

Exelmans Audit et Conseil
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CARMILA

A 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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Creation of class C preferred shares

Combined General meeting of 16 May 2019

**Report of the auditor in charge of assessing the special benefits
established pursuant to Articles L. 228-15, L. 225-147 and R. 225-136
of the French Commercial Code**

Dear Madam, Dear Sir,

In accordance with our appointment as auditor in charge of the assessment of the special benefits attached to the class C preferred shares which may be created and issued by the company **CARMILA** ("**Carmila**" or the "**Company**"), by Order of the President of the Commercial Court of Nanterre (*Ordonnance du Président du Tribunal de commerce de Nanterre*) dated April 18, 2019, we have prepared this report in accordance with Articles L. 228-15, L. 225-147 and R. 225-136 of the French Commercial Code, relating to the assessment of the special benefits attached to C Shares which may be granted by the Board of Directors of the Company in case of authorisation by the shareholders of the Company of the 15th and 16th resolutions presented to the General Meeting of 16 May 2016 (the "**General Meeting**").

The characteristics of the preferred shares which may be created and issued by the Company are described in the draft resolutions of the General Meeting to be held on May 16, 2019. We shall describe and assess the special benefits attached to such preferred shares. For this purpose, we performed the procedures in accordance with the *Compagnie nationale des commissaires aux comptes* doctrine applicable to this task.

We have the honour to present our report regarding this transaction; and to expose it under the following plan:

1. Presentation of the transaction and description of the special benefits;
2. Procedures conducted;
3. Assessment of the special benefits;
4. Conclusion.

It should be noted that in order to conduct our mission, we did not identify any incompatibility or forfeiture referred to by legal provisions which prevent us from conducting our mission.

1. PRESENTATION OF THE TRANSACTION AND DESCRIPTION OF THE SPECIAL BENEFITS

1.1 Relevant company

CARMILA is a French *Société Anonyme*, with a Board of Directors, registered under number 381 844 471 at the Trade and Companies Registry of Nanterre. Its registered office is located 58, avenue Emile Zola – 92100 Boulogne Billancourt, France.

The share capital of the company amounts as of today to EUR 819.370.170, divided into 136.561.695 shares with a par value of EUR 6.

1.2 Context of the transaction

At the General Meeting, it is proposed, under the terms of the 15th and 16th resolutions, to authorise the Board of Directors to grant free preferred shares of class C (the "**C Shares**") to be issued for the benefit of employees and corporate officers, or to some of them, of the Company and / or companies related to it within the meaning of article L.225-197-2 of the French Commercial Code.

Through the allocation of C Shares, the purpose of the Company is to encourage the beneficiaries to participate in the development of the Company over the long term.

In case of issuance of C Shares, it is also proposed to amend Articles 7, 8, 10 and 23 of the Articles of Association of the Company.

1.3 Summary of the features of the special benefits

Special benefits shall mean any favor of pecuniary nature or other, attached to a share which creates a right over the company different from those attached to the other shares. Hence, the review of the draft resolutions of the General Meeting of May 16, 2019 allow us to identify the following special benefits attached to the class C preferred shares, it being specified that the description of the particular rights presented hereafter in simplified terms focuses on the very essence of those rights and shall not be substituted to the comprehensive definition of those rights as mentioned in the draft of resolutions of the General Meeting.

Capitalized terms which are not expressly defined in this report shall have the meaning ascribed to them in the draft resolutions of the General Meeting of May 16, 2019.

Class C Preferred Shares

1. C Shares do not have the benefit of the right to dividend.
2. C Shares do not have the benefit of the right to vote.
3. C Shares are entitled to conversion into A Shares as follows:

At the end of the lock-up period of the C Shares, as set forth in the free C Shares plan under which they are allocated (the "**Lock-up Period**") (the "**Lock-Up Period Expiry Date**"), C Shares will automatically be converted into A Shares, subject to the conditions described hereinafter it being specified that, with respect to the Company's corporate officers, the Board of Directors would have the option of delaying the conversion date to the date of termination of their functions as corporate officers within the Company.

Each C Share will carry the right to a maximum of one (1) A Share, subject to meeting the performance conditions listed below (the "**Performance Conditions**"). The number of A Shares that may result from the conversion of the C Shares will be calculated by the Board of Directors on the Lock-up Period Expiry Date according to the extent to which the Performance Conditions have been met (the "**Conversion Ratio**"), it being specified that if the average level of achievement of the applicable Performance Conditions exceeds 100%, the Conversion Ratio will be one (1) A Share for one (1) C Share.

The Performance Conditions of C Shares are as follows:

Condition 1: Carmila's Total Shareholder Return (TSR) over three years to the end of 2021 compared with a panel benchmark ("Performance Condition 1" representing 25% of Performance Conditions)

For the purposes of this Article:

The "**EPRA NNAV 2021**" refers to the total triple EPRA Net Asset Value published by the Company on 31 December 2021.

The "**EPRA NNAV 2018**" refers to the total triple EPRA Net Asset Value published by the Company on 31 December 2018.

The "**Panel**" refers to the panel of companies comparable to the Company, as determined by the Company's Board of Directors in the plan regulations.

"**Carmila's 3-year TSR 2021**" refers to the ratio between (i) on the one hand, the Company's EPRA NNAV 2021 to which any distributions between 1 January 2019 and 31 December 2021 will have been added; and (ii) on the other hand, the EPRA NNAV 2018.

The "**Panel's 3-year TSR 2021**" refers to the average 3-year TSR 2021 for companies in the Panel, *i.e.* for each company, the ratio between (i) on the one hand, the EPRA NNAV at the end of 2021 to which any

distributions by those companies between 1 January 2019 and 31 December 2021 will have been added; and (ii) on the other hand, the EPRA NNAV at the end of 2018 for those same companies.

- If Carmila's 3-year TSR 2021 is equal to the Panel's 3-year TSR 2021, Performance Condition 1 will have been 50% achieved.
- If Carmila's 3-year TSR 2021 exceeds the Panel's 3-year TSR 2021 by 1 point, Performance Condition 1 will have been 75% achieved.
- If Carmila's 3-year TSR 2021 exceeds the Panel's 3-year TSR 2021 by 2 points, Performance Condition 1 will have been 100% achieved.
- If Carmila's 3-year TSR 2021 exceeds the Panel's 3-year TSR 2021 by 3 points, Performance Condition 1 will have been 120% achieved.

If the result falls between two boundaries, the achievement of Performance Condition 1 will be calculated by linear interpolation.

Condition 2: Growth of Recurring Earnings per Share ("Performance Condition 2" representing 25% of Performance Conditions)

For the purposes of this Article, the "Target range" refers to the target growth of recurring earnings for year n as published by the Company, in the published annual results for n-1. This target will be expressed as a range of values between a lower boundary and an upper boundary.

For each year in question (2019, 2020 and 2021 each contributing one third to Performance Condition 2),

- If the Recurring Earnings per Share published by the Company for financial years 2019, 2020 and 2021 is beneath the lower boundary of the Target range for the year in question, the Performance Condition 2 for the year in question is deemed not to have been achieved.
- If the Recurring Earnings per Share published by the Company for financial years 2019, 2020 and 2021 is equal to the lower boundary of the Target range for the year in question, the Performance Condition 2 for the year will be deemed to have been 30% achieved.
- If the Recurring Earnings per Share published by the Company for financial years 2019, 2020 and 2021 is equal to the upper boundary of the Target range for the year in question, the Performance Condition 2 for the year in question will be deemed to have been 100% achieved.

The rate of achievement of Performance Condition 2 will be equal to the average of achievement rates for the three years 2019, 2020 and 2021.

- If the Recurring earnings per Share published by the Company for financial years 2019, 2020 and 2021 exceeds the median of the lower and upper boundaries of the Target range for the year in question in each of the three years, the Performance Condition 2 achievement rate will be adjusted upwards by 20 points.

Condition 3: Asset Certification rate ("Performance Condition 3" representing 25% of Performance Conditions)

Within the meaning of this Article, the "**Certification Rate**" refers to the appraisal value, transfer taxes included, of the assets in the Company's portfolio for which environmental certification has been obtained in relation to the total appraisal value, transfer taxes included, for the Company's whole portfolio.

- If the Certification Rate obtained at 31 December 2021 is 50%, the Performance Condition 3 achievement rate is 0%.
- If the Certification Rate obtained at 31 December 2021 is 65%, the Performance Condition 3 achievement rate is 100%.

- If the Certification Rate obtained at 31 December 2021 is 80%, the Performance Condition 3 achievement rate is 120%.

If the result falls between two boundaries, the achievement of Performance Condition 3 will be calculated by linear interpolation.

Condition 4: Carmila's Total Shareholder Return (trading TSR) over three years to the end of 2021 compared with a panel benchmark ("Performance Condition 4" representing 25% of Performance Conditions)

For the purposes of this Article:

The "**Panel**" refers to the panel of companies comparable to the Company, as determined by the Company's Board of Directors in the plan regulations.

"**Carmila's 3-year trading TSR 2021**" refers to the ratio between (i) on the one hand, the Company's average closing prices over the last 40 trading days in the 2021 financial year, plus any distributions between 1 January 2019 and 31 December 2021; and (ii) on the other hand, the Company's closing price at 31 December 2018 *i.e.* €16.16 per share.

The "**Panel's 3-year trading TSR 2021**" refers to the average of three-year TSRs at the end of 2021 for the companies in the panel, *i.e.* for each company, the ratio between (i) on the one hand, the average of closing prices in the last 40 trading days of the 2021 financial year, plus any distributions by those companies between 1 January 2019 and 31 December 2021; and (ii) on the other hand, the closing market price at 31 December 2018 of those same companies.

- If Carmila's 3-year trading TSR 2021 is lower than the Panel's 3-year trading TSR 2021 by 5 points, Performance Condition 4 will not have been achieved.
- If Carmila's 3-year trading TSR 2021 is equal to the Panel's 3-year trading TSR 2021, Performance Condition 4 will have been 100% achieved.
- If Carmila's 3-year trading TSR 2021 exceeds the Panel's 3-year trading TSR 2021, Performance Condition 4 will have been 120% achieved.

If the result falls between two boundaries, the achievement of Performance Condition 4 will be calculated by linear interpolation.

The number of A Shares resulting from the conversion must be determined, for each C Shareholder, by applying the Conversion Ratio to the number of C Shares held by the holder at the conversion date, with the Conversion Ratio weighted as follows:

- 0% of the Conversion Ratio if the holder is no longer an employee of the Company or one of its subsidiaries at the end of the one (1) year vesting period;
- 20% of the Conversion Ratio if the holder is still an employee of the Company or one of its subsidiaries at the end of the one (1) year vesting period;
- 40% of the Conversion Ratio if the holder is still an employee of the Company or one of its subsidiaries at the end of one (1) year of Lock-Up Period;
- 100% of the Conversion Ratio if the holder is still an employee of the Company or one of its subsidiaries at the end of a two (2) year Lock-Up Period, *i.e.* on the date of conversion of the C Shares into A Shares;
- as an exception, between 0% and 100% of the Conversion Ratio, upon the decision of the Board of Directors, if the holder is no longer an employee on the Share Lock-up Period Expiry Date, and depending on the circumstances and/or the date of his/her departure.

Where the total number of A Shares that should be received in respect of the conversion of all C Shares held by a holder is not a whole number, the said holder will receive the whole number of A Shares immediately above subject to provisions of paragraph III.3 of article 10 of the by-laws of the Company as amended by the General Meeting of 16 May 2019.

The Company will notify C Shareholders of the conversion on the Lock-Up Period Expiry Date.

A Shares produced by the conversion of C Shares will become permanently included in the Company's A Shares in existence on their date of conversion and carry standard dividend rights.

The total number of A Shares that could result from the conversion of the C Shares may not exceed 180,000 A Shares, i.e. 0.13% of the share capital of the Company, at the date of the general meeting, with this number not taking account of any adjustments made to preserve the rights of the C Shareholders, in accordance with the legal and regulatory provisions, where applicable.

No later than fifteen (15) days prior to each Shareholders' meeting, shareholders will have access to a supplementary Board of Directors' report and a supplementary Statutory Auditors' report, produced in accordance with Article R. 228-18 of the French Commercial Code on conversions of C Shares into A Shares.

4. Buyback of C Shares

In the scenario where, after the Lock-up Period Expiry Date, the number of A Shares to which the C Shares held by some or all of the holders would give rights through conversion is equal to zero, the Company will, at its sole initiative, buy back the said C Shares for the purpose of cancelling them.

All C Shares bought back in this way will be permanently cancelled on their buyback date and the Company's share capital reduced by that amount, with creditors benefiting from a right to oppose.

C Shares will be bought back at their unit face value.

The Company will notify C Shareholders of the buyback by any means prior to the actual buyback date.

The Board of Directors must note the number of any C Shares bought back and cancelled by the Company and make the necessary changes to the Articles of these by-laws.

2. PROCEDURES CONDUCTED

We performed all procedures we deemed necessary in accordance with the *Compagnie nationale des commissaires aux comptes* doctrine applicable to this type of mission.

In particular:

- we exchanged with the Company's advisors who exposed us the general context of the transaction;
- we reviewed the draft resolutions of the General meeting of 16 May 2019 and the notice of meeting ;
- we examined all legal documents and other documents related to the transaction;
- we verified that the special benefits granted are neither prohibited by law nor contrary to the Company's interest.

We specify that the assignment of the auditor tasked with assessing special benefits cannot be compared to a "due diligence" assignment or an independent appraisal of the value of the special benefits allocated. The sole purpose of our assignment is to inform the shareholders about the special benefits attached to the preferred shares whose issuance is being considered and to verify that these benefits are not prohibited by law.

3. ASSESSMENT OF THE SPECIAL BENEFITS

The proposed transaction consists in the issuance of class C preferred shares which will be issued to named persons requiring the intervention of a special benefits auditor pursuant to article L. 228-15, paragraph 1, of the French Commercial Code.

We shall not assess whether such special benefits are legitimate or not. Our task consists in describing and assessing special benefits attached to preferred shares which may be created and issued.

The special benefits will give to the holders of preferred shares specific political and financial rights which have not been the subject of an assessment report, since these C Shares will be issued free of charge at the end of the Lock-up Period. We therefore have no comment regarding the absence of an assessment report.

Such rights are special benefits negotiated by the parties to the transaction which are, in our opinion, quite legitimate in nature. They constitute a breach of equality among shareholders justified both by the context and the terms and conditions under which the contemplated operation is submitted to you.

Such special benefits shall be assessed by the shareholders of the Company in relation to the stakes attached to this incentive transaction to the employees and corporate officers of the Company.

It is specified that, in order to have a complete information, the shareholders of the Company shall read the draft resolutions of the General Meeting of 16 May 2019, under which special benefits attached to class C preferred shares are presented in a comprehensive and detailed manner.

4. CONCLUSION

In conclusion, we do not have any particular comment regarding the special benefits stipulated and described in the draft resolutions of the General Meeting of 16 May 2019.

Paris, on April 24, 2019

Exelmans Audit et Conseil

Eric Guedj

Statutory Auditor

Member of the *Compagnie Régionale de Paris*