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Cross-border merger plan by incorporation of Beni Stabili S.p.A. SIIQ into Foncière Des Régions S.A. (which is expected to change its legal name in "Covivio S.A.")

AUDITORS' REPORT
relating to the exchange ratio of shares pursuant to article 2501 sexies of the Italian Civil Code and article 9 of the Italian Legislative Decree 108 of 30 May 2008 (*)

(Translation from the original Italian text)

(*) With respect to the CONSOB Communication N. 73063 of 5 October 2000, this report does not express an opinion on the fairness of the transaction, the value of the security, or the adequacy of consideration to shareholders and therefore the issuance of the report would not impair the independence of EY S.p.A. under the U.S. independence requirements.

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AUDITORS' REPORT

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(Translation from the original Italian text)

To the Shareholders of
Beni Stabili S.p.A. SIIQ

1. Objective, subject and scope of the engagement

In connection with the planned cross-boarder merger by incorporation of Beni Stabili S.p.A. SIIQ (hereinafter "**Beni Stabili**" or the "**Transferor Company**") into Foncière Des Régions S.A. (hereinafter "**FdR**" or the "**Transferee Company**" and together with Beni Stabili, the "**Companies Participating in the Merger**"), on 19 June 2018 we have been appointed as expert by the Rome Court, based on the request of Beni Stabili, to prepare our report (the "**Report**") on the exchange ratio of the shares of the Transferee Company with those of the Transferor Company (hereinafter the "**Exchange Ratio**") in accordance with article 2501 *sexies* of the Italian Civil Code and article 9 of the Italian Legislative Decree 108 of 30 May 2008. The planned merger follows the merger agreement dated 25 May 2018 (the "**Merger Agreement**"), executed by and between Beni Stabili and FdR.

For this purpose, we have been provided by Beni Stabili with the plan for the merger of Beni Stabili into FdR (hereinafter the "**Merger Plan**") approved by the board of directors of Beni Stabili (the "**Board of Directors**") and by the board of directors of FdR on 18 July 2018 and 19 July 2018, respectively, accompanied by the Directors' Report of the Transferor Company, which identifies, explains and justifies, pursuant to article 2501 *quinquies* of the Italian Civil Code, the Exchange Ratio, as well as the balance sheets as of 30 June 2018 of Beni Stabili and FdR, approved by the respective board of directors on 18 July 2018 and 19 July 2018, respectively, that represent the balance sheets required by article 2501 *quater* of the Italian Civil Code.

The Merger Plan will be subject to approval at the Extraordinary Meeting of the Shareholders of Beni Stabili to be called pursuant to applicable law and regulation. Similarly, the Merger Plan will be subject to approval at the Extraordinary Meeting of the Shareholders of FdR to be also called pursuant to applicable law and regulation.

Mr. Michel Lèger (the "**French Independent Expert**"), partner of the auditing firm BDO France S.A.S. ("**BDO France**"), appointed by the President of the Commercial Chamber of the Court of Metz France (Tribunal de Grand Instance de Metz) upon both the Companies Participating in the Merger so requesting , will prepare a similar report on the Exchange Ratio pursuant to Articles L.236-25 and L.236-10 of the French Commercial Code (the "**French Code**").

In order to provide the Shareholders of Beni Stabili with adequate information regarding the Exchange Ratio, this Report illustrates the methods adopted by the Directors in determining it and the difficulties encountered by them; in addition, this Report also indicates whether, under the circumstances, such methods are reasonable and not arbitrary, whether the Directors have considered the respective importance of such methods and whether the methods have been correctly applied.

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In our examination of the valuation methods adopted by the Directors of Beni Stabili, also based on indications from their advisors, we have not carried out a valuation of the Companies Participating in the Merger. This valuation was done solely by the Directors of Beni Stabili and FdR, with the support of their advisors.

The Beni Stabili's Board of Directors has used, taking it into consideration for the purpose of its own valuations and considerations, also the work performed by its financial advisor Lazard S.r.l. ("**Lazard**" or the "**Advisor**"), which:

- on 24 May 2018 delivered to the Related Parties Committee (for the purposes of the independent valuations to be conducted by the latter in the framework of the Related Party Procedure), and to the Beni Stabili's Board of Directors, an opinion (the so-called fairness opinion) on the fairness, from a financial standpoint, of the Exchange Ratio indicated in the Merger Agreement (the "**Lazard Opinion**");
- on 18 July 2018 delivered, again to the Related Parties Committee and to the Beni Stabili's Board of Directors, a confirmatory letter (the so-called 'bring-down letter') aimed at confirming its previous assessment of the fairness, from a financial point of view, of the Exchange Ratio referred to in the Merger Plan, which, as already mentioned, made reference to the balance sheets of the Companies Participating in the Merger at 30 June 2018 (the "**Lazard Confirmatory Letter**").

The procedures described in this Report have been performed by us solely for the purposes of expressing an opinion on the valuation criteria adopted by the Directors of the two companies to determine the Exchange Ratio and accordingly:

- they are not valid for different purposes;
- they do not constitute for any reason a valuation on the opportunity of the merger, neither on the reasons for the merger expressed in the Directors' Reports.

2. Summary of the transaction

On 19 April 2018, the FdR's Board of Directors submitted to the Beni Stabili's Board of Directors a proposal for a possible merger of the Transferor Company into FdR (the "**Merger**" or the "**Transaction**"). The following day (*i.e.*, 20 April 2018), the Beni Stabili's Board of Directors took note of the proposal and resolved to authorise the commencement of discussions with FdR.

On 25 May 2018, the Companies Participating in the Merger signed the Merger Agreement governing and regulating, among other things, the activities which are preparatory and/or necessary to the completion of the Transaction, the mutual undertakings of the Companies Participating in the Merger and the conditions to which the Transaction is subject. The Merger's completion is subject to the following conditions precedent:

- the approval of the Merger Plan by the Beni Stabili and FdR extraordinary Shareholders' meetings;
- the delivery by the clerk of the District Court of Metz (*Tribunal d'instance de Metz*) and an Italian notary public of pre-Merger compliance certificates regarding pre-Merger acts and formalities;
- the delivery by the clerk of the District Court of Metz (*Tribunal d'instance de Metz*) or by a French notary public of a legality certificate concerning completion of the Merger;
- the approval for listing on Euronext Paris regulated market of the shares of the Transferee Company issued and allotted to the holders of shares of Beni Stabili.

The Merger Plan also provides that the Transaction will not take place if one or more of the aforementioned conditions precedent has not occurred (or has not been waived within the limits permitted by the applicable provisions of the law) and, in any event, the Merger has not become effective by 31 December 2018, subject to the formalities to be completed in furtherance of the Merger Plan after the effective date.

As a result of the fact FdR legally controls Beni Stabili (and the fact that the latter's activities are managed and coordinated by the Transferee Company) and of the Merger's significance, the Merger qualifies as a transaction between related parties of "*greater importance*", as provided for under the Regulation adopted by CONSOB with Resolution No. 17221 of 12 March 2010, as subsequently amended and supplemented, and under the "*Procedure for the regulation of transactions with related parties*" adopted by Beni Stabili (the "**Related Parties Procedure**"). Therefore, the Beni Stabili Nominations and Remuneration Committee, which is composed solely of independent Directors and which has acted as the "Material Transactions Committee" (the "**Related Parties Committee**"), was involved both in the preliminary phase and in the process of negotiating and defining the contents of the Merger Agreement – at the end of which its members unanimously issued a favourable opinion on the Transferor Company's interest in completing the Transaction and the convenience and substantial correctness of the Merger's terms and conditions – as well as in the subsequent Merger Plan approval process - at the end of which its members confirmed their evaluations and conclusions. Without prejudice to the foregoing, the independent advisor Deloitte Financial Advisory S.r.l. also delivered to the Related Parties Committee:

- on 24 May 2018, a report on the fairness of the methodologies chosen and applied by Lazard for the purpose of the Lazard Opinion (the so-called valuation review);
- on 18 July 2018, a confirmatory report (the so-called 'bring-down valuation review') confirming the fairness of the methodologies chosen and applied by Lazard.

On 18 July and 19 July 2018, the Beni Stabili and FdR Boards of Directors respectively approved the Merger Plan, which was registered in the Rome Companies Register on 26 July 2018.

The Merger Plan will be submitted to an extraordinary session of the Beni Stabili Shareholders' meeting, which has been convened, in a single call, on 5 September 2018. The Shareholders' meeting of FdR has also been convened, in extraordinary session, on 6 September 2018. The said FdR Shareholders' meeting will also resolve upon FdR's change of its legal name into "Covivio S.A.".

In connection with the Merger, the Beni Stabili shareholders will receive 8.5 newly allotted shares in FdR (having a nominal value of Euro 3.00 each) for 1,000 shares held in Beni Stabili (having a nominal value of Euro 0.10 each) (the "**Exchange Ratio**"). No cash consideration will be paid by FdR.

On the effective date, any shareholder of Beni Stabili who, irrespective of any sale or purchase of shares of the same Beni Stabili before the Effective date, does not hold a sufficient number of shares of the Transferor Company to receive a whole number of new shares of the Transferee Company (the "**Fractional Entitlements to Transferee Shares**"), will be entitled - pursuant to a procedure consistent with applicable law - to receive, in addition to the whole number of shares of the Transferee Company resulting from the Exchange Ratio, a cash consideration as a settlement for such Fractional Entitlements to Transferee Shares, the amount of which shall be determined by the intermediaries in accordance with applicable law.

In the event the Merger is approved by the extraordinary Shareholders' meeting called for 5 September 2018, on single call, the Shareholders of Beni Stabili that did not contribute to the approval of the Merger (i.e., the Shareholders that did not participate in the general meeting or that voted against the proposed resolution, or abstained from voting) shall have the right to withdraw from the Transferor Company no later than 15 (fifteen) days from the registration of the minutes of the general meeting in the Register of Companies of Rome, pursuant to:

(i) Article 2437, paragraph 1, letter (c) of the Italian Civil Code, considering that, as a consequence of the Merger, the Transferor Company's registered office is to be transferred outside Italy;

(ii) Article 5 of Decree 108/2008, considering that the Transferee Company is subject to the laws of a country other than Italy (i.e., French law).

It should be noted that the aforementioned Exchange Ratio was calculated taking into account: *(i) ex ante*, the possible dilutive effects related to the conversion of the convertible bonds issued by Beni Stabili and FdR respectively and to the issue of free shares (*actions gratuites*) by FdR within the context of the stock incentive plans; and *(ii)* the dividends that the Companies Participating in the Merger had already paid to their respective shareholders for the year ending 31 December 2017.

Under the Merger Agreement, each of the Companies Participating in the Merger committed to ordinarily conduct its activities and maintain continuity with the previous management, as well as refrain from conducting capital transactions that may have an impact on the Exchange Ratio or otherwise slow down the Merger or any transaction serving the purpose thereof. In particular, Beni Stabili and FdR have undertaken not to declare or pay any dividend or distribution of any other nature, or purchase their own shares until the Effective date, except for what is permitted under the Merger Plan, which provides for certain limited exceptions that serve the purpose of completing the Transaction or otherwise aim to provide the Companies Participating in the Merger with some flexibilities.

More precisely, in determining the Exchange Ratio, the Boards of Directors of the Companies Participating in the Merger have also considered that the Transferee Company and/or the Transferor Company (as applicable) may take any of the following actions without triggering an adjustment of the Exchange Ratio:

(a) the Transferee Company shall be entitled to grant new free shares (*actions gratuites*) up to a maximum number of 151,455 shares;

(b) the Transferee Company shall be entitled to issue new shares to allow conversion of the convertible bonds issued by the same (ORNANEs);

(c) Beni Stabili (or the Transferee Company, should the settlement of the shares in relation to which withdrawal rights will be exercised occur after the Effective date) shall be entitled to purchase as many of its own shares (or the own shares offered in exchange where the withdrawals should be settled after the Effective date) as may be required to complete the withdrawals settlement procedure under applicable law;

(d) Beni Stabili shall be entitled to issue new shares to allow the conversion of the convertible bonds in accordance with the relevant conditions; and

(e) the Transferee Company shall be entitled to issue shares, equity instruments or other instrument giving access to the share capital or voting rights of the Transferee Company with no preferential subscription rights attached to each share of the Transferee Company in accordance with and subject to the terms and conditions of the financial authorizations granted as of the date of the Merger Plan to the Board of Directors of the Transferee Company by its shareholders' meeting, up to an aggregate maximum number of securities corresponding to 10% (*ten per cent*) of the current share capital of the Transferee Company, taking also into account all the shares, equity instruments or other instruments possibly issued in accordance with the provisions illustrated below.

The Beni Stabili's Board of Directors pointed out in the valuations instrumental to the determination of the Exchange Ratio, that, within the context of their overall valuation and analysis, they considered the possible impacts of the events and the transactions contemplated in the Merger Agreement, including, without limitation, the transactions that the Companies Participating in the Merger are entitled to carry out without determining an adjustment of the Exchange Ratio.

Without prejudice to the foregoing, the Merger Plan also provides that FdR and Beni Stabili shall also be entitled to issue shares, equity instruments or other instrument giving access to the share capital or voting rights of the Transferee Company or the Transferor Company, as the case may be, with a preferential subscription right attached to each share of the Transferee Company or the Transferor Company, as the case may be (*rights' issue*), up to an aggregate maximum number of securities corresponding to 10% (*ten per cent*) of the current share capital of the Transferor Company or of the Transferee Company (as applicable), and, where referred to the Transferee Company, taking also into account all the shares, equity instruments or other instruments possibly issued under letter (e) above, provided that the Exchange Ratio shall then be adjusted to provide the holders of the Beni Stabili's or the Transferee Company's shares, as appropriate, with the same economic effect as contemplated by the Merger Plan prior to such event.

With a view to preserving the *status* of listed real estate investment company (SIIQ) for the financial year 2018 and in particular complying with the obligation to distribute net profits at least equal to those provided for under Article 1, paragraphs 123, 123 *bis* and 124 of Law No. 296/2006, as subsequently amended and supplemented, the Beni Stabili's Board of Directors may, after approval of the Transaction by the Transferor Company's extraordinary Shareholders' meeting, pass a resolution approving an interim dividend pursuant to Article 2433 *bis* of the Italian Civil Code. In this case, the Exchange Ratio shall be automatically adjusted in order to ensure that the holders of the Beni Stabili's or the Transferee Company's shares, as appropriate, can benefit from the same economic conditions applied in the Merger Plan before such event.

Notwithstanding the foregoing, if between the date of the Merger Plan and the Effective date, the outstanding shares of Beni Stabili or of the Transferee Company shall have been changed into a different number of shares or a different class by reason of any stock dividend, subdivision, reclassification, split, reverse split, combination or exchange of shares, to the extent approved by the Transferor Company and the Transferee Company, then the Exchange Ratio will be appropriately adjusted to provide to the holders of such shares of the Transferor Company or of the Transferee Company, as the case may be, the same economic effect as contemplated by the Merger Plan prior to such event.

3. Documentation utilized

In performing our work, we obtained directly from Beni Stabili such documentation and information as was considered useful in the circumstances.

We analyzed such documentation received and, in particular:

a) the Merger Plan and the Directors' Reports of the two companies that will be presented to the respective Extraordinary Meetings, that propose the following Exchange Ratio:

- n. 8.5 FdR newly issued ordinary share, par value Euro 3.0 per share, for n. 1,000 Beni Stabili ordinary shares, par value Euro 0.10 per share.

  No adjusting cash settlement is provided for.

This Exchange Ratio has been confirmed by the Beni Stabili's Board of Directors also taking into account the work performed by its Advisor, with reference to the consolidated balance sheets at 30 June 2018. The report of the Beni Stabili's Board of Directors sets out in detail the valuation criteria adopted, the reasons for their choice, the values resulting from their application and the related comments;

b) the Merger Agreement dated 15 May 2018, executed by and between Beni Stabili and FdR;

c) the fairness opinions issued by Lazard on 25 May 2018, to the Board of Directors and the Related Parties Committee of Beni Stabili, on the fairness, from a financial standpoint, of the Exchange Ratio indicated in the Merger Agreement (the "**Lazard Opinion**");

d) the bring-down letter issued by Lazard on 18 July 2018 aimed at confirming its previous assessment of the fairness, from a financial point of view, of the Exchange Ratio referred to in the Merger Plan, which, as already mentioned, assumed that the reference balance sheets of the Companies Participating in the Merger to be taken into account were those at 30 June 2018 (the "**Lazard Bring-down Letter**");

e) the valuation review issued by Deloitte Financial Advisory S.r.l. ("**Deloitte**") on 24 May 2018 and delivered to the Related Parties Committee, on the fairness of the methodologies chosen and applied by Lazard (the "**Deloitte Valuation review di Deloitte**");

f) the bring-down valuation review issued by Deloitte on 18 July 2018 and delivered to the Related Parties Committee, confirming the fairness of the methodologies chosen and applied by Lazard;

g) the supporting material to the Lazard Opinion, the Lazard Bring-down letter and the Deloitte Valuation Review;

h) the interim consolidated financial statements at 30 June 2018 of Beni Stabili, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**") applicable to interim reporting ("**IAS 34**"), accompanied by the reports of the Board of Directors and the independent auditors;

i) the interim consolidated financial statements at 30 June 2018 of FdR, prepared in accordance with IAS 34, accompanied by the reports of the Board of Directors and the independent joint auditors;

j) the separate and consolidated financial statements at 31 December 2017 of Beni Stabili, prepared in accordance with IFRS, accompanied by the respective reports of the Board of Directors, the board of statutory auditors and the independent auditors;

k) the consolidated financial statements at 31 December 2017 of FdR, prepared in accordance with IFRS, accompanied by the reports of the Board of Directors and the independent joint auditors;

l) the separate financial statements of FdR, prepared in accordance with accounting principles generally accepted in the France ("**French Accounting Standards**"), accompanied by the reports of the Board of Directors and the independent joint auditors;

m) the balance sheets at 30 June 2018 of Beni Stabili and FdR provided for under Article 2501 *quater* of the Italian Civil Code and the corresponding provisions of French law;

n) information from the accounting and management systems and supporting documentation from companies' financial advisors involved in the Transaction, as deemed necessary to reach the scope of the engagement, as indicated in the preceding paragraph 1.;

o) the By-laws of Beni Stabili and FdR and the proposed By-laws of the Transferee Company after the Merger attached to the Merger Plan;

p) the minutes, limited to content related to the Transaction, of the meetings of the boards of directors of both companies, and other committees and statutory auditors of Beni Stabili, and the related supporting documentation;

q) historical market prices and trading volumes of the shares of Beni Stabili and FdR;

r) publicly available information about companies operating in the same sector and financial research and analyses, published by specialized institutions and investment banks;

s) press releases and information on the Merger made available to the public by Beni Stabili and FdR.

Finally, we obtained representation that, based on the best knowledge and belief of Beni Stabili management and Directors, no significant changes occurred in the data and information used in our analysis.

4. Valuation methods adopted by the Board of Directors for the determination of the Exchange Ratio

The Merger will be carried out on the basis of the balance sheets as of 30 June 2018 for Beni Stabili and FdR. The value of the assets and liabilities to be transferred to FdR as of the effective date of the Merger will be determined on the basis of the relevant accounting net value as of the effective date of the Merger. These assets and liabilities of Beni Stabili are referred to 30 June 2018, the date of the balance sheet prepared by the Board of Directors.

For the purposes of the determination of the Exchange Ratio, the Beni Stabili's Board of Directors carried out a valuation with respect to the relevant Companies Participating in the Merger, with the assistance of its financial advisor, Lazard.

4.1. Selection of the methods and valuation criteria

The Exchange Ratio was firstly approved by the Boards of Directors of the Companies Participating in the Merger in the meetings held on 24 and 25 May 2018, respectively, for the purpose of including it in the Merger Agreement executed on 25 May 2018, on the basis of the respective financial statements for the year ending as of December 31, 2017.

Subsequently, the said Exchange Ratio was confirmed at the Boards meetings held on 18 and 19 July 2018, respectively, when the aforementioned Boards of Directors approved their respective balance sheets at 30 June 2018, as well as the Merger Plan.

In particular, the Beni Stabili's Board of Directors approved the Exchange Ratio taking into account the assessment considerations made by Lazard, concurring with the methods, assumptions and conclusions.

4.2. Description of the methodologies used

To determine the Exchange Ratio provided under the Merger Agreement, the Transferor Company's Board of Directors applied generally accepted principles and methodologies, which appeared to be used in the general practice, also internationally, for the same kind of transactions where companies operating in the same industry were involved, and appropriate in light of the features of each of the Companies Participating in the Merger, also taking into account the relevant limitations and restrictions.

In accordance with the general practice, the valuations instrumental to the Exchange Ratio determination were carried out with a view to express the estimated value of the Companies Participating in the Merger, giving preference to homogeneity and comparability of the relevant criteria (taking into account the characteristics of the companies and/or the groups which were the subject of the valuation) rather than the determination of the absolute value of those companies considered stand-alone. These valuations must be intended exclusively on a relative basis and with limited reference to the Merger.

In fact, the scope was to define, through homogeneous methodologies and assumptions, comparable values of the Companies Participating in the Merger in order to identify a reasonably fair range of the Exchange Ratio.

Therefore, these valuations cannot be considered as possible statements of market prices or of any present or future values in a context other than that referred to herein. Furthermore, the stand-alone valuations reflect the existing condition and the future prospects of the companies as independently considered (although Beni Stabili was considered within the FdR Group), whilst the effects and impacts of the Merger were not taken into account, including any envisaged synergies or otherwise and the related extraordinary costs.

In particular the Board of Directors specifically used the following criteria, which were attributed with the same level of relevance:

- market prices analysis, namely the analysis of the historical price performance of the shares of the Companies Participating in the Merger for the 52-week period ending as of 19 April 2018 (included), i.e. the date prior to the announcement of the Merger;
- comparable companies analysis, namely the review and analysis of publicly available financial information relating to a panel of selected European Real Estate Investment Trusts ("REITs") viewed as generally relevant to evaluate the Companies Participating in the Merger;
- net assets value ("NAV") and triple-net NAV ("NNNAV") analysis, namely the assessment of the economic value of the Companies Participating in the Merger on the basis of the book value expressed at current levels, which are respectively defined as:
  - the shareholder's equity excluding (a) the fair value of financial instruments, and convertible bond and (b) deferred taxes assets and liabilities, while including (x) the fair value of certain properties (operating properties, trading properties, car parks and hotel operating properties) (y) the restatements of some properties' value, related to duties treatment on certain disposal schemes;
  - the shareholder's equity including (a) the fair value of certain properties (operating properties, car parks and hotel operating properties), (b) the fair value of fixed-rate debts and (c) the restatements of some properties' value, related to duties treatment on certain disposal schemes;
- target prices analysis, namely the review of research equity analysts' for each of the Companies Participating in the Merger, published after the announcement of their respective 2017 year end results and prior to the announcement of the Merger;

- precedent transactions analysis, namely the review and analysis of certain publicly available financial information of target companies in selected recent precedent merger and acquisition transactions involving companies in the real estate industry (in particular European REITs).

In the light of all the above and for the purpose of the analysis, the Board of Directors has identified for each methodology relative values intervals for the Companies Participating in the Merger, on the basis of which the determination of the Exchange Ratio was based.

5. Valuation difficulties encountered by the Directors

In order to obtain the aforementioned results, also pursuant to art. 2501 *quinquies* of the Italian Civil Code, the Directors, also on the basis of the indications of the Advisor, have taken into due consideration the (i) particular characteristics of the Companies Participating in the Merger and (ii) the typical challenges arising from the application of the valuation methodologies adopted to determine the Exchange Ratio.

In particular, the conclusions reached by the Board of Directors to approve the Exchange Ratio ought to be interpreted on the basis of certain limitations and obstacles, which are also illustrated in the Lazard Opinion and may be summarised as follows:

- limited information is available on the current trading performance of the Companies Participating in the Merger (for example, there is limited information regarding the first quarter 2018 for FdR);
- the valuation analysis were based (in addition to historical data) exclusively on certain financial forecasts derived from selected research analysts reports for each of Beni Stabili and FdR and extrapolations of such forecasts; moreover, it has not been possible to apply the discounted cash flow methodology because the forecasts above are of limited utility for purposes of carrying out a discounted cash flow analysis due to the very limited number of brokers showing detailed cash flow projections for the Companies Participating in the Merger, the absence of explicit assumptions for such forecasts and the great differences among the available broker estimates;
- estimates and projections contained in the aforesaid forecasts utilized for the valuations and analyses and the results deriving from the application of the valuation methodologies depend to a substantial degree on the macroeconomic and political conditions and competitive environment in which the Companies Participating in the Merger operate; as a result, the current macroeconomic uncertainty and possible changes in variables of the relevant environment, as well as changes in the assumptions underlying the above forecasts could have an impact, even significant, on the results of the analysis and the valuations carried out.

6. Results of the valuation performed by the Directors

The combination of Beni Stabili and FdR will be accomplished through the merger of Beni Stabili into FdR and the concurrent issuance of FdR shares to Beni Stabili shareholders (other than FdR), in exchange for shares to be cancelled.

On the basis of the assumption that the Beni Stabili shareholders would receive 8.5 FdR shares for 1,000 Beni Stabili ordinary shares owned and cancelled, the Board of Directors analysed, in the context of the overall Transaction, the relative valuation of Beni Stabili and FdR, aimed at determining the exchange ratio between FdR shares and Beni Stabili shares.

The following paragraphs 6.1 to 6.5 below show the results of the analyzes carried out - based on the criteria mentioned above - with reference to the determination of the Exchange Ratio contained in the

Merger Agreement, which took as reference the financial statements at 31 December 2017 of the Companies Participating in the Merger.

In the following paragraph 6.6, the results of the analysis carried out by the Beni Stabili's Board of Directors are confirmed for the purpose of confirming the Exchange Ratio included in the Merger Plan, assuming, as balance sheets, the consolidated balance sheets at 30 June 2018 of the Companies Participating in the Merger.

6.1 Method based on market prices analysis

The Board of Directors deemed the historical price performance of the Companies Participating in the Merger as a reliable valuation analysis considering that both Companies Participating in the Merger have: *(i)* a significant free float and relevant trading volumes; *(ii)* wide equity analyst research coverage; *(iii)* been listed for several years; and *(iv)* institutional investors representing a significant part of their shareholder base.

The Board of Directors reviewed the historical price performance of the Beni Stabili shares and the shares of FdR for the 52-week period ending as of 19 April 2018, *i.e.*, the date prior to the announcement of the Merger. Market prices after such announcement have not been considered as they are affected by the announcement of the Merger itself reflecting the market expectations of the effects of the Merger.

The Board of Directors analysed the exchange ratio implied by the market prices of the Beni Stabili shares and the shares of FdR over different periods, taking into consideration the official prices (*prezzi ufficiali*) of the Companies Participating in the Merger (provided by Bloomberg), as adjusted for the amount of the ordinary dividends on 2017 net results, paid by both the Companies Participating in the Merger in May 2018, *i.e.* prior to the effectiveness of Merger. In particular, the spot price was considered of the Beni Stabili shares and FdR shares on 19 April 2018 and the simple average prices and volume weighted average prices for periods of one, three, six, nine and twelve months ending as of such date. The use of average prices calculated over such periods (in addition to spot prices) is designed to capture the progression of the Beni Stabili's and FdR's share price and isolate the effect of specific corporate or other events on share price performance, as well as potential short term market volatility.

The following table sets forth the results of the analyses done from the Board of Directors.

	Exchange Ratio	
Period ending 19 April 2018	**Simple average**	**Volume weighted average**
Last day (19 April)	8.25x	8.25x
1 month period	7.81x	7.85x
3 month period	7.84x	7.88x
6 month period	8.15x	8.19x
9 month period	8.26x	8.24x
12 month period	8.08x	8.03x

On the basis of the results obtained from the application of the market prices methodology, the Board of Directors highlighted this range of values for the Exchange Ratio:

	Minimum	Maximum
Exchange Ratio	7.81x	8.26x

6.2 Method based on comparable companies analysis

The Board of Directors reviewed and analyzed selected publicly traded companies in the real estate industry that were viewed as generally relevant in evaluating the Beni Stabili and FdR. In performing these analyses, the Board of Directors reviewed and analyzed publicly available financial information relating to a panel of selected European REITs, and such information was compared to the corresponding information for Beni Stabili and FdR, based on publicly available information and data provided by the management of the Transferor Company.

Although, according to the Board of Directors, none of the selected companies is perfectly comparable to Beni Stabili or FdR, the analysed companies are publicly traded companies that have obtained the REIT regime with operations and/or other criteria, such as lines of business, markets, destination of use and geographical exposure of the property portfolio, business risks, growth prospects, maturity of business and size and scale of business, that for purposes of analysis were considered by the Board of Directors generally relevant in evaluating the business of Beni Stabili.

Based on equity analysts' estimates and other public information, the Board of Directors reviewed, among other things: *(i)* the premium/discount of the market capitalization of each selected comparable company compared to its last reported NAV ("**Premium/(Discount) to NAV**"); *(ii)* the projected normalized net earnings per share of each selected comparable company for each of the fiscal years ending on 31 December 2018, 2019 and 2020 as a percentage of such company's price per share ("**Earnings Yield**"); *(iii)* the enterprise value of each selected comparable company as a multiple of such comparable company's projected EBITDA for each of the fiscal years ending on 31 December 2018, 2019 and 2020 ("**EV/EBITDA**"); *(iv)* the price per share of each selected comparable company as a multiple of such comparable company's projected FFO per share (Funds From Operations) for each of the fiscal years ending on 31 December 2018, 2019 and 2020 ("**P/FFO**"); and *(v)* the projected dividends per share of each selected comparable company for each of the fiscal years ending on 31 December 2018, 2019 and 2020 as a percentage of such company's price per share ("**Dividend Yield**").

The Board of Directors considered a range obtained taking into account the minimum and maximum value among average and median of the trading multiples calculated on the basis of both spot market prices and three months volume weighted average prices.

	Historical	2018E	2019E	2020E
Premium/(Discount) to NAV	(7.5%) - (6.5%)	-	-	-
Earnings Yield	-	6.4% - 6.0%	6.4% - 6.0%	6.3% - 6.1%
EV/EBITDA	-	21.9x - 24.6x	21.7x - 23.5x	22.1x - 22.7x
P/FFO	-	19.0x - 20.7x	17.8x - 19.2x	15.6x - 18.0x
Dividend Yield	-	4.7% - 4.3%	4.9% - 4.6%	4.7% - 4.6%

The Board of Directors applied the multiples described above, respectively, to the last available NAV of the Companies Participating in the Merger (adjusted to take into account the dividends distributed prior to 24 May 2018 by the Companies Participating in the Merger) and the projected normalized net earnings per share, EBITDA, FFO per share and dividend per share of each of Beni Stabili and FdR, in accordance with certain financial forecasts derived from selected research analysts reports for each of Beni Stabili and FdR and extrapolations of such forecasts.

The results of these analyses were as follows:

	Exchange Ratio	
	Minimum	**Maximum**
Premium/(Discount) to NAV	8.88x	9.06x
Earnings Yield	7.40x	8.18x
EV/EBITDA	5.51x	7.52x
P/FFO	6.93x	8.44x
Dividend Yield	7.43x	8.24x

6.3 Method based on NAV and NNNAV analysis

The Board of Directors examined the NAV and the triple-net NAV ("**NNNAV**") reported by the Companies Participating in the Merger. The NAV methodology assesses the economic value of a company on the basis of the book value expressed at current levels, which is defined as the sum of the book value of equity and the potential gains and losses on disposals, net of relevant tax effects.

The Board of Directors noted that this approach relies significantly on independent appraisals of properties: the practitioners usually determine the portfolio value asset by asset, *i.e.* the value each property would have if sold on the market individually on the date of the valuation, not taking into account premium/ discounts deriving from the sale of the portfolio as a whole.

The analysis of the Board of Directors has been based on the last available NAV and NNNAV as reported by the Companies Participating in the Merger at 31 December 2017. NAV and NNNAV data have been adjusted to take into account the distributions by the Companies Participating in the Merger of ordinary dividends on 2017 net results occurring prior to 24 May 2018.

In order to take into account the differences between the reference geographical markets of the two Companies Participating in the Merger in terms of ratio between market prices and NAV, the Board of Directors applied the average 1 year historical discount to NAV for Italy and France to Beni Stabili and FdR, respectively (the discount to NAV for Italy and France sectors has been computed on the basis of data for the EPRA/NAREIT Index, as provided by the *European Public Real Estate Association*).

On the basis of the results obtained from the application of the NAV analysis methodology, the Board of Directors highlighted these range of values for the exchange ratio:

	Exchange Ratio	
	Minimum	**Maximum**
NAV	7.14x	8.92x
NNNAV	7.75x	9.68x

6.4 Method based on target prices analysis

The Board of Directors reviewed research equity analysts' target prices for Beni Stabili and FdR published *(i)* after the announcement of their respective 2017 year end results and *(ii)* prior to the announcement of the Merger. Target prices published after the announcement of the Merger have not been considered relevant, as in many cases they already reflect the analysts' expectations of the effects of the Merger itself.

The reliability of such analysis is supported, in the opinion of the Board of Directors, by the significant number of analysts covering the Companies Participating in the Merger. In total, 12 (*twelve*) target prices for Beni Stabili and 9 (*nine*) target prices for FdR have been taken into consideration.

The analysis has been performed by the Board of Directors following two approaches:

(i) calculating the exchange ratios implied by the respective average and median target prices of Beni Stabili and of FdR. The result of the analysis is summarized in the table below:

	Median	Average
Exchange Ratio	8.14x	7.91x

(ii) calculating the average and median of the exchange ratios implied by the target prices of each analyst covering both Beni Stabili and FdR. The result of the analysis is summarized in the table below:

	Median	Average
Exchange Ratio	7.71x	7.77x

On the basis of the results obtained from the application of the analyst target price methodology, the Board of Directors highlighted this range of values for the Exchange Ratio:

	Minimum	Maximum
Exchange Ratio	7.71x	8.14x

6.5 Method based on precedent transactions analysis

The Board of Directors examined and analyzed certain publicly available financial information of target companies in selected recent precedent merger and acquisition transactions involving companies in the real estate industry (in particular European REITs) considered generally relevant in evaluating the business of the Companies Participating in the Merger. In performing these analyses, certain financial information, transaction multiples and premiums paid in relation to the target companies involved in the selected transactions were analyzed, and such information was compared to the corresponding information for the Companies Participating in the Merger.

Specifically, the Board of Directors calculated for a selected panel of comparable transactions, and to the extent information was publicly available, the implied Premium/(Discount) to NAV, based on last available NAV data. The average and median of Premium/(Discount) to NAV were equal to 1.4% to (1.1)%, respectively.

In addition, for the same transactions the Board of Directors performed a premiums paid analysis: the implied premiums in this analysis were calculated by comparing the per share acquisition price to the target company's *(i)* share price one day prior to announcement, *(ii)* average share price for the three-month period prior to announcement. The average and median of premiums for case *(i)* above were equal to 14.8% and to 14.2%, respectively; for case *(ii)* above the average and median of premiums were equal to 19.2% and to 19.7%, respectively.

The Board of Directors applied the average and median Premium/(Discount) to NAV, to the last available NAV of the Companies Participating in the Merger and the average and median premiums to the share price and the three-month average price of Beni Stabili and FdR as of the date prior to the announcement of the Merger, *i.e.* 19 April 2018.

The Board of Directors also analysed a restricted panel including parent-to-subsidiary or associates transactions (similarly to the Merger). The average and median of Premium/(Discount) to NAV were equal to (20.5%) to (14.7%). The average and median of premiums were equal to 10.8% and to 5.0%, respectively for share price one day prior to announcement; the average and median of premiums were equal to 15.7% and to 7.0%, respectively for average share price for the three-month period prior to announcement.

In the case of the restricted panel, the Board of Directors applied the average and median Premium/(Discount) to NAV to the last available NAV of Beni Stabili and the average and medium premiums to the share price and the three-month average price of the Transferor Company prior to the announcement of the Merger, while valuing FdR at its market value on the date prior to the announcement of the Merger (*i.e.* 19 April 2018).

The results of the analyses were as follows:

	Exchange Ratio	
	Minimum	Maximum
Analysis of precedent transactions	7.85x	8.66x
Analysis of precedent transactions (restricted panel)	7.56x	9.15x

Although, in the opinion of the Board of Directors, none of the selected precedent transactions or the companies party to such transactions is perfectly comparable to the Merger or to Beni Stabili or FdR, all of the transactions were chosen because they involve transactions that, for purposes of analysis, may be considered similar to the Merger and/or involve publicly traded companies with operations that, for purposes of analysis, may be considered generally relevant in evaluating the operations of the Companies Participating in the Merger.

6.6 Valuations instrumental to the confirmation of the Exchange Ratio provided in the Merger Plan

The following tables set forth the results of the abovementioned analyses - for each of the criteria above - for the purposes to confirm the Exchange Ratio included in the Merger Plan, the Boards of Directors of Beni Stabili used as reference balance sheets for the Companies Participating in the Merger their respective consolidated balance sheets at 30 June 2018 (it being understood however that, for the purposes of the valuation analysis, where applicable, the Board of Directors considered the circumstance that the distribution of ordinary dividends by the Companies Participating in the Merger in relation to 2017 had already taken place).

Market Prices Analysis

	Exchange Ratio	
Period ending 19 April 2018	**Simple average**	**Volume weighted average**
Last day (19 April)	8.25x	8.25x
1 month period	7.81x	7.85x
3 month period	7.84x	7.88x
6 month period	8.15x	8.19x
9 month period	8.26x	8.24x
12 month period	8.08x	8.03x

On the basis of the results obtained from the application of the market prices methodology, the Board of Directors highlighted this range of values for the Exchange Ratio:

	Minimum	**Maximum**
Exchange Ratio	7.81x	8.26x

Comparable Companies Analysis

	Exchange Ratio	
	Minimum	**Maximum**
Premium/(Discount) to NAV	8.60x	8.65x
Earnings Yield	7.27x	8.35x
EV/EBITDA	5.76x	7.48x
P/FFO	6.87x	8.56x
Dividend Yield	7.24x	7.52x

NAV Analysis

	Exchange Ratio	
	Minimum	**Maximum**
NAV	7.10x	8.61x
NNNAV	7.63x	9.25x

Target Prices Analysis

The Board of Directors applied the two following approaches:

(i) calculating the Exchange Ratio implied by the respective average and median target prices of Beni Stabili and of FdR. The result of the analysis is summarized in the table below:

	Median	Average
Exchange Ratio	8.14x	7.91x

(ii) calculating the average and median of the Exchange Ratio implied by the target prices of each analyst covering both Beni Stabili and FdR. The result of the analysis is summarized in the table below:

	Median	Average
Exchange Ratio	7.71x	7.77x

On the basis of the results obtained from the application of the analyst target price methodology, the range of values for the Exchange Ratio was as follows:

	Minimum	Maximum
Exchange Ratio	7.71x	8.14x

Precedent Comparable Transactions Analysis

	Exchange Ratio	
	Minimum	Maximum
Analysis of precedent transactions	7.86x	8.98x
Analysis of precedent transactions (restricted panel)	7.77x	9.15x

Although none of the selected precedent transactions or the companies party to such transactions is perfectly comparable to the Merger or to Beni Stabili or FdR, all of the transactions were chosen because they involve transactions that, for purposes of analysis, may be considered similar to the Merger and/or involve publicly traded companies with operations that, for purposes of analysis, may be considered generally relevant in evaluating the operations of the Companies Participating in the Merger.

6.7 Summary of the results

On the basis of the valuations described above, the Beni Stabili's Board of Directors has approved and subsequently confirm the following Exchange Ratio, which, therefore determines the number of new shares to service the Merger:

- n. 8.5 FdR newly issued ordinary shares, par value Euro 3.00 per share, for 1,000 Beni Stabili ordinary shares, par value Euro 0.10 per share.

No adjusting cash settlement is provided for.

These conclusions have been compared to the conclusions of the board of directors of FdR and of the French Independent Expert.

7. Work done

7.1. Work done on the "documentation utilized" as mentioned at paragraph 3.

Considering that the valuation methods applied by the Directors take as a reference basis the interim consolidated financial statements of the companies at 30 June 2018, it should be noted that:

- the interim consolidated financial statements at 30 June 2018 of Beni Stabili were reviewed by us;
- the interim consolidated financial statements at 30 June 2018 of FdR were reviewed by the independent joint auditors *Ernst & Young et Autres* and *Mazars*;

We have performed, with the support of specialized databases (Bloomberg, Capital IQ, Mergermarket), analyses on the trends in the market prices of Beni Stabili and FdR shares, on market multiples of a sample of listed companies operating in the real estate industry (s.c. Real Estate Investment Trusts – RETIs), on target prices expected from analysts of the Companies Participating in the Merger and on premia/discounts paid in precedent transactions of the real estate industry, as well as analysis on NAV and NNNAV, supported by further analyses of press releases, broker reports and other publicly available information.

In addition we have met with the Beni Stabili management to obtain information on the subsequent events with respect to the financial statements mentioned above that could have a significant effect on the amounts being examined here.

We discussed with the team of the French Independent Expert regarding the work performed by them on the same documentation pertaining to FdR.

The above activities have been performed to the extent necessary for the purpose of our engagement, indicated in paragraph 1. above.

7.2. Work done on the methods used to determine the Exchange Ratio

We have performed the following procedures:

- analysis of the Merger Plan and of the Directors' Reports of Beni Stabili to verify the completeness and consistency of the processes followed by the Directors to determine the Exchange Ratio, as well as the consistent application of valuation methods;
- sensitivity analyses within the applied valuation methods, with the aim to verify to what extent the Exchange Ratio would be affected by changes in the assumptions and parameters, considered to be significant;
- verification of the consistency of data utilized, with respect to the reference sources and with the "Documentation used", described in paragraph 3. above;
- verification of the clerical accuracy of the calculation of the Exchange Ratio, derived from the application of the valuation methods used by the Directors also based on the advice of the Advisor;

- meetings with the Advisor and the management of Beni Stabili to discuss the activities performed, also with regards to the main characteristics of the criteria used for the valuation made, the issues encountered and the solutions adopted.

We have also gathered, through discussion with Beni Stabili management, and obtained representation that, based on the best knowledge and belief of Beni Stabili management, no significant changes occurred in the data and information used in our analysis, and that there have been no events subsequent to the confirmation of the Exchange Ratio from the Board of Directors, that would require a modification of their valuation expressed in the determination of the Exchange Ratio.

Finally, we have discussed with the team of the French Independent Expert regarding the valuation and the methodologies used by the companies to determine the Exchange Ratio.

The abovementioned procedures have been performed to the extent considered necessary for the purpose of our engagement, indicated in paragraph 1. above.

8. Comments on the suitability of the methods used and the validity of the estimates

With reference to this engagement, we wish to draw attention to the fact that the principal purpose of the process used by the Directors was to identify an estimate of relative values of the companies involved in the merger, by applying consistent criteria, in order to obtain comparable values. In fact, the main objective of valuations for mergers is to identify comparable values in order to determine the exchange ratio, rather than to determine absolute values of the companies involved.

Accordingly, valuations for merger transactions have a meaning solely in respect of their relative profile and cannot be regarded as estimates of the absolute values of the companies with respect to transactions different from the merger.

We have performed a critical analysis of the methodologies used by the Directors, also based upon the advice of their advisor, to determine the relative value of the companies and, as a consequence, of the Exchange Ratio, verifying the technical adequacy in the specific circumstances, considering the Transaction as a whole.

With regards to the valuation methods adopted, we note that:

- they are widely used in the Italian and in the international professional practice, they are based on accepted valuation doctrine and on parameters determined through a generally accepted methodology process;
- they appear adequate in the circumstances, in light of the characteristics of the companies involved in the Transaction;
- the methods have been developed on a stand alone basis, in conformity with the valuation framework required by the merger;
- the methodology adopted by the Board of Directors ensures that the valuation methods are consistent and thus that the values are comparable;
- the application of more than one method broadened the valuation process and allows a substantial verification of the results obtained.

With regards to the development of the valuation methodologies by the Directors, our considerations are the following:

- the utilization of the stock-market prices method is adequate because the ordinary shares of Beni Stabili and FdR are traded on regulated markets and the respective market prices are significant when considering the market liquidity of both stocks. In this case, the adoption of averages over a sufficiently long period of time mitigates the effect share fluctuations in the short term;
- the adoption of an asset-based methodology, based specifically on NAV and NNNAV, is adequate as it is widely applied in the real estate sector, also due to their shared theoretical base and their general use by industry operators, while the application of the average discount implicit in the stock exchange prices compared to NAV recorded for REITs operating in Italy and in France allowed to take into account the differences between the reference geographies the Companies Participating in the Merger;
- the analysis of the market and precedent transactions multiples and of the analysts' consensus on target prices of Beni Stabili and FdR, have been applied consistently with the international professional practice.

The Board of Directors attributed the equal importance to each of the aforementioned valuation methods, so they must be considered as an integral part of a unitary valuation process.

9. Specific limitations encountered by the auditors in carrying out the engagement

As previously indicated, in the execution of our work we utilized data, documents and information provided to us by the Companies Participating in the Merger, assuming the truthfulness, correctness and completeness, without performing controls on them. Similarly, we have not performed, since they were out of the scope of our engagement, controls and/or valuations on the validity and/or effectiveness of the transactions concluded by Beni Stabili, FdR and/or by their subsidiaries, neither on the related acts or on the effects of the Merger as a whole on them.

As previously indicated, the effectiveness of the Merger is subject to the satisfaction (or to the waive, to the extent permitted by law) of the conditions precedent included in the Merger Agreement and reported in paragraph 2. above. Accordingly, should such conditions precedent not been satisfied, the considerations included in this Report could result no longer applicable and lose their effectiveness.

With reference to used valuation methodologies, and in addition to what reported in paragraph 5. above regarding the limits encountered by the Directors, we preliminary outline the unavailability of updated medium term forecast data and information prepared by the companies. With reference to the valuation methodologies applied, we also highlight the following:

- the method based on the analysis of the NAV and the NNNAV includes, in the application of the average historical discount to NAV, potential limits related to the narrowness of the panel included in the EPRA / NAREIT index and to the restriction of the analysis only to the geographies;
- the method based on the analysis of the previous comparable transactions refers to a panel of transactions that does not include any Italian target companies.

10. Conclusion

Based on the documentation we have examined and on the procedures described above, and considering the nature and extent of our work as described in this report, we believe that the valuation methods adopted by the Directors of Beni Stabili, also based upon the advice of their Advisor, are, under the circumstances, reasonable and not arbitrary, and they have been correctly applied by them in their determination of the Exchange Ratio of shares indicated in the Merger Plan, as follows:

- n. 8.5 FdR newly issued ordinary share, par value Euro 3.5 share, for 1,000 Beni Stabili ordinary share, par value Euro 0.01 per share.

No adjusting cash settlement is provided for.

Milan, 2 August 2018

EY S.p.A.

Signed by: Alberto Romeo, partner

This report has been translated into the English language solely for the convenience of international readers.