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
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
ROME (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 VALUE OF CONTRIBUTIONS

(Article L 236-10 of the French Commercial Code)

REPORT OF THE SPIN-OFF APPRAISER
ON THE VALUE OF CONTRIBUTIONS

This is a free translation into English of a report issued in French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France. No assurances are given as to the accuracy or completeness of this translation, and the spin off appraiser assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French Report, the French Report shall prevail.

FONCIERE DES REGIONS S.A.

18 avenue François Mitterrand – 57000 METZ
364 800 060 TRADE AND COMPANIES REGISTER OF METZ TI

BENI STABILI S.P.A SIIQ

Via Piemonte, 38 Postcode 00187 - ROME (RM)
Tax ID: 00380210302

Report of the Merger Auditor on the value of contributions

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

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

The net assets contributed were determined in the merger plan signed by the representatives of the companies involved on 19 July 2018. It is my responsibility to express a conclusion on the fact that the value of the contributions is not overstated. For this purpose, I carried out my duties according to the professional doctrine of the *Compagnie nationale des commissaires aux comptes* applicable to this task. This professional doctrine requires the implementation of procedures to assess the value of the contributions, to ensure that it is not overvalued and to verify that it corresponds at least to the par value of the shares to be issued by the absorbing company increased by the issue premium.

Please take note of my findings and conclusions presented below, according to the following plan:

1. **Presentation of the operation and description of the contributions**
2. **Due diligence and limitations of our work**
3. **Assessment of the value of the contributions**
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 whose head 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 number 364 800 060.

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

a. Corporate Purpose

The corporate purpose of the absorbing company, as provided by Article 3 of its Articles of Association is:

Mainly:

- the acquisition of all land, real property or buildings, including by way of a building lease, an emphyteutic lease, an authorisation for the temporary occupation of the public domain and a leasing agreement, and any property and rights that may constitute the accessory or annex of the said real property;
- the construction of buildings and any operations directly or indirectly related to the construction of these buildings;
- the operation and development by lease of such real property;
- directly or indirectly, the holding of shareholdings in 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 shares in any companies whose main purpose is the exploitation of rental real estate assets as well as the coordination, management and assistance of such persons and companies.

As an accessory directly or indirectly:

- the leasing of all real estate;
- the acquisition, including by concession, of authorisation for temporary occupation of the public domain, and the operation of car parks;
- the management and administration of all real estate property and rights on behalf of third parties and direct and indirect subsidiaries;
- the coordination, management and assistance of 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:

- participation as a borrower and lender in any intra-group loan or cash transaction and the possibility of granting for this purpose any real or personal securities or real estate, mortgage or other guarantees;
- and all civil, financial, commercial, industrial, furniture and real property operations considered useful for the development of one of the aforementioned purposes of the company.

b. Term and financial year

The term of the absorbing company shall end 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 held in treasury shares.

d. Other securities issued

In November 2013, the absorbing company issued Bonds redeemable in cash and/or New and/or Existing Shares (ORNANE) at an annual interest rate of 0.875% for a nominal amount of €345,000,000 and repayable on 1 April 2019 (the "ORNANES").
The absorbing company also issued bonds (non convertible) 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 €1,6733 billion.
At 30 June 2018, the number of free shares of the absorbing company, which had been allocated but not yet definitively acquired, was 488,367 shares. No securities of the absorbing company other than those mentioned have been issued and are outstanding at the date hereof.

1.1.2. The absorbed company

BENI STABILI is a public limited company whose head office is located at Via Piemonte, 38, 00187 Rome (Italy). It was registered on 19 February 1996 in the Business 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, all of the same class.

It is 59.87% owned by FONCIERE DES REGIONS, 5.70% by PREDICA, 0.04% in treasury shares, the balance corresponding to floating capital.

The purpose of the absorbed company is provided by Article 3 of its Articles of Association. In particular, the corporate purpose 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 construction, renovate and redevelop buildings, especially for the account and/or in consortium with third parties;
- divide farm buildings or agricultural land into plots, establish districts in accordance with urban planning regulations; participate in the establishment of consortia for the purpose of urban development and the construction of real estate complexes; enter into agreements and obligations relating to urban planning restrictions with the relevant municipalities;
- act as lessor or lessee, manage real estate assets and buildings, especially on behalf of enterprises, companies and other entities;
- liquidate and manage businesses, companies and entities related to the real estate sector;
- create companies and acquire equity and investments in other companies or enterprises, directly or indirectly, excluding public transactions and public offers.

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

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 group's real estate assets. In this respect, it is specified that, for development plans covered by a single urban plan, the portions of the property functionally independent and covered by unique building permits, or equipped with urban works that are sufficient to ensure connection to public services, cease to have the same urban characteristics and functional characteristics;

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

(c) The absorbed company may assume: (i) directly, borrowings (including financial debts to subsidiaries and the parent company), net of cash and cash equivalents of the parent company's assets and equivalent financial receivables, for an aggregate par value not exceeding 70% of the sum of the total value of its real estate assets, the value in the balance sheet of investments in subsidiaries and the par value of financial receivables 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 receivables of the parent company, for a total par 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 interest of the shareholders and/or the absorbed company requires 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 applicable 30% limit 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 national or international group.

b. Term and financial year

The term of the absorbed company shall end 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 capital of the absorbed company was held in treasury shares.

d. Other securities issued

In 2015, the absorbed company issued convertible bonds (200,000,000 - 0.875 per cent. Convertible Bonds due 2021), outstanding 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 (Italian Securities Market Authority) Issuers Regulations (no. 11971/99, the “CONSOB Issuers Regulation”), as well as on the website of the absorbed company (www.benistabili.it) and in accordance with the terms and conditions of the Convertible Bonds, a notice informing the holders of Convertible Bonds of the beginning of the 30-day period, in accordance with 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 holder 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 outstanding on the completion date, i.e. on 31 December 2018.

BENI STABILI also issued the following bonds, which are outstanding:

(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 of the contribution completion date.
No securities of the absorbed company other than those mentioned have been issued and are outstanding at the date hereof.

1.1.3. Direct links between companies

At the date of signature of the merger plan, FONCIERE DES REGIONS held approximately 59.87% of the outstanding shares of BENI STABILI, 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 share the following directors:

- 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 member of the executive 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 terms

On 19 April 2018, FONCIERE DES REGIONS submitted a merger proposal to the Board of Directors of BENI STABILI, which was noted by the Board of Directors on 20 April 2018, by which FONCIERE DES REGIONS would absorb BENI STABILI on the basis of a parity of 8.5 FONCIERE DES REGIONS shares per 1,000 BENI STABILI shares. In this context, BENI STABILI has notably initiated the procedures applicable to transactions with related parties, in accordance with applicable legal and regulatory requirements. As part of this procedure, the committee of independent directors of BENI STABILI gave its favourable and unanimous opinion on the proposed merger, based in particular on a fairness opinion prepared by Lazard.

On 25 May 2018, the parties entered into a Merger agreement to combine their activities by way of absorption of BENI STABILI by FONCIERE DES REGIONS. In this context, on 18 and 19 July 2018, respectively, the BENI STABILI and FONCIERE DES REGIONS boards of directors decided to approve the 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 taxation system applicable to mergers, divisions, partial demergers, 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 integrated European property operator and market leader, 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 Foncière des Régions' profile in capital markets by increasing its market capitalisation and expanding free float.

Subsequently:

- BENI STABILI will provide FONCIÈRE DES RÉGIONS with all the assets and liabilities as they appear on 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 net book value of the net assets transferred will be transferred to FONCIERE DES REGIONS and the value of the said net assets will be reflected in the accounts of FONCIERE DES REGIONS in euro as of 31 December 2018;

- BENI STABILI shall transmit to FONCIERE REGIONS, subject to the usual conditions of fact and law, and subject to the conditions provided for in the merger plan, all the assets and liabilities comprising its total assets (including all assets, rights and powers whatsoever), it being understood that both the assets and liabilities of BENI STABILI will be vested in FONCIERE DES REGIONS as at 31 December 2018;

- In accordance with CU CNC Notice no. 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 of assets to FONCIERE DES REGIONS (the “Estimated Accounts”). The final net book values of the assets and liabilities to be transferred by universal transfer of assets 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 absorbed on the conclusion date, which will be decided by the board of directors of the absorbing company and will be audited by its statutory auditors. The difference between the Provisional Net Asset Value and the Final Net Asset Value will be an adjustment to the merger premium;

- Following the merger, FONCIERE DES REGIONS will harmonise the methods for recording and measuring assets and liabilities by (i) removing from the balance sheet the assets and liabilities contributed that do not meet the definition of assets and liabilities given by the General Accounting Plan, (ii) recording the assets and liabilities that must be recorded on the balance sheet in accordance with the General Accounting Plan and (iii) accounting for these restatements in consideration of the merger malus or bonus that may have been recorded, failing which they will be charged to retained earnings of the new company, in accordance with the rules on method changes;

- The merger will result in the dissolution without liquidation of BENI STABILI with correlation of the elements brought to a permanent establishment of FONCIERE DES REGIONS in Italy. All assets and liabilities will be allocated to this permanent establishment, including all stakes held by BENI STABILI in its subsidiaries and its stake in Central SICAF S.p.A. The permanent establishment shall continue to carry out, without interruption, all activities carried out by BENI STABILI;

- In the matter of corporate taxes, the absorbing company and the absorbed company agree to submit the merger, as regards French taxation, to the merger system 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, the absorbing company and the absorbed company being companies liable for corporation tax.

1.1.5. Transaction regime 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:

- 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;
- Issuance by the Registry of the Regional Court of Metz and by an Italian notary of certificates of compliance of the acts and formalities prior to the merger;
- Issuance by the Regional Court of Metz or by a French notary of a certificate of legality relating to the completion of the merger in accordance with Article 128 of the Directive and Article L.236-30 of the French Commercial Code;
- Approval of the admission to trading of FONCIERE DES REGIONS shares issued and delivered to BENI STABILI shareholders.

1.2. Nature, valuation and remuneration of contributions

The terms and conditions of the merger plan were drawn up by BENI STABILI S.p.A and FONCIERE DES REGIONS S.A, on the basis of the interim position of 30 June 2018 certified by the Statutory Auditors on the basis of a limited review. The merger plan will be submitted for approval to the BENI STABILI S.p.A and FONCIERE DES REGIONS S.A. General Meetings which will take place respectively on 5 September 2018 (BENI STABILI S.p.A) and on 6 September 2018 (FONCIERE DES REGIONS S.A.).

1.2.1. Provisional assets transferred

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

	Net value as of 31 December 2018 (in millions of euro)
Tangible fixed assets	2,230.40
Equity-accounted securities	814.8
Other non-recurring assets	49.5
Cash	24.9
Stock and work in progress	22.7
Other current assets	72.8
Total	**3,215.1**

Where necessary, in the event that, as a result of error or omission, certain assets have been omitted, these assets would be deemed to be the property of the absorbing company, to which they would be transferred by right on the date of completion.

1.2.2. Provisional liabilities assumed

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

	Net value as of 31 December 2018 (in millions of euro)
Long-term financial debts	1,280.0
Other non-recurring debts	14.0
Short-term financial debts	10.8
Other current debts	67.3
Total	**1,372.1**

Where necessary, the assumption by the absorbing company of the aforementioned liabilities shall in no circumstances constitute an acknowledgement of the debt for the benefit of the creditors, who will be required to prove their rights and to justify the ownership of their debts and the amounts claimed.

1.2.3. Provisional net assets transferred

The estimated net assets transferred amounted to €1,843,087,613, taking into account assets contributed of €3,215,098,689 and a liability borne 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 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.

The value of the provisional net assets transferred is as follows:

	In euro
Net assets transferred	1,843,087,613
25% discount	(460,771,903)
Provisional net assets transmitted	**1,382,315,710**

1.2.4. Remuneration of contributions

The allocation of FONCIERE DES REGIONS shares to BENI STABILI shareholders will be achieved by a capital increase of FONCIERE DES REGIONS for a maximum number of 9,478,728 new shares on the basis of (i) an exchange rate of 8.5 FONCIERE DES REGIONS shares for every 1,000 BENI STABILI shares subject to a possible exchange rate adjustment, (ii) a maximum of 205,423,172 BENI STABILI shares that could be issued before the date of completion of the contribution 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 absence of a potential capital increase of BENI STABILI prior to the completion date.

No cash adjustment of the exchange rate is envisaged. So that:

- When determining the exchange rate, the boards of directors of the absorbing company and the absorbed company considered that the absorbing company and/or the absorbed company may take certain measures without triggering a parity adjustment (including the allocation of free shares by FONCIERE DES REGIONS up to 151,455 shares, the effects of the conversion of convertible bonds, the acquisition of treasury 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 the absorbed company with preferential subscription rights and in accordance with the provisions of Section 4.1 E of the merger plan, the exchange rate will be adjusted to confer on the shareholders of the absorbed company or the absorbing company (as the case may be) of the economic effects identical to those proposed by the merger plan before such an event, by modifying the exchange rate. In accordance with the requirements of the REIT plan, before the completion date, the absorbed company could 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 this case, the exchange rate must be adjusted to offer shareholders of the absorbing company or shareholders 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 adjusting the exchange rate.

Thus, in exchange for a maximum number of shares of 1,115,144,525 shares in the capital, BENI STABILI shareholders 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, from €225,835,737 to €254,271,921.

A merger premium will then be recognised for an estimated amount of €525,872,414 on the basis of the provisional net assets (i.e. €1,382,315,710) and a capital increase involving a maximum of 9,478,728 shares (it 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 portion applicable to this value and the final amount of the capital increase resulting from the merger).

2. Due diligence and limitations of our work

2.1. Due diligence carried out

I carried out the due diligence that I considered necessary in accordance with the professional doctrine of the Compagnie nationale des commissaires aux comptes applicable to this type of assignment, namely:

- to test the reality of the net assets provided and the completeness of the liabilities transferred;
- to analyse the main individual values proposed in the merger plan;
- to check the value of the contributions considered as a whole and to ensure that the events that occurred to date were not such as to call into question the values retained.

In particular:

- I met with the representatives and advisors of the companies involved in this transaction both to understand the context of the transaction and to analyse the economic, accounting, legal and tax terms;
- I learned about the history of the companies involved in the operation, their activities and their prospects;
- I assessed the methodology for determining the value of the net assets contributed;
- I examined the property and the free transmission of the assets brought and the absence of collateral;
- I have read the Statutory Auditors' report on the financial statements of the company provided for the financial year ended 31 December 2017 and have observed that these accounts have been certified without reservation;

- I have read the Statutory Auditors' limited review report on the consolidated half-year financial statements of the absorbed company and the absorbing company as at 30 June 2018. The reports issued in this context do not mention observations;
- I have read the Estimated Accounts of the absorbed company contained in the documents presented to the BENI STABILI Board of Directors on 18 July 2018;
- I have reviewed the estimates as at 31 December 2018 of the assets and liabilities of the absorbed company. It should be noted that, as regards provisional data, my procedures consisted in assessing the procedures put in place by management to establish the accounting estimate of the asset and liability items included in the merger plan and to verify the compliance of the accounting methods used with those that should be followed for the preparation of the final accounts and the quantified translation of these assumptions;
- I obtained a letter of representation from the management of the companies participating in the operation;
- I checked up until the date of this report, the absence of any fact or event likely to call into question the value of the contributions.

In order to assess the value of the contributions, I used all of the work I did as part of my assessment of the relevance of the relative values used to determine the proposed exchange ratio. As such, I have:

- analysed the report and the work done by the financial advisors;
- reviewed the reports of the external real estate appraisers;
- carried out various analyses making it possible to assess the value of the contributions and the evaluation criteria used.

The purpose of this report is to inform you about the nature of the contributions, the evaluation methods selected and my assessment of these methods, so that you have elements to make your decision.

My assignment is among the other interventions defined by the law provided by the conceptual framework of my professional doctrine. Its purpose is to assess a value by reference to identified criteria and to defined objectives. As a result, it is not part of an audit or a limited review. Nor does it imply validation of the tax regime applicable to the transaction.

2.2. Limitations of our work

My assignment is to enlighten the shareholders of both companies on 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 this type of intervention. My report cannot be used in this context.

3. Assessment of the value of the contributions

3.1. Methodology and valuation of contributions

The merger plan indicates that, pursuant to Regulation No 2004-01 of 4 May 2004 of the Committee on Accounting Regulations relating to the accounting treatment of mergers and similar transactions, the merger of BENI STABILI by FONCIERE DES REGIONS is carried out on the basis of the net book value of the assets and liabilities as shown in the BENI STABILI Estimated Accounts. In fact, this transaction is between entities under common control within the meaning of the said regulation and is considered in the accounting plan as an on-site merger because the current shareholders' group of the absorbing company FONCIERE DES REGIONS will have control of the new entity resulting from the merger.

It should be noted that, in view of the deferred effect of the merger, the net book value of the net assets transferred by BENI STABILI to FONCIERE DES REGIONS was estimated in accordance with CU CNC Notice No. 2005-C, as of 31 December 2018.

The net book value of the net assets transferred by BENI STABILI indicated in the merger plan is provisional. The final net book values of the assets and liabilities transferred and, consequently, of the resulting net assets transferred will have to be determined on 31 December 2018 on the basis of the final accounts of BENI STABILI as of 31 December 2018 which will be finalised in 2019 by the board of FONCIERE DES REGIONS.

3.2. Appraisal of the reality of contributions and individual values transferred

I have examined the individual values estimated in the merger plan: the asset and liability items composing the assets estimated at 31 December 2018 have been identified by BENI STABILI on the basis of the known elements on the day of the signature of the merger plan.

We have reviewed the procedures put in place by the management of BENI STABILI to establish the accounting estimate of the individual net asset values of the various items of the estimated net assets of BENI STABILI as of 31 December 2018, in light of the assumptions made and the half-yearly accounts prepared by the management of BENI STABILI for the period from 1 January to 30 June 2018. These accounts have been the subject of a limited review by the statutory auditors of BENI STABILI. I observe that they are established in accordance with IFRS standards, so that retirement benefits or deferred taxes are recorded in particular.

We have also verified the compliance of the accounting methods used with those that should be followed for the preparation of the final accounts of BENI STABILI in the absence of a merger and verified the quantified translation of the assumptions used as well as the reasonableness of the valuation methods.

In respect of the significant transactions that took place before the signature of the merger plan, it should be noted that BENI STABILI, in accordance with the requirements of the REIT plan, and before the closing date of 31 December 2018, could pay a dividend for 2018, in accordance with the provisions of Article 2433-bis of the Italian Civil Code which is not included in these forecasts.

We sampled that the buildings brought were free of any pledge and that BENI STABILI had the free ownership and I confirmed the absence of any restriction of ownership or transmission by letter of representation.

Our review did not reveal any element that would call into question the individual value of these elements.

The individual values of the contributions thus determined do not call for any particular observation on my part.

I examined, up until the date of this report, the absence of any fact or event likely to call into question the value of the contributions.

It should be noted, however, that the estimated net values of assets and liabilities at 31 December 2018 have been derived from forecasts that, by their nature, may differ from the final net asset values. The consistency of the contributions cannot be known precisely to date.

3.3. Direct approach of the value of the contributions considered as a whole

I assessed the value of the net assets transferred based on a global valuation approach of BENI STABILI. For this purpose, I also used my exchange ratio work. My analyses and conclusions below corroborate an overall value of the contribution superior to the net assets discounted.

So, I relied on:

- the due diligence carried out on the individual value of the contributions (see paragraph 3.2);
- all of the work that I conducted as part of my assessment of the fairness of the remuneration of the merger by referring to the valuation used to determine the exchange ratio.

The following methods have been selected by the financial advisors:

- Stock market analysis;
- The price objectives of financial analysts;
- EPRA Net Asset Value and Triple Net Asset Value;
- 2017 dividends,EPRA earnings and guidance;
- The multiples-based comparable stock approach;
- The multiples-based comparable transaction approach.

All of these methods constitute a relevant multi-criteria approach.

I can specify at this stage for the assessment of the methods chosen that:

- the net asset method can be eliminated because BENI STABILI prepares its financial statements in accordance with IFRS, which requires investment properties to be recognised at fair value. In this sense, a valuation by net assets does not seem very eloquent because it would be redundant with the net asset approach and less precise in this case than the EPRA Triple Net NAV approach which integrates in particular a market value of the debt;
- the methods by future cash flows are not retained either. In the first place and in the absence of dividend distribution forecasts, the DDM (Dividend Discount Model) method appears relatively uncertain. The level of dividends depends, in particular, on the sale results of properties that are difficult to predict in the medium or long term. Secondly, the DCF method can be rejected because of its redundancy with the methodology applied by real estate experts having processes for the valuation of real estate assets allowing the determination of the net assets. I note that a valuation using the DCF method would result in a lower value than that obtained by the NAV method since it would include associated corporate costs that are excluded from the NAV to date.

In this sense, the methods chosen do not call for any particular observation.

In the context of a parent/subsidiary merger and by the homogeneity of the main methods used in our assessment of the fairness of the remuneration of the contributions, I chose the following as the main methods:

- Market methods (stock market prices and analysts' target prices);
- Net asset and triple net NAV methods.

The result of the indicative methods does not call into question the conclusions observed on the principal methods chosen.

3.3.1. Stock market analysis

As of 19 April 2018, the day before the announcement of the operation, the BENI STABILI price stood at €0.730 *(source: Capital IQ)*

BENI STABILI shares are admitted to trading on the MTA, organized and managed by Borsa Italiana SpA, and on Euronext Paris on a secondary basis, and are also part of the FTSE All-Share Capped, FTSE Italia All-Share, FTSE indices. Italia Mid Cap, FTSE Italia All-Share Financials, and FTSE Italia Real Estate.

The shares of both companies are regularly monitored by a number of market analysts and are also traded in a satisfactory volume of transactions.
In fact, the total number of BENI STABILI shares traded over the last year shows a capital turnover[1] rate of 109% over one year.

---

[1] Represents the ratio between the accumulation of securities traded during a given period (1 year) and the total number of securities forming the capital.

BENI STABILI's share price is historically lower than the net book value. The one, three and six month volume weighted average price shows premiums of 14.4%, 13.8% and 19.2% compared to the contribution value, for an overall value of €1.588 billion, €1.572 billion and €1.647 billion respectively.

We see a convergence of the price towards the value of the net asset value after the announcement.

My work presented above does not take into account the possible dilutive effect of the capital of BENI STABILI. Nevertheless, after analysis, it appears that a dilutive effect would not affect my conclusions presented above.

3.3.2. The analysts' target prices

The analysts' target prices method is based on the analysis of quoted companies' target prices presented by the analysts.

The target prices are presented in the tables below:

		BENI STABILI	
Date	Analysts	Target price	Implied market capitalization
13/04/2018	Banca Akros	€0.800	€1,816 m
03/04/2018	Citi	€0.830	€1,884 m
13/04/2018	Equita SIM SpA	€0.790	€1,793 m
01/03/2018	Exane BNP Paribas	€0.730	€1,657 m
09/02/2018	Goldman Sachs	€0.600	€1,362 m
12/02/2018	Intermonte	€0.800	€1,816 m
13/04/2018	Invest Securities SA	€0.680	€1,543 m
12/02/2018	J.P. Morgan	€0.760	€1,725 m
07/02/2018	Kempen & Co	€0.810	€1,838 m
07/02/2018	Kepler Cheuvreux	€0.830	€1,884 m
13/04/2018	Mediobanca SpA	€0.770	€1,748 m
06/03/2018	Natixis	€0.650	€1,475 m
13/04/2018	Société Générale	€0.700	€1,589 m
Average		**€0.750**	**€ 1,702 m**

Sources: broker's notes

The target average value of the BENI STABILI share price by analysts stands at €0.750 per share before the announcement of the operation, giving a total value of €1.702 billion and a premium of 23.1% compared to the value of the contribution.

My work presented above does not take into account the possible dilutive effect of the capital of BENI STABILI. Nevertheless, after analysis, it appears that a dilutive effect would not affect my conclusions presented above.

3.3.3. EPRA Net Asset Value and EPRA Triple Net Asset Value (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 value of a company's economic assets or intrinsic value by evaluating each asset in its portfolio. The EPRA Net Asset Value is a key indicator of the performance of property companies, which is recommended for publication by the European Public Real Estate Association (EPRA). REITs may adopt relatively homogeneous valuation methodologies for their portfolios, even though they have specific features. The EPRA 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 the financial debts.

It is reminded that the EPRA NAV, standard reference in this type of transaction, is a static evaluation that does not take into account the potential value creation related to the plans of the company.

Thus, this method correctly reflects the value of the BENI STABILI shares and is consistent with the data published regularly.

In addition, the net assets contributed by BENI STABILI mainly consist of investment properties.

The EPRA Triple Net NAV after BENI STABILI dividend distribution amounted to €0.792 per share at 31 December 2017, representing a contribution of €1.796 billion. The EPRA NAV after BENI STABILI dividend distribution amounted to €0.803 per share at 31 December 2017, representing a contribution of €1.822 billion. At 30 June 2018, BENI STABILI's EPRA Triple Net NAV was €0.809 per share, representing a contribution of €1.836 billion and the EPRA NAV was €0.821 per share, or a contribution value of €1.863 billion.

My work presented above does not take into account the possible dilutive effect of the capital of BENI STABILI. Nevertheless, after analysis, it appears that a dilutive effect would not affect my conclusions presented above.

As an indication, I used secondary methods in our assessment of the fairness of the remuneration of the contributions, two other valuation methods usually used in the valuation of real estate companies, the multiples-based comparable companies and comparable transactions methods. The results presented below do not call into question the conclusions previously observed.

3.3.4. Application of the stock market multiples of comparable companies

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

The analogue valuation approach based on listed comparable companies consists of applying the usual valuation criteria in the real estate sector to the BENI STABILI aggregates:

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

Regarding BENI STABILI, given the small number of real estate companies listed in Italy, the sample of comparable companies selected was analysed between a main sample and a secondary sample. Only the main sample was selected, with only one comparable company, COIMA RES.

The value of the BENI STABILI share, evaluated on this basis, shows a value per BENI STABILI share of between €0.654 for the method based on the premium or discount on the EPRA Triple Net NAV and €1.024 for the method of yield on dividends paid in 2017. Thus, the externalized value of the contribution by this method is between €1.485 billion and €2.325 billion, i.e. a premium of between 7.4% and 68.2% compared to the value of the contribution.

My work presented above does not take into account the possible dilutive effect of the capital of BENI STABILI. Nevertheless, after analysis, it appears that a dilutive effect would not affect my conclusions presented above.

3.3.5. Application of multiples (NAV premiums and discounts) on comparable transactions

I used the multiples of comparable transactions method, an analogue valuation method using multiples observed on a sample of past transactions deemed comparable for real estate companies. It consists in applying the average of the multiples of the EPRA Triple Net NAV observed during the recent public offers.

Over the past four years, 22 merger by way of absorption and takeover transactions involving a European real estate company benefiting from the REIT regime have been identified. It shows that, on average, we observe a discount of the exchange rates of the last published EPRA NAVs of approximately (10.8%) and a premium on the exchange rates based on the last share price before announcement of 7.3%.

The value of the BENI STABILI share, through the application of comparable transactions, amounts to €0.716 for the EPRA NAV and €0.783 for the spot rate, i.e. a contribution value of €1.625 billion and €1.778 billion respectively. This method therefore shows premiums of 17.5% and 28.6% respectively compared to the value of the contribution.

My work presented above does not take into account the possible dilutive effect of the capital of BENI STABILI. Nevertheless, after analysis, it appears that a dilutive effect would not affect my conclusions presented above.

I did not use flow evaluation methods to assess the value of BENI STABILI's contribution. These intrinsic evaluation methods have been discarded because they are both redundant with the other methods used and less relevant than the latter. In fact, real estate experts use the results of this approach to estimate the value of the real estate portfolio.

Thus, the summary of the evaluation of BENI STABILI as part of the valuation of the contributions appears as follows, according to the evaluation methods selected and explained above:

Methods used	BENI STABILI	BENI STABILI - implied Equity value	Premium / (discount) on contribution value
Contribution value	**€0.609**	**€1,382 m**	**n.a**
Main methods			
Market value			
Closing price cum-div (19/04/2018)	€0.730	€1,657 m	19,9%
Closing price ex-div (19/04/2018)	€0.697	€1,582 m	14,4%
Volume weighted average price (1 month)	€0.699	€1,588 m	14,8%
Volume weighted average price (3 months)	€0.693	€1,572 m	13,8%
Volume weighted average price (6 months)	€0.726	€1,647 m	19,2%
Volume weighted average price (9 months)	€0.717	€1,628 m	17,7%
Volume weighted average price (12 months)	€0.692	€1,572 m	13,7%
Target price of analysts			
Average target price	€0.750	€ 1,702 m	23,1%
NAV			
EPRA Triple NAV 31/12/2017	€0.825	€ 1,871 m	35,4%
EPRA Triple NAV (ex-div) 31/12/2017	€0.792	€ 1,796 m	30,0%
EPRA NAV31/12/2017	€0.836	€ 1,897 m	37,2%
EPRA NAV 2017 (ex div) 31/12/2017	€0.803	€ 1,822 m	31,8%
EPRA Triple NAV30/06/2018	€0.809	€ 1,836 m	32,8%
EPRA NAV 30/06/2018	€0.821	€ 1,863 m	34,8%
Secondary methods			
Market comparables' multiples			
P/D EPRA Triple NAV	€0.654	€1,485 m	7,4%
P/D EPRA NAV	€0.656	€1,488 m	7,7%
DPS 2017	€1.024	€2,325 m	68,2%
DPS 2018	€0.799	€1,813 m	31,2%
Comparables transactions			
P/D EPRA NAV	€0.716	€ 1 625 m	17,5%
P/D cours spot	€0.783	€ 1 778 m	28,6%

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

To date, we have not identified any significant events or facts that could call into question the value of the net assets contributed, as we have not been informed by BENI STABILI.

3.4. Special advantages

I have not been informed of any particular benefit granted.

4. Synthesis

The merger concerns companies under common control within the meaning of CRC regulation no. 2004-01 of 4 May 2004 on the accounting handling of mergers and similar transactions.

Therefore, the value of the contribution used is the net book value in accordance with the provisions of this regulation. I note that the overall value of the contribution is based on an IFRS standard so that it notably includes retirement benefits and deferred taxes.

It should be noted that, as the transaction is carried out with deferred effect, the values of the assets and liabilities transferred have been estimated, based on the BENI STABILI accounts in their projected configuration as of 31 December 2018. As this is an estimate of net assets as at 31 December 2018, this forecast is inherently uncertain. It cannot therefore be excluded that the definitive net book value of the net assets transferred may differ from the amounts mentioned in the merger plan. In such a case, the adjustment would be made, up or down, on the amount of the merger premium.

As specified in the merger plan, a discount of 25% is applied to the estimated net assets as at 31 December 2018 under the assumptions for the construction of the Estimated Accounts specified in the merger plan. This discount is essentially, in our opinion, intended to avoid an overstatement of the contributions because the estimate of the net asset transferred depends on many factors or variables that BENI STABILI cannot control and which may imply situations that it cannot anticipate. In this continuation, it should cover more directly the more proven potential, at the date of this report, of an interim dividend distribution of BENI STABILI, the residual estimate of this discount being able to cover a possible increase in the capitalisation rate (thus lowering the value of assets) and capturing an estimated net asset value corresponding to a triple net NAV. In this sense, if the valuation methods used give a result greater than the net assets contributed, the assessment of the discount level appears as a difference likely to reduce possible risks. As previously stated, all the valuation methods used reinforce the fact that the value of the contributions is not overvalued.

5. Conclusion

In conclusion of my work, I am of the opinion that the value of the contributions amounting to the sum of €1,382,315,710, is not overvalued and, consequently, that the net assets transferred is at least equal to the amount of the capital increase of the absorbing company, plus the merger premium.

Paris, July 31th, 2018

The Merger Auditor

Michel Léger
External Auditor
Member of the regional company of Paris