The Statutory Auditors

KPMG S.A.

DELOITTE & ASSOCIÉS

French original signed

French original signed

Eric Ropert  
*Partner*

Adrien Johner  
*Partner*

Stephane Rimbeuf  
*Partner*

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