



French *Société anonyme* with a share capital of 819,370,170 euros  
Registered office : 58 avenue Emile Zola, 92100 Boulogne-Billancourt  
Registered at the Nanterre Trade and Companies Registry under number 381 844 471

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## **SPECIAL REPORT OF THE BOARD OF DIRECTORS ON FREE ALLOCATIONS OF SHARES DURING THE 2018 FINANCIAL YEAR**

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In accordance with Article L. 225-197-4 of the French Commercial Code, the purpose of this report is to inform you of free allocations of shares during the 2018 financial year by Carmila (hereinafter referred to as the “**Company**”) to employees and corporate officers of the Company or companies of the Carmila group.

### **1. General information on free shares allocations made in 2018**

Pursuant to the terms of the 10<sup>th</sup> resolution of the Extraordinary General Meeting of 16 May 2018, your Board of Directors was granted, for a period of thirty-eight months, the authorisation to effect, on one or more occasions, free allocations of preference shares (hereinafter referred to as “**B Shares**”) to be issued by the Company, giving entitlement to conversion to ordinary Company shares issued or to be issued, to employees and corporate officers, or some of them, of the Company’s and/or companies related to it within the meaning of Article L. 225-197-2 of the French Commercial Code.

The maximum number of B Shares to be issued has been set at 127,000, which may give right, upon conversion, to a maximum of 127,000 ordinary shares of the Company (the “**A Shares**”), i.e. 0.09% of the Company’s share capital at the date of the Extraordinary General Meeting of 16 May 2018.

The number of A Shares resulting from the conversion of the B Shares allocated to the Company’s corporate officers (which will be taken into account in the 0.09% limit mentioned above) may not represent more than 0.04% of the Company’s share capital at the date of the Extraordinary General Meeting of 16 May 2018.

On 16 May 2018, based on the Remuneration and Appointment Committee’s recommendation, the Board of Directors determined the conditions for allocations of B Shares and appointed the beneficiaries. On 24 October 2018, the Board of Directors made a second allocation of B Shares.

You will find below a description of the main conditions for allocations of B shares to the beneficiaries.

### **Vesting period**

The allocation of B Shares shall become definitive after a vesting period of one (1) year, subject to compliance with the allocation's conditions and criteria set out in the Company's articles of association and by the Board of Directors.

### **Holding period**

Once definitely acquired, B Shares shall be held by the beneficiaries for a period of two (2) years from the date of their allocation.

### **Conversion of B Shares**

At the end of the holding period, B Shares will be automatically converted into A Shares, under the conditions provided for in Article 10, III of the Company's articles of association (as amended by the 11<sup>th</sup> resolution of the Extraordinary General Meeting of 16 May 2018), as described below, it being specified that, as far as the corporate officers of the Company are concerned, the Company's Board of Directors will have the right to postpone the conversion date to the date of termination of their duties as corporate officers of the Company.

### **Performance Conditions**

The conversion of B Shares into A Shares will be subject to three performance conditions, a target achievement ratio which will be weighted by the ratio calculated on the basis of the beneficiary's presence (the "**Conversion Ratio**") as set out in Article 10, III of the Company's articles of association (as amended by the aforementioned 11<sup>th</sup> resolution).

The three performance conditions are the following:

- **Condition 1 : Change in the NAV (representing one-third of the Performance Conditions) ("Performance Condition 1")**

For the purposes of this article:

The "**Change in the Company's NAV**" means, on a comparable basis compared with Carmila Group perimeter as of 31 December 2017, the change, expressed as a percentage, between Carmila's 2017 Net Asset Value and the Company's 2020 Net Asset Value.

The "**Change in the Panel's NAV**" means the average of the change, expressed as a percentage, between the 2017 Net Asset Value and the 2020 Net Asset Value of each of the companies in the Panel.

The "**2017 Net Asset Value**" means, for a company, the net asset value at 31 December 2017.

The "**2020 Net Asset Value**" means, for a company, the net asset value at 31 December 2020, plus any distribution paid between 31 December 2017 and 31 December 2020.

The "**Panel**" means the panel of companies comparable to the Company as determined by the Company's Board of Directors in the regulations for the plans.

- If the Change in the Company's NAV is less than the Change in the Panel's NAV, Performance Condition 1 will not be met.
- If the Change in the Company's NAV is equal to the Change in the Panel's NAV, Performance Condition 1 will be deemed 50% met.
- If the Change in the Company's NAV is 1 point greater than the Change in the Panel's NAV, Performance Condition 1 will be deemed 75% met.
- If the Change in the Company's NAV is 2 points greater than the Change in the Panel's NAV, Performance Condition 1 will be deemed 100% met.
- If the Change in the Company's NAV is 3 points greater than the Change in the Panel's NAV, Performance Condition 1 will be deemed 120% met.

If the result obtained falls between two of the above marker points, the extent to which Performance Condition 1 is met will be calculated by linear interpolation.

▪ **Condition 2 : Average Annual Growth in the Recurring earnings per Share (representing one-third of the Performance Conditions) ("Performance Condition 2")**

Within the meaning of this article, the "Average Annual Growth in Recurring Earnings per Share" means, at scope restated for any sales which occurred during the period, the average annual growth, expressed as a percentage, in the recurring earnings per Carmila share for the financial year ended 31 December 2020 in relation to the recurring earnings per Carmila share for the financial year ended 31 December 2017 calculated on the basis of the outstanding number of shares at 31 December 2017.

- If the Average Annual Growth in Recurring Earnings per Share is less than or equal to 2%, Performance Condition 2 will not be met.
- If the Average Annual Growth in Recurring Earnings per Share is equal to 4%, Performance Condition 2 will be deemed 20% met.
- If the Average Annual Growth in Recurring Earnings per Share is equal to 6%, Performance Condition 2 will be deemed 40% met.
- If the Average Annual Growth in Recurring Earnings per Share is equal to 8%, Performance Condition 2 will be deemed 60% met.
- If the Average Annual Growth in Recurring Earnings per Share is equal to 10%, Performance Condition 2 will be deemed 80% met.
- If the Average Annual Growth in Recurring Earnings per Share is equal to 12%, Performance Condition 2 will be deemed 100% met.
- If the Average Annual Growth in Recurring Earnings per Share is equal to 14%, Performance Condition 2 will be deemed 120% met.

If the result obtained falls between two of the above marker points, the extent to which Performance Condition 2 is met will be calculated by linear interpolation.

▪ **Condition 3 : Change in the Stock Market Price (representing one-third of the Performance Conditions) (“Performance Condition 3”)**

Within the meaning of this article, the “**2020 Stock Market Price**” means the average of Carmila’s share closing prices quoted for the last 40 trading days of the 2020 financial year.

- If the 2020 Stock Market Price is 5% less than the net asset value per Company share at 31 December 2019, Performance Condition 3 will not be met.
- If the 2020 Stock Market Price is equal to the net asset value per Company share at 31 December 2019, Performance Condition 3 will be deemed 80% met.
- If the 2020 Stock Market Price is equal to 105% of the net asset value per Company share at 31 December 2019, Performance Condition 3 will be deemed 100% met.
- If the 2020 Stock Market Price is equal to or more than 110% of the net asset value per Company share at 31 December 2019, Performance Condition 3 will be deemed 120% met.

If the result obtained falls between two of the above marker points, the extent to which Performance Condition 3 is met will be calculated by linear interpolation.

The table below details the free allocations of shares made in 2018, pursuant to the authorisation granted by the 10<sup>th</sup> resolution of the Company’s Extraordinary General Meeting of 16 May 2018.

Date of the Board of Directors Meeting	Total number of shares allocated	Vesting period	Holding period	Total number of beneficiaries	Performance conditions	Origin of the A shares to be allocated
16/05/18	125 746	1 year	2 years	47	Performance Conditions 1, 2 and 3 (see above)	New or existing shares
24/10/18 <sup>1</sup>	7 537	1 year	2 years	1	Performance Conditions 1, 2 and 3 (see above).	New or existing shares

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<sup>1</sup> Note: on July 31, 2018, Mr. Yves Cadelano resigned and lost his rights to allotment of the 7,537 B Shares that the Board of Directors decided on May 16, 2018 to grant him. On 24 October 2018, the Board of Directors decided to allocate 7,537 B Shares to Mr. Sébastien Vanhooe with conditions of presence and performance identical to those of the preference share plan adopted on May 16, 2018.

2. Number and value of shares, that, during 2018, and in relation to their functions and offices exercised in the Company, were freely allocated to each of these corporate officers by the Company and those related to it within the meaning of Article L. 225-197-2 of the French Commercial Code.

Concerned corporate officer	Number of shares allocated	Value
Jacques Ehrmann	22,804	€408,191.60
Géry Robert-Ambroix	15,073	€269,806.70
Yves Cadelano <sup>(1)</sup>	7,537	€134,912.30
Sébastien Vanhoove <sup>(1)</sup>	7,537	€134,912.30

3. Number and value of shares freely allocated during 2018 to each of the corporate officers of the Company by controlled companies within the meaning of Article L. 233-16 of the French Commercial Code, in relation to the functions and offices exercised by such corporate officers within such controlled companies.

Concerned corporate officer	Number of shares allocated	Value
None	None	None

4. Number and value of shares that during 2018 were freely allocated by the Company and related companies and groups within the meaning of Article L. 225-197-2 of the French Commercial Code, to each of the Company's ten non-corporate officer employees whose number of free shares allocated is the highest.

Employees	Number of shares allocated	Value
Ten non-corporate officer employees whose number of free shares allocated is the highest.	46,218	€827,302.20

**5. Number and value of shares that during 2018 were freely allocated by the Company and related companies to it within the meaning of Article L. 225-197-2 of the French Commercial Code to all beneficiaries employees, as well as the number of such employees and the allocation of the shares granted among the categories of such beneficiaries.**

Number of free shares allocated	Value	Number of beneficiaries employees	Allocation of the shares among the categories of the beneficiaries
52,951	€947,822.90	4	Corporate Officers
46,218	€827,302.20	10	Ten non-corporate officer employees whose number of free shares allocated is the highest
34,114	€610,640.60	33	Other key salaries

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The Board of Directors