

# Michel Léger

Chartered Accountant Auditor  
Honorary expert authorised by the Paris Court of Appeal

## **FONCIERE DES REGIONS S.A. (ABSORBING COMPANY)**

Public limited company (*société anonyme*) with a share capital of 225,835,737 Euros  
18, avenue François Mitterrand - 57000 METZ  
TRADE AND COMPANIES REGISTER OF METZ TI - 364 800 060

## **BENI STABILI S.P.A. SIIQ (ABSORBED COMPANY)**

Public limited company with a share capital of 226,959,280.30 Euros  
ROMA (RM) Via Piemonte 38 Postcode 00187

**MERGER BY WAY OF ABSORPTION OF BENI STABILI S.p.A. SIIQ BY  
FONCIERE DES REGIONS S.A.**

## **REPORT OF THE MERGER AUDITOR ON THE REMUNERATION OF CONTRIBUTIONS**

(Article L236-10 of the French Commercial Code)

### **REPORT OF THE SPIN-OFF APPRAISER ON THE COMPENSATION FOR THE TRANSFERRED ASSETS**

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**FONCIERE DES REGIONS S.A.**  
18 avenue François Mitterrand - 57000 METZ  
364 800 060 RCS METZ TI

**BENI STABILI S.P.A SIIQ**  
Via Piemonte, 38 CAP 00187 - ROMA (RM)  
Tax number: 00380210302

## **Report of the merger auditor on the remuneration of contributions**

Dear Shareholders of BENI STABILI S.p.A. SIIQ and FONCIERE DES REGIONS S.A.

Pursuant to the mission entrusted to me by order of the President of the Metz Regional Court dated 8 June 2018 concerning the merger by way of absorption of **BENI STABILI S.P.A. SIIQ** by **FONCIERE DES REGIONS SA**, I have prepared this report provided for in Article L. 236-10 of the French Commercial Code.

The remuneration for contributions is the result of the exchange ratio which was adopted in the merger plan entered into by the representatives of the companies involved on 19 July 2018. It is my responsibility to express an opinion on the fairness of the exchange ratio. To that end, I carried out my duties in accordance with the professional doctrine of the *Compagnie nationale des commissaires aux comptes* applicable to this assignment; these standards require the implementation of procedures intended, firstly, to verify that the relative values attributed to the shares of the companies participating in the transaction are relevant and, secondly, to analyse the positioning of the exchange ratio with respect to the relative values considered relevant.

At no time did I find myself in any of the cases of incompatibility, prohibition or forfeiture provided by law.

I would ask you to take note of my observations and conclusions presented below, according to the following plan:

1. **Presentation of the operation and description of the contributions**
2. **Verification of the relevance of the relative values attributed to the shares of the companies participating in the operation**
3. **Assessment of the fairness of the proposed exchange ratio**
4. **Conclusion**

## **1. Presentation of the operation and description of the contributions**

### **1.1. Presentation of the operation**

#### ***1.1.1. The absorbing company***

FONCIERE DES REGIONS is a public limited company (société anonyme) whose registered office is located at 18 avenue François Mitterrand, 57000 Metz. It was registered on 17 January 1964 in the Trade and Companies Register of Metz under the number 364 800 060.

Its share capital amounts to 225,835,737 euros. It is divided into 75,278,579 shares with a nominal value of €3 each, which are fully subscribed and paid up.

#### **a. Corporate purpose**

The object of the absorbing company, as provided by Article 3 of its articles of association is:

Principally:

- the acquisition of any and all land, real property rights or buildings, including by way of a building lease, an emphyteutic lease, an authorisation for the temporary occupation of the public domain and leasing, and any property and rights that may constitute an accessory or annexe of the said immovable property;
- the construction of buildings and any operations directly or indirectly related to the construction of these buildings;
- the operation and exploitation by lease of such immovable property;
- directly or indirectly, the holding of interests in the persons referred to in Article 8 and in paragraphs 1, 2 and 3 of Article 206 of the French General Tax Code, and more generally the acquisition of interests in any companies whose main object is the exploitation of rental property assets as well as the direction, management and assistance of such persons and companies.

On an ancillary basis, directly or indirectly:

- the taking on lease of real estate of any kind;
- the acquisition, including by concession, authorisation for temporary occupation of the public domain, and the operation of car parks;
- the management and administration of any and all real estate property and rights on behalf of third parties and direct and indirect subsidiaries;
- the direction, management and assistance of any and all direct and indirect subsidiaries.

Exceptionally, the disposal, in particular by transfer, contribution, exchange and merger of the assets of the absorbing company.

And more generally:

- the participation as a borrower and lender in any intra-group loan or cash transaction and the possibility of granting for this purpose any movable or immovable real or personal securities, mortgages or other guarantees;
- and all civil, financial, commercial, industrial, movable- and immovable-property operations considered conducive to the development of one of the aforementioned objects of the company.

#### **b. Term and financial year**

The absorbing company will terminate on 1 December 2062, unless extended or dissolved in advance. The closing date of the financial year of the absorbing company is 31 December of each year.

**c. Treasury shares**

As at 30 June 2018, approximately 0.07% of the capital of the absorbing company was self-owned.

**d. Other securities issued**

In November 2013, the absorbing company issued Bonds redeemable in cash and/or New Shares and/or Existing Shares (ORNANE) at an annual interest rate of 0.875% for a nominal amount of €345,000,000, redeemable on 1st April 2019 (the "ORNANES").

The absorbing company also issued (non-convertible) bonds on 16 December 2012, 28 March 2013, 10 September 2014, 20 May 2016 and 21 June 2017, for a total amount outstanding as of 31 December 2017 of approximately €1,673.3 million.

At 30 June 2018, the number of free shares of the absorbing company, which had been allocated but not yet definitively absorbed, was 488,367 shares. No securities of the absorbing company other than those mentioned have been issued and are in circulation on the date hereof.

**1.1.2. The absorbed company**

BENI STABILI is a public limited company whose registered office is located at Via Piemonte, 38, 00187 Rome (Italy). It was registered on 19 February 1996 in the Companies Register of Rome under the tax number 00380210302.

Its share capital amounts to €226,959,280.30, divided into 2,269,592,803 shares with a par value of €0.10 each, fully paid up, and all of the same class.

59.87% of the company is owned by FONCIERE DES REGIONS, 5.70% by PREDICA, treasury shares make up 0.04%, with the balance corresponding to floating capital.

The object of the absorbed company is provided by Article 3 of its articles of association. In particular, the object of the absorbed company includes all activities related to real estate and all activities related to the acquisition of holdings, excluding transactions with the public, in Italy and abroad.

**a. Corporate purpose**

The absorbed company may in particular:

- acquire, sell and manage properties and register mortgages;
- carry out new constructions, renovate and redevelop buildings, especially for the account of and/or in consortium with third parties;
- divide farm land or buildings into plots, establish districts in accordance with urban planning regulations; participate in the establishment of consortiums for the purpose of urban development and the construction of real estate projects; contract agreements and obligations relating to urban planning restrictions with the relevant municipalities;
- act as lessor or lessee, manage real estate and real estate assets, especially on behalf of enterprises, companies and other entities;
- liquidate and manage businesses, corporations and entities related to the real estate sector;
- create companies and acquire equity and investments in other companies or enterprises, directly or indirectly, to the exclusion of public transactions and public offers.

The absorbed company may engage in any other activities deemed necessary and appropriate for the accomplishment of its object. More particularly, the absorbed company may undertake, for example and without this list being exhaustive, surveys, research and commercial, industrial, financial, movable- and immovable-property operations; it may enter into mortgage agreements and take out loans of any form or duration, and issue real or personal guarantees, secured by movable and immovable property, including security interests, pledges and mortgages guaranteeing its own obligations or those of enterprises and companies in which it has interests or holdings.

The operations of the absorbed company will be carried out in compliance with the following real estate investment and risk concentration rules and leverage limits:

(a) The absorbed company may not invest in an individual real estate asset with the same characteristics and urban functions: (i) directly, in a proportion of more than 25% of the total value of its real estate assets; and (ii) directly and through its subsidiaries, in a proportion of more than 15% of the total value of the real estate assets of the group parent. In this respect, it is specified that, for development plans covered by a single urban plan, the portions of the property that are functionally independent and covered by unique building permits, or equipped with urban works that are sufficient to ensure connection to the public services, cease to have the same urban characteristics and functional characteristics;

(b) The absorbed company may not generate: (i) directly, rents, by the same tenant(s) belonging to the same group, in a proportion of more than 30% of the total rents of the absorbed company; and (ii) directly or through its subsidiaries, rents from the same tenants belonging to the same group, in a proportion greater than 60% of the group's total rents;

(c) The absorbed company may assume: (i) directly, borrowings (including financial debts to subsidiaries and the parent), net of cash and cash equivalents and equivalent assets and financial claims of the parent company, for an aggregate nominal value not exceeding 70% of the sum of the total value of its real estate assets, the balance sheet value of investments in subsidiaries and the nominal value of financial claims of subsidiaries; and (ii) directly and through subsidiaries, consolidated financial debts (including amounts due to the parent company), net of cash and cash equivalents and equivalent assets and financial claims of the parent company, for a total nominal value not exceeding 70% of the group's total real estate assets.

The above limits may be exceeded in exceptional circumstances or circumstances beyond the control of the absorbed company.

Unless the interests of the shareholders and/or the absorbed company dictate otherwise, these limits may not be exceeded for a period exceeding 24 months, with respect to the thresholds set forth in paragraphs (a) and (b), and 18 months with respect to the thresholds established in paragraph (c). As an exception to the above, the 30% limit applicable in accordance with paragraph (b) above does not apply if the real estate assets of the absorbed company are leased to a lessee or lessees belonging to a group of national or international importance.

**b. Term and financial year**

The absorbed company will terminate on 31 December 2100, unless extended or dissolved in advance. The closing date of the financial year of the absorbed company is 31 December of each year.

**c. Treasury shares**

As at 30 June 2018, 0.04% of the share capital of the absorbed company was self-owned.

**d. Other securities issued**

In 2015, the absorbed company issued convertible bonds (200,000,000 0.875 per cent, Convertible Bonds due 2021), in circulation and listed on the ExtraMOT - Professional Market of the Italian Stock Exchange (the "Convertible Bonds").

On 29 May 2018, BENI STABILI published in the Italian Official Gazette (Section II - No. 62), and in particular in accordance with the provisions of Articles 65-quinquies, 65-sexies, 65-septies and 84 of the CONSOB Regulations concerning issuers (No. 11971/99, the "CONSOB Regulation concerning Issuers"), as well as on the website of the absorbed company ([www.benistabili.it](http://www.benistabili.it)) and in accordance with the terms and conditions of the Convertible Bonds, a notice informing the holders of the Convertible Bonds of the beginning of the 30-day period, pursuant to Article 2503-bis, paragraph 2, of the Italian Civil Code, during which the holders of Convertible Bonds were able to exercise their conversion right.

On the expiry of this 30-day period, no holders of Convertible Bonds exercised their right to convert their Convertible Bonds into shares of the absorbed company.

As a result of the law relating to the merger, the absorbing company will assume all the obligations relating to the Convertible Bonds in circulation on the completion date, i.e. on 31 December 2018.

BENI STABILI also issued the following bonds, which are in circulation:

- (i) the "Euro 300,000,000 2.375 per cent. Notes due 20 February 2028" listed on the Luxembourg Stock Exchange (the "2028 Bonds");
- (ii) the "Euro 300,000,000 1.625 per cent. Notes due 17 October 2024" listed on the Luxembourg Stock Exchange (the "2024 Bonds"); and
- (iii) the "Euro 125,000,000 2.125 per cent. Notes due 30 March 2022" listed on the Irish Stock Exchange (the "2022 Bonds" and, together with the 2028 Bonds and the 2024 Bonds, the "Bonds").

As a result of the law relating to the merger, the absorbing company will assume all the obligations relating to the Bonds as from the date of completion of the contribution.

No securities of the absorbed company other than those mentioned have been issued and are in circulation on the date hereof.

### ***1.1.3. Direct links between the companies***

On the date of signature of the merger plan, FONCIERE DES REGIONS held approximately 59.87% of the BENI STABILI shares in circulation, thereby exercising legal control over BENI STABILI. In addition, the absorbing company exercises powers of direction and coordination over the activities of the absorbed company in accordance with Articles 2497 et seq. of the Italian Civil Code.

BENI STABILI and FONCIERE DES REGIONS have the following managers in common:

- Mr. Jean Laurent, who is also the Chairman of the Board of Directors of FONCIERE DES REGIONS;
- Mr. Leonardo Del Vecchio;
- Mr. Christophe Kullmann, who is also managing director of FONCIERE DES REGIONS and BENI STABILI and a member of the management committee of FONCIERE DES REGIONS;
- Ms. Marjolaine Alquier de L'Epine who is a director of BENI STABILI and also head of the audit and internal control of FONCIERE DES REGIONS.

### ***1.1.4. Context, objectives of the operation and conditions***

On 19 April 2018, FONCIERE DES REGIONS submitted to the Board of Directors of BENI STABILI a merger proposal, which was noted by the Board of Directors on 20 April 2018, whereby FONCIERE DES REGIONS would acquire BENI STABILI on the basis of an exchange ratio of 8.5 FONCIERE DES REGIONS shares for 1,000 BENI STABILI shares. In this context, BENI STABILI initiated the procedures applicable to transactions with related parties, in accordance with the applicable legal and regulatory requirements. Within the framework of this procedure, the committee of independent directors of BENI STABILI issued a unanimous favourable opinion on the proposed merger, based in particular, on a fairness opinion prepared by the bank Lazard.

On 25 May 2018, the parties entered into a Merger Agreement to combine their operations through a merger-absorption of BENI STABILI by FONCIERE DES REGIONS. In this context, on July 18 and 19, 2018, respectively, the boards of directors of BENI STABILI and FONCIERE DES REGIONS decided to approve the draft merger plan submitted for your approval. The proposed merger is a merger within the meaning of Article 1 of Directive 2009/133/EC of 19 October 2009 on the common system of taxation applicable to mergers, divisions, partial splits, partial transfers of assets and exchanges of shares relating to companies from different Member States, and the transfer of the registered office of an SE or SCE from one Member State to another, of Article 210-0 A of the French General Tax Code and Articles 178 et seq. of the Italian Tax Law.

The purpose of the proposed Merger is to simplify the FONCIERE DES REGIONS group structure and to strengthen the links between the platforms. The aim of the Merger is to consolidate the Group's status as an integrated European property operator and leader on its markets, by strengthening its three strategic axes which are (i) the focus on European capitals, (ii) real estate development and (iii) client culture. The Merger will also simplify the currently applicable legal procedures and requirements, which will also reduce costs. The Merger should also strengthen FONCIERE DES REGIONS' profile in the capital markets by increasing its market capitalisation and widening the free float.

Consequently:

- BENI STABILI will transfer to FONCIERE DES REGIONS all the assets and liabilities as they appear in its balance sheet for the year ended 31 December 2018;
- FONCIERE DES REGIONS will account for the assets and liabilities of BENI STABILI in accordance with the accounting principles to which FONCIERE DES REGIONS is subject (without prejudice to the harmonisation of the accounting and valuation methods applicable to assets and liabilities following the Merger). The book value of the net assets transferred will be transferred to FONCIERE DES REGIONS and the value of the said net assets will be shown in the accounts of FONCIERE DES REGIONS in euros as of 31 December 2018;
- BENI STABILI will transfer to FONCIERE DES REGIONS, subject to the usual de facto and de jure conditions, and subject to the conditions provided for in the merger plan, its entire assets and liabilities (including all assets, rights and powers of any kind), it being understood that both the assets and liabilities of BENI STABILI will be transferred to FONCIERE DES REGIONS as at 31 December 2018;
- In accordance with the notice CNC CU 2005-C, BENI STABILI has prepared provisional financial statements for the year ended 31 December 2018 in order to provide an estimate of the net book value of the assets and liabilities transferred by universal transfer to FONCIERE DES REGIONS (the "Estimated Accounts"). The final net book values of the assets and liabilities transferred by universal transfer to the absorbing company and, consequently, of the resulting net assets transferred, must be determined on the basis of the final accounts of the absorbed company on the completion date, which will be drawn up by the board of directors of the absorbing company and audited by its auditors. The difference between the Provisional Net Asset Value and the Final Net Asset Value will constitute an adjustment to the merger premium;
- Following the merger, FONCIERE DES REGIONS will harmonise the methods for recognising and valuing assets and liabilities by (i) removing from the balance sheet those contributed assets and liabilities that do not meet the definition of assets and liabilities given by the General Accounting Plan, (ii) recognising the assets and liabilities that must be recognised in the balance sheet in accordance with the General Accounting Plan and (iii) accounting for these restatements in consideration of the merger gain or loss recognised, failing which they will be recorded as retained earnings of the company, in accordance with the rules on method changes;
- The merger will result in the dissolution without liquidation of BENI STABILI with the corresponding attribution of the contributed items to a permanent establishment of FONCIERE DES REGIONS in Italy. All assets and liabilities will be allocated to this permanent establishment, including all interests held by BENI STABILI in its subsidiaries and its interest in Central SICAF S.p.A. The permanent establishment will continue to carry on, without interruption, all activities carried on by BENI STABILI;
- In the matter of corporate taxes, the absorbing company and the absorbed company agree to subject the merger as regards French taxation, to the favourable merger regime referred to in Article 210A of the French General Tax Code;
- With regard to registration fees, the parties declare that the present merger falls within the scope of the scheme provided for in Article 816 of the French General Tax Code, since the absorbing company and the absorbed company are companies liable to corporation tax.

### **1.1.5. Regime of the transaction and conditions precedent**

The merger is a merger within the meaning of Article 1 of Directive 2009/133/EC of 19 October 2009, Article 210-0 A of the French General Tax Code and Article 178 of the Italian Tax Law.

It is subject to the following conditions precedent:

- The approval of the terms of the merger plan by the general meeting of shareholders of the absorbing company;
- Approval of the terms of the merger plan by the general meeting of shareholders of the absorbed company;
- The issuance by the Registry of the District Court of Metz and by an Italian notary of certificates of conformity in respect of the pre-merger instruments and formalities;
- The issuance by the District Court of Metz or by a French notary of a certificate of legality relating to the realisation of the merger in accordance with Article 128 of the Directive and Article L.236-30 of the French Commercial Code;
- The approval of the admission to trading of the FONCIERE DES REGIONS shares issued and delivered to the shareholders of BENI STABILI.

### **1.2. Nature, valuation and remuneration of contributions**

The terms and conditions of the merger plan were established by BENI STABILI S.p.A. and FONCIERE DES REGIONS SA, on the basis of the interim accounts of 30 June 2018 certified by the statutory auditors on the basis of a limited review, and which will be subject to the approval of the respective general meetings of 5 September 2018 (BENI STABILI S.p.A.) and 6 September 2018 (FONCIERE DES REGIONS SA).

#### **1.2.1. Provisional assets contributed**

The estimated assets transferred to FONCIERE DES REGIONS by universal transfer are, on the basis of the Estimated Accounts, the following:

	<b>Net value at 31 December 2018 (in millions of euros)</b>
Property, plant and equipment	2,230.4
Investments in equity affiliates	814.8
Other non-recurring assets	49.5
Cash and cash equivalents	24.9
Inventories and work in progress	22.7
Other current assets	72.8
<b>Total</b>	<b>3,215.1</b>

It is specified, as necessary, that should, as a result of error or omission, certain asset items be omitted, these asset items will be deemed to be the property of the absorbing company, to which they will be transferred ipso jure on the date of completion.



### 1.2.2. Provisional liabilities assumed

The estimated liabilities transferred to FONCIERE DES REGIONS by universal transfer are, on the basis of the Estimated Accounts, the following:

	Net value at 31 December 2018 (in millions of euros)
Long-term financial liabilities	1,280.0
Other non-recurring liabilities	14.0
Short-term financial liabilities	10.8
Other current liabilities	67.3
<b>Total</b>	<b>1,372.1</b>

It is specified, as necessary, that the assumption by the absorbing company of the aforementioned liabilities shall in no circumstances constitute an acknowledgement of debt for the benefit of creditors, who will be required to prove their rights and claims as well as the amounts claimed.

### 1.2.3. Provisional net assets contributed

The estimated net assets contributed amount to €1,843,087,613, taking into account contributed assets of €3,215,098,689 and assumed liabilities of €1,372,011,076 on the basis of the Estimated Accounts. Insofar as the definitive amount of the net assets contributed by the absorbed company will not be known until after the completion date, and in the absence of a guarantee of net assets, it has been agreed between the parties that the provisional net asset value used for the purposes of the merger plan will be equal to the sum of the net assets valued on the basis of the Estimated Accounts, to which a discount of 25% will be applied.

Thus, the value of the provisional net assets transferred is as follows:

	In euros
Net assets contributed	1,843,087,613
25% discount	(460,771,903)
<b>Provisional net assets transferred</b>	<b>1,382,315,710</b>

### 1.2.4. Exchange ratio

When determining the exchange ratio, the boards of directors of the absorbing company and of the absorbed company considered that the absorbing company and/or the absorbed company may take certain measures without triggering an adjustment of the exchange ratio (including the allocation of free shares by FONCIERE DES REGIONS within the limit of 151,455 shares, the effects of the conversion of convertible bonds, the acquisition of own shares or the implementation of capital increases without preferential subscription rights by FONCIERE DES REGIONS up to a maximum of 10% of its share capital) under the conditions described in Section 4.1 D of the merger plan;

- In the event of an issue of shares of the absorbing company or of the absorbed company with preferential subscription rights and in accordance with the provisions of Section 4.1 E of the merger plan, the exchange ratio will be adjusted to confer on the shareholders of the absorbed company or of the absorbing company (as the case may be) economic effects identical to those envisaged by the merger plan before such an event, by modifying the exchange ratio. In accordance with the requirements of the SIIQ rules, before the completion date, the absorbed company may pay an interim dividend in respect of the 2018 financial year, in accordance with the provisions of Article 2433-bis of the Italian Civil Code. In that case, the exchange ratio must be adjusted to offer holders of shares of the absorbing company or shares of the absorbed company, as the case may be, the same economic effects as those provided for by the merger plan before the occurrence of such an event, by automatically modifying the exchange ratio.

Thus, in exchange for a maximum number of shares of 1,115,144,525 shares in the capital, the shareholders of BENI STABILI will receive a maximum total number of 9,478,728 new shares issued by FONCIERE DES REGIONS. The share capital of FONCIERE DES REGIONS would then be increased by 28,436,184 euros, from 225,835,737 euros to 254,271,921 euros.

A merger premium will then be recognised for an amount estimated at 525,872,414 euros on the basis of the Provisional Net Assets (1,382,315,710 euros) and a capital increase involving a maximum of 9,478,728 shares (being specified that the definitive amount of the merger premium will be determined on the basis of the net book value of the net assets transferred by BENI STABILI on the date of completion of the merger, the proportion applicable to this value and the final amount of the capital increase resulting from the merger).

### **1.2.5. Merger premium**

Subject to any adjustments the principle of which is laid down in the merger plan, the merger premium corresponds to the difference between (a) the proportion of the net assets transferred by universal transfer to the absorbing company corresponding to the shares of the absorbed company (excluding the book value of treasury shares held by the absorbed company) and (b) the nominal value of the capital increase of the company.

The merger premium is estimated at 525,872,414 euros on the basis of the provisional net assets (1,382,315,710 euros) and a capital increase involving a maximum of 9,478,728 shares (being specified that the definitive amount of the merger premium will be determined on the basis of the net book value of the net assets transferred by BENI STABILI on the date of completion of the merger, the proportion applicable to this value and the final amount of the capital increase resulting from the merger).

	<b>In euros</b>
Provisional net assets contributed	554,308,600
9,478,728 new shares created at €3 each	(28,436,184)
<b>Merger premium</b>	<b>525,872,414</b>

The amount of this merger premium, to which the rights of all the shareholders, old and new, of the company will relate, will be recorded as a liability in the balance sheet of FONCIERE DES REGIONS.

By express agreement, the final completion of the merger will be deemed to authorise the Board of Directors of FONCIERE DES REGIONS to deduct from the said premium, the amount, in particular, of any costs, duties and fees resulting from the merger.

## **2. Verification of the relevance of the relative values attributed to the shares of the companies participating in the operation**

### **2.1. Tasks carried out**

I carried out the duties that I considered necessary, according to the professional doctrine of the National Institute of Statutory Auditors relating to this type of operation, in order:

- firstly, to assess the relevance of the relative values and to analyse the positioning of the exchange ratio with respect to the relative values deemed relevant;
- secondly, to assess the fairness of the exchange ratio.

In particular, I performed the following tasks:

- I met with the managers of the companies involved, both to understand the proposed transaction and the context thereof, and to analyse the accounting, legal and tax methods proposed;
- I had discussions with the managers of the operation and their advisers, both to understand its context and to understand the economic, accounting, legal and tax conditions applicable to it;
- I reviewed the merger plan and its annexes;
- to ensure the reliability of the financial statements and the accounting information provided to me, I verified that the auditors of the absorbed company and of the absorbing company had unreservedly certified the annual accounts as at 31 December 2017;
- in order to verify the financial information provided to me and within the framework of the objectives of our mission, I have taken note of the accounts of the absorbed company as at 30 June 2018, as well as the certificate of the Auditor in respect of these accounts;
- I critically examined the approach followed and the criteria used by the parties to calculate the relative values of the companies and determine the exchange ratio;
- I analysed the work carried out by the advising bank as well as the work and the fairness certificate of the Lazard bank for the independent committee of BENI STABILI;
- I analysed the sensitivity of the exchange ratio to all value ranges emerging from the valuation works;
- I obtained a representation letter from the management of the companies participating in the operation.

I also relied on the work I carried out as merger auditor responsible for assessing the value of the proposed contributions.

### **2.2. Limitations of our work**

My mission is to enlighten the shareholders of both companies with regard to the value of the contributions. It cannot be equated with a "due diligence" mission performed for a lender or acquirer and does not include all the work required for that type of mission. My report cannot therefore be used in that context.

### **2.3. Valuation method and relative values attributed to FONCIERE DES REGIONS and BENI STABILI shares**

The exchange ratio was determined on the basis of a multi-criteria approach that relies on the usual valuation methods applied to the property company sector. These are mentioned in Annexe 8 of the merger plan, namely:

- analysis of the official share prices of FONCIERE DES REGIONS and BENI STABILI at the close of 19 April 2018, the last trading day before the announcement of the initiation of discussions about a merger project, as well as the averages weighted by volumes traded over a period of 1, 3, 6, 9 and 12 months prior to that date;
- the target prices of the financial analysts for both companies;
- the EPRA Net Asset Value and the EPRA Triple Net Asset Value published on 31 December 2017 by FONCIERE DES REGIONS and BENI STABILI, as well as the evaluation of the data as at 30 June 2018, calculated according to the EPRA (European Public Real Estate Association) methodology;
- the multiples approach in respect of stock market peers consisting in the application to the aggregates of FONCIERE DES REGIONS and of BENI STABILI of the usual valuation criteria in the real estate sector;
- the multiples approach in respect of previous reference transactions in the real estate sector in Europe.

In addition, as a main method, I integrated the EPRA method for comparing the aggregates EPRA Earnings and estimated 2017 and 2018 dividends.

These methods are also those used by the Lazard bank for the issuance of its fairness opinion for the committee of independent directors of BENI STABILI.

### **2.4. Evaluation criteria rejected in the merger plan**

The following methods were not used when evaluating the exchange ratio of the merger:

- The discounted free cash flow (DCF) method;
- The method of discounting future dividends.

These methods of intrinsic valuation by the discounting of flows were rejected because they are both redundant with the other methods used and less relevant than the latter. Indeed, in their valuations real estate experts use the results of the income capitalisation approach to estimate the value of the real estate portfolio.

I rejected these methods too since I did not obtain a business plan for either BENI STABILI or for FONCIERE DES REGIONS.

### **2.5. Comments and/or observations on the valuations contained in the merger plan**

I assessed the valuation criteria set out in the merger plan with regard to the characteristics of FONCIERE DES REGIONS and BENI STABILI:

#### ***2.5.1. Analysis of share prices***

On 19 April 2018, the day before the announcement of the transaction, the BENI STABILI share price was 0.730 euros (source: Capital IQ).

FONCIERE DES REGIONS and BENI STABILI are both listed companies. FONCIERE DES REGIONS shares are admitted to trading in compartment A of the regulated Euronext Paris market and are also included in the SIIC FRANCE, SBF 120, CAC MID100, EPRA Europe MSCI, Euronext IEIF, GPR 250, FTSE4 Good and ASPI Eurozone® and DJSI World indexes.

BENI STABILI shares are primarily traded on the MTA, organised and managed by Borsa Italiana S.p.A., and on Euronext Paris on a secondary basis, and are also comprised in the FTSE All-Share Capped, FTSE Italia All-Share, FTSE Italia Mid Cap, FTSE Italia All-Share Financials, and FTSE Italia Real Estate indexes.

The shares of both companies are regularly monitored by a number of market analysts and are also the subject of a satisfactory volume of trading transactions.

The stock price is an essential reference for the evaluation of the exchange ratio.

The average exchange parities weighted by transaction volumes as at 19 April 2018 are 7.8x for one month, 7.8x for three months and 8.1x for six months respectively.

### 2.5.2. The analysts' target prices

The analysts' price objectives method is based on the analysis, for listed companies, of target prices presented by the analysts.

The target objectives are presented in the tables below:

FONCIERE DES REGIONS			BENI STABILI			Deduced Parity
Date	Analyst	Target price	Date	Analyst	Target price	
19/02/2018	Alpha Value	€98.90	13/04/2018	Banca Akros	€0.800	
15/02/2018	Bank of America	€87.40	03/04/2018	Citi	€0.830	
15/02/2018	Citi Research	€96.10	13/04/2018	Equita SIM SpA	€0.790	
15/02/2018	Degroof petercam	€95.00	01/03/2018	Exane BNP Paribas	€0.730	
01/03/2018	Exane BNP Paribas	€95.00	09/02/2018	Goldman Sachs	€0.600	
21/02/2018	Goldman Sachs	€103.50	12/02/2018	Intermonte	€0.800	
15/02/2018	ING	€91.00	13/04/2018	Invest Securities SA	€0.680	
21/02/2018	Invest Securities	€88.00	12/02/2018	J.P. Morgan	€0.760	
09/04/2018	JP Morgan	€92.00	07/02/2018	Kempen & Co	€0.810	
28/02/2018	Kempen	€94.00	07/02/2018	Kepler Cheuvreux	€0.830	
15/02/2018	Kepler Cheuvreux	€89.00	13/04/2018	Mediobanca SpA	€0.770	
13/03/2018	Morgan Stanley	€101.00	06/03/2018	Natixis	€0.650	
15/02/2018	Natixis SA	€88.00	13/04/2018	Société Générale	€0.700	
<b>Average</b>		<b>93.85 €</b>	<b>Average</b>		<b>€0.75</b>	<b>8.0x</b>

Sources: broker's notes

The average exchange ratio induced by this method is 8.0x.

### 2.5.3. The EPRA Net Asset Value and the EPRA Triple Net Asset Value of the EPRA (European Public Real Estate Association)

The EPRA Triple Net Asset Value (NAV) valuation method is the reference method used by companies in the real estate sector for their comparisons. This indicator starts from the following prerequisite: the property company must hold and manage the assets in question over a long period.

The NAV method consists of determining the economic or intrinsic value of a company's assets by evaluating each asset in its portfolio. The Net Asset Value is a key indicator of the performance of property companies, the publication of which is recommended by the European Public Real Estate Association (EPRA). SIICs may adopt relatively homogeneous valuation methodologies for their portfolios, even though they have specific features. The triple net NAV corresponds to the IFRS net position, as well as the unrealised gains or losses on investment properties, if they are not already recognised, and the fair value of financial debts.

It is specified that the NAV, a standard reference in this type of transaction, is a static valuation that does not take into account the potential for value creation.

The values per share as well as the induced exchange ratio that result from this method as at 31 December 2017 and 30 June 2018 for FONCIERE DES REGIONS and BENI STABILI are shown in the table below:

	In € per share	BENI STABILI	Implied exchange ratio for 1,000 BS shares
<b>EPRA NET ASSET VALUE AND TRIPLE NET ASSET VALUE</b>			
EPRA Triple Net Asset Value 31/12/2017	€86.28	€0.825	9.6x
EPRA Triple Net Asset Value (ex-div) 31/12/2017	€81.78	€0.792	9.7x
EPRA NAV 31/12/2017	€94.52	€0.836	8.8x
EPRA NAV 2017 (ex div) 31/12/2017	€90.02	€0.803	8.9x
EPRA Triple Net Asset Value 30/06/2018	€87.48	€0.809	9.2x
EPRA NAV 30/06/2018	€95.39	€0.821	8.6x

Sources: BDO's analyses, references documents 2017 and financial statements as at 30 June 2018 FONCIERE DES REGIONS et BENI STABILI

At 30 June 2018, the exchange ratio induced by this method is 8.6x by the EPRA NAV method and 9.2x by the EPRA Triple Net Asset Value method.

#### 2.5.4. The Aggregate Comparisons Approach

This method consists of comparing, for the two companies, the value per share of the dividends paid and the value of the earnings per share for the 2017 financial year and those expected for the 2018 financial year in order to determine an exchange ratio.

The table below highlights the following results:

In € per share	Period	FONCIERE DES REGIONS	BENI STABILI	Implied exchange ratio for 1,000 BS shares
Dividends	2017A	€4.50	€0.033	7.3x
	2018E	€4.64	€0.035	7.5x
EPRA Earnings	2017A	€4.86	€0.038	7.8x
	2018E	€5.01	€0.040	8.0x

Sources: BDO's analyses, references documents 2017 and financial statements as at 30 June 2018 FONCIERE DES REGIONS et BENI STABILI

As an indication, I used as secondary methods two other valuation methods habitually used when valuing property companies: the methods of the multiples of comparable companies and of comparable transactions. Since the latter are less robust and relevant than the ones I have just described, they corroborate the results presented previously.

### **2.5.5. The comparable stock multiples approach**

The approach by analysis of comparable market capitalisations consists in applying to BENI STABILI's financial aggregates the stock market multiples of listed property companies considered comparable in terms of activity, size, yield and occupancy rate.

The analogical valuation approach relying on comparable listed companies consists in applying to the aggregates of FONCIERE DES REGIONS and of BENI STABILI the usual valuation criteria in the real estate sector:

- the ratio between the share price and the EPRA NAV per share published on 31 December 2017 (premium or discount on the EPRA NAV);
- the ratio between the share price and the EPRA Triplet Net Asset Value per share published on 31 December 2017 (premium or discount on the triple net EPRA NAV);
- the ratio between the 2017 dividend and the estimated 2018 dividend per share and the share price (dividend yield).

The sample of comparable companies was determined as follows:

- FONCIERE DES REGIONS

The sample of comparable companies selected consists of French listed companies operating mainly in the office property sector, benefiting from the tax regime of the Listed Real Estate Investment Companies (SIIC), with a significant free float and liquidity. This sample is nevertheless small and consists only of two companies, GECINA and ICADE. Like FONCIERE DES REGIONS, each of these companies is also partially exposed to diversification sectors, residential real estate for GECINA and healthcare real estate for ICADE.

For FONCIERE DES REGIONS, the average discount on the EPRA NAV and the EPRA Triplet Net Asset Value at 31 December 2017, observed in the sample of FONCIERE DES REGIONS peers, are (7.9%) and (6.7%). This is an average weighted by market capitalisations in order to take into account the sizes of the different companies in the peer group. These discounts were applied to the corresponding aggregates of FONCIERE DES REGIONS to determine the induced value of a FONCIERE DES REGIONS share.

Similarly, the average values of the 2017 dividend yields paid and the estimated 2018 dividends are 4.6% and 4.9% respectively and were applied to the corresponding aggregates of FONCIERE DES REGIONS.

- BENI STABILI

Given the small number of listed property companies in Italy, the sample of comparable companies selected was analysed using a main sample and a secondary sample. Only the main sample was selected, with only one comparable company, COIMA RES.

For BENI STABILI, the discounts on the EPRA NAV and the EPRA Triplet Net Asset Value at 31 December 2017 were (21.5%) and (20.6%). The 2017 dividend yields paid and the estimated 2018 dividends observed for COIMA RES are 3.2% and 4.2% respectively and were applied to the corresponding aggregates of BENI STABILI.

In conclusion, this method results in an exchange ratio range of between 7.5x (P/D EPRA NAV) and 10.5x (DPS 2017) and generally confirms the main methods used.

### **2.5.6. The comparable transactions approach**

I used the multiples of comparable transactions method, an analogical valuation method using multiples observed on a sample of past transactions deemed comparable with respect to property companies. The analysis of these transactions results in exchange ratio premiums or discounts calculated on the basis of the last published EPRA NAV and on the last stock market prices observed before the announcement of the transaction. The average of these observed premiums or discounts can be applied to the corresponding parities of the transaction between FONCIERE DES REGIONS and BENI STABILI.

Over the past four years, 22 merger and takeover transactions involving a European real estate company benefiting from the SIIC regime were identified. On average, we observe a discount on the exchange parities of the last published EPRA NAVs of around (10.8%) and a premium on the exchange parities based on the last share price before the announcement of 7.3%.

In conclusion, this method results in an exchange ratio range of between 8.0x (P/D EPRA NAV) and 8.9x (spot market price) and confirms the main methods used.

Thus, the summary of the relative values of the exchange ratio between a FONCIERE DES REGIONS share and 1,000 BENI STABILI shares in the context of the merger according to the valuation methods described above is as follows:

In € per share	FONCIERE DES REGIONS	BENI STABILI	Implied exchange ratio for 1,000 BS shares
<b>Main methods</b>			
<b>Market value method</b>			
Closing price cum-div (19/04/2018)	€88.30	€0.730	8.3x
Closing price ex-div (19/04/2018)	€83.80	€0.697	8.3x
Volume weighted average price (1 month)	€89.20	€0.699	7.8x
Volume weighted average price (3 months)	€88.18	€0.693	7.9x
Volume weighted average price (6 months)	€89.02	€0.726	8.2x
Volume weighted average price (9 months)	€87.52	€0.717	8.2x
Volume weighted average price (12 months)	€86.33	€0.692	8.0x
Average - market value method			8.1x
<b>Target price of analysts</b>			
Average target price	€93.85	€0.750	8.0x
<b>NAV EPRA</b>			
EPRA Triplet Net Asset Value 31/12/2017	€86.28	€0.825	9.6x
EPRA Triplet Net Asset Value (ex-div) 31/12/2017	€81.78	€0.792	9.7x
EPRA NAV 31/12/2017	€94.52	€0.836	8.8x
EPRA NAV 2017 (ex div) 31/12/2017	€90.02	€0.803	8.9x
EPRA Triplet Net Asset Value 30/06/2018	€87.48	€0.809	9.2x
EPRA NAV 30/06/2018	€95.39	€0.821	8.6x
Average - NAV EPRA method			9.1x
<b>Aggregates Comparison method</b>			
EPRA Earnings 2017A	€4.86	€0.038	7.8x
EPRA Earnings 2018E	€5.01	€0.040	8.0x
2017A	€4.50	€0.033	7.3x
2018E	€4.64	€0.035	7.5x
Average - Aggregates Comparison method			7.7x
<b>Average - Main methods</b>			<b>8.3x</b>
<b>Secondary methods</b>			
<b>Market peers' multiples</b>			
P/D EPRA Triplet Net Asset Value	€80.53	€0.654	8.1x
P/D EPRA NAV	€87.04	€0.656	7.5x
PRS 2017	€97.74	€1.024	10.5x
PRS 2018	€94.73	€0.799	8.4x
PRS 2019	€93.66	€0.774	8.3x
<b>Comparable transactions</b>			
EPRA NAV (ex-div)	€80.28	€0.716	8.0x
Spot stock exchange price	€94.77	€0.783	8.9x
Average - Comparable transactions method			8.4x
<b>Average of all methods</b>			<b>8.4x</b>

Sources: BDO analysis, reference document 2017 and financial statements as at 30 June 2018 BENI STABILI, Capital IQ, broker's notes and appraisers' conclusions.



### **3. Assessment of the fairness of the proposed exchange ratio**

#### **3.1. Exchange ratio presented by the parties**

The exchange ratio adopted on 18 July 2018 by the BENI STABILI Board of Directors and on July 19 by the FONCIERE DES REGIONS Board of Directors is 8.5 FONCIERE DES REGIONS shares for 1,000 BENI STABILI shares.

It should be noted that:

- the exchange ratio will be adjusted in accordance with the provisions of Section 4.1 E of the merger plan in the event of (i) the issue of FONCIERE DES REGIONS or BENI STABILI shares with preferential subscription rights (the issue of shares being limited to a number of shares corresponding to 10% of the share capital of the absorbed company or of the absorbing company, as the case may be) on the date of the merger plan, and (ii) payment of a dividend before the date of completion of the merger by the absorbed company for the 2018 financial year in accordance with the requirements of the SIIQ plan;
- the exchange ratio will not be adjusted if the transactions referred to in Article 4.1 D of the merger plan are implemented, notably in the event of an issue of shares by FONCIERE DES REGIONS in accordance with the terms and conditions of the financial authorisations granted to the FONCIERE DES REGIONS Board of Directors for a maximum number of securities corresponding to 10% of the share capital of the absorbing company on the date of the merger plan.

Note should also be taken of the right of withdrawal mechanism whereby those BENI STABILI shareholders who do not approve the merger plan will be able to exercise their right of withdrawal, in accordance with the rules of Italian law and under the conditions described in Article 9.5 of the merger plan (the redemption price being 0.7281 euros per BENI STABILI share).

The foregoing is not likely to affect my conclusions presented below.

#### **3.2. Assessment of the fairness of the exchange ratio**

In consideration of the contribution made by BENI STABILI, its shareholders will receive a maximum number of 9,478,728 new fully paid up shares issued by FONCIERE DES REGIONS, with a par value of €3, created in connection with the increase of its capital (on the basis of (i) an exchange ratio of 8.5 FONCIERE DES REGIONS shares for 1,000 BENI STABILI shares (subject to a possible adjustment of the exchange ratio as provided for in 4.1 E of the merger plan), (ii) a maximum of 205,423,172 BENI STABILI shares that may be issued prior to the contribution completion date as a result of the conversion of the Convertible Bonds and on the basis of the conversion price in force on the date of the merger plan (which conversion price may be adjusted in accordance with the terms and conditions of the Convertible Bonds) and (iii) the failure to take into account any capital increase of BENI STABILI prior to the completion date).

As indicated in paragraph 2 of my report, the exchange ratio resulting from the methods that I considered the most relevant is comprised in the range between 7.3 and 9.7 FONCIERE DES REGIONS shares for 1,000 BENI STABILI shares. The exchange ratio chosen falls within this range and is slightly higher than the average of the various main methods selected.

Consequently, the proposed exchange ratio does not call for any other comment on my part.

#### **3.3. Summary**

We assessed the fairness of the proposed exchange ratio by conducting sensitivity tests, among other measures.

The values used to determine the parity were obtained using methods that are customary for real estate companies.

#### **4. Conclusion**

After concluding my work and recalling the specific conditions applicable to the determination of the parity, I am of the opinion that the exchange ratio of 8.5 FONCIERE DES REGIONS shares for 1,000 BENI STABILI shares is fair.

Paris,  
July 31<sup>th</sup>, 2018

The Merger Auditor  
**Michel Léger**  
External Auditor  
Member of the regional company of Paris