



French *Société anonyme* with a share capital of 820,926,894 euros
Registered office: 58 avenue Emile Zola, 92100 Boulogne-Billancourt
Registered at the Nanterre Trade and Companies Registry under number 381 844 471

**SPECIAL REPORT OF THE BOARD OF DIRECTORS ON FREE ALLOCATIONS OF SHARES DURING
THE 2019 FINANCIAL YEAR**

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 2019 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 2019

Pursuant to the terms of the 15th resolution of the Extraordinary General Meeting of 16 May 2019, 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 “**C 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 C Shares to be issued has been set at 180,000, which may give right, upon conversion, to a maximum of 180,000 ordinary shares of the Company (the “**A Shares**”), i.e. 0.13% of the Company’s share capital at the date of the Extraordinary General Meeting of 16 May 2019.

The number of A Shares resulting from the conversion of the C Shares allocated to the Company’s corporate officers (which will be taken into account in the 0.13% limit mentioned above) may not represent more than 0.13% of the Company’s share capital at the date of the Extraordinary General Meeting of 16 May 2019.

On 16 May 2019, based on the Remuneration and Appointment Committee’s recommendation, the Board of Directors determined the conditions for allocations of C Shares and appointed the beneficiaries. Due to Mr. Jacques Ehrmann’s resignation provided to the Board of Directors, with effect as of 30 June 2019, the latter has not been granted with free shares under this plan.

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

Vesting period

The allocation of C 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, C Shares shall be held by the beneficiaries for a period of two (2) years from the date of their allocation.

Conversion of C Shares

At the end of the holding period, C 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 16th resolution of the Extraordinary General Meeting of 16 May 2019), 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 C 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 16th resolution).

The four performance conditions are the following:

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

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

The "**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 NNNAV 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 NNNAV 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 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: Growth of Recurring Earnings per Share ("Performance Condition 2")**

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”)**

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”)**

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 table below details the allocation of preference shares made in 2019, pursuant to the authorisation granted by the 15th resolution of the Company's Extraordinary General Meeting of 16 May 2019.

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
05/16/19	144,906	1 year	2 years	46	Performance Conditions 1, 2, 3 and 4 (see above)	New or existing Shares

- 2. Number and value of shares, that, during 2019, 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 ⁽¹⁾	-	NA
Géry Robert-Ambroix	16,244	€211,172
Sébastien Vanhoove	6,962	€90,506

- 3. Number and value of shares freely allocated during 2019 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 2019 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.	€69,200	€899,600

¹ Note: Mr. Jacques Ehrmann, having given his resignation to the Board on May 15, 2019, the Board of Directors has decided, on May 16, 2019, not to grant him with rights to allotment of the 21,844 C Shares.

5. Number and value of shares that during 2019 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
23,206	€301,678	2	Corporate Officers
69,200	€899,600	10	Ten non-corporate officer employees whose number of free shares allocated is the highest
52,500	€682,500	34	Other key salaries

On 16 May 2020, Mr. Alexandre de Palmas, Chairman and Chief Executive Officer of the Company, acknowledged the fulfillment of the allocation conditions as defined in the 2019 free allocation of preference shares Plan, and issued 139,306 new category C shares of the Company, i.e. a capital increase of a nominal amount of €835,836.

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The Board of Directors