REGISTRATION DOCUMENT 2017

CARMILA

CONTENTS

REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

This Registration document was filed with the French Financial Market Authorities (AMF) on 20 April 2018, in accordance with article 212-13 of the AMF general regulations. It may be used in support of a financial transaction only if supplemented by a transaction memorandum that has received approval from the AMF. This document has been established by the issuer and is binding upon its signatories.

The english language version of this Registration Document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate presentation of the original. In all matters of interpretation, however, views or opinion expressed in the original language version of the document in French take precedence over the translation.

FROM YESTERDAY TO TOMORROW

2014 –

Creation of Carmila on 16 April 2014 on the initiative of Carrefour and its partners. At the end of 2014, the Group owned 180 shopping centres in France, Spain and Italy, valued at around €4 billion.

2015 –

Launch of the "*Un air de famille*" renovation concept and the "*Kiosque des services*", a set of targeted marketing and digital solutions to support retailers' turnover.

2016 –

Acceleration in the transformation of properties: momentum in letting and first extension projects. Significant acquisitions, increasing the portfolio to 194 shopping centres with an asset value of €5.2 billion.

2017 –

Merger with Cardety and successful initial public offering with capital increase. At the end of 2017, Carmila owns 206 shopping centres with an asset value of €5.8 billion.

2018 –

Carmila is aiming for double-digit recurring earnings growth.

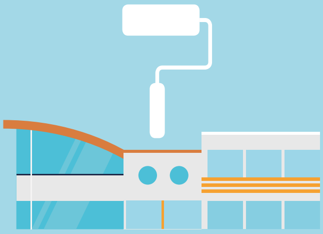
CONTENTS

THE SMART SHOPPING CENTRE COMPANY

Carmila, the third-largest listed shopping centre company in continental Europe, was founded in 2014 by Carrefour and major institutional investors to create value from shopping centres anchored by Carrefour hypermarkets in France, Spain and Italy. In 2017, Carmila delivered a solid performance thanks to a business model based on the local leading position of its properties, the partnership with the Carrefour group and the work of its teams. Today, even more so than in the past, the industry requires effective and multi-expert teams able to work on a local level as close as possible to customers. These teams have enabled Carmila to renovate all of its sites with the welcoming *"Un air de famille"* renovation concept, sign 3,000 leases in three and a half years with new letting models, develop a unique BtoBtoC digital marketing concept for its tenants, and open nine extension projects in 2017. These teams also support retailers on a day-to-day basis, allowing them to develop their revenues locally. This is what makes Carmila unique: cultivating its retailer spirit.

CONTINENTAL EUROPE'S 3rd-LARGEST LISTED RETAIL PROPERTY COMPANY

Renovation plan
100%
completed



12
extension projects delivered since it was founded

AN EXTENSION PIPELINE OF
31
PROJECTS
for an estimated investment of
€1.5bn
(2018-2023)

206
SHOPPING CENTRES
128 IN FRANCE
70 IN SPAIN
8 IN ITALY

Portfolio value of
€5.8bn*, x2.2
times the value at inception in 2014

* Appraisal value including transfer taxes.

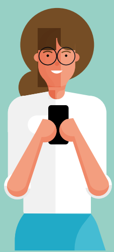
5,800
partner retailers

€1.8bn
of acquisitions since 2014, or
24
shopping centres

96.4%
consolidated financial occupancy rate excluding strategic vacancy

LOCAL DIGITAL MARKETING EXPERT

6.5 million
visits to shopping centres' websites



1.3 million
contacts in Carmila's client database

86%
of shopping centres leader or co-leader in their catchment area*

* See definition part 2.3, page 30.

200
MARKETING INITIATIVES PER MONTH
to support retailers' local attractiveness within the framework of the "*Le Kiosque*" concept

15.4 million
micro-targeted advertisements sent to a client or prospect

60%
OF VISITORS TO CARMILA SHOPPING CENTRES REFER TO THE CENTRE'S WEBSITE BEFORE VISITING

A RESPONSIBLE COMPANY

341
events at shopping centres
in partnership with local and charitable organisations

1 tree planted
for each sqm of retail space created within shopping centres in partnership with Reforest'Action, representing a total of **17,000 trees in 2017**

Carmila partners
local business incubators:
IoT Valley (Toulouse), Lab'O (Orléans), La Cuisine du Web (Lyon)...

3 PILLARS
REFLECTING THE EXPECTATIONS OF OUR STAKEHOLDERS:

1
REVITALISE
REGIONAL ECONOMIC AND SOCIAL LIFE THROUGH ITS LOCAL PRESENCE

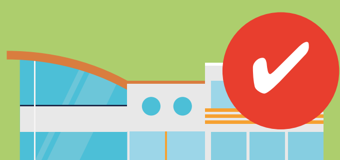
2
INTEGRATE
SHOPPING CENTRES INTO THEIR ENVIRONMENT

3
PROMOTE
EMPLOYEE WELL-BEING AND DEVELOPMENT

93%
of employees are satisfied with their job

More than
14 hours
of training per employee, for a **total of 2,766 hours**

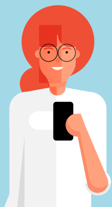
86%
of client satisfaction with their visit to a Carmila shopping centre



14 BREEAM
certified shopping centres
(Building Research Establishment Environmental Assessment Method)

75%
of capital expenditure for works paid to local companies

A GROWTH MODEL CREATING VALUE



2.5%
organic growth of gross rental income in 2017

1,024
letting agreements signed in 2017

30.1%
Loan-to-Value ratio*

* Ratio of consolidated net financial debt to the fair value of the investment property including transfer taxes at 31 December 2017.

€300.9
MILLION
IN 2017 RENTAL INCOME, UP +9.2%

€182.9
MILLION
IN 2017 RECURRING EARNINGS, UP +6.2%

EBITDA
€229.4
MILLION
excluding merger-related costs
UP +7.1% IN 2017

€614
million capital increase in July 2017

+6.3%
increase in EPRA NAV per share to €27.48 as at 31 December 2017

€1.5
dividend per share, equivalent to a yield of
6.5%
for 2017

"We help retailers to develop their turnover on a daily basis."

JACQUES EHRMANN
Chairman and Chief Executive Officer

Carmila is a company that thinks and acts like a retail company, not a real estate investment fund. Although our business is commercial, our speciality is transforming our shopping centres, not just owning and operating them. To do this, we work simultaneously on five value creation drivers: renovations, dynamism of the merchandising mix, local digital marketing, extensions and acquisitions. In June 2017, we carried out an IPO by means of a capital increase to finance our growth over the next four years on the basis of these five principles. This was an immense success and we even exceeded our target, raising €614 million from a very wide variety of international investors.

Significant acceleration in local digital marketing

Another highlight of the year was the stepping up of our local digital marketing strategy, which aims to develop the revenues of retailers present at our shopping centres, by capitalising on our in-depth knowledge of each catchment area and BtoBtoC initiatives. To do this, we have invested heavily in acquiring data and rolling out effective digital tools. Shopping centre management teams have rolled out around 2,000 digital initiatives on behalf of retailers at our shopping centres, using the same modern tools as those used by pure-play e-commerce operators but with the added advantage of knowing the local environment.

It was also a satisfying year in terms of operating activity, as all the work done over the last four years by Carmila's teams in partnership with the teams at Carrefour Property has now come to fruition. It's a bit like a farmer who works the land and after a number of years sees the things adjusting and productivity increasing. We have achieved and exceeded all our targets. Our renovation plan has been finalised, our digital tools are operational, and the first wave of extension projects has been delivered. We also broke through the barrier of rental income of €300 million. Lastly, in February 2018 we announced the acquisition of two new properties close to Marseille and in the centre of Madrid. On the basis of these solid results and our hope for more favourable economic conditions, we are entering 2018 with confidence.

"2017 saw the stepping up of our omnichannel and digital marketing strategy."

EXECUTIVE COMMITTEE

"Carmila is an innovative and flexible company in a position to take on challenges and serving the world of retail."

Jacques Ehrmann

Pierre L'Helgoualc'h
Value Creation Director for Southern France Portfolio

Patrick Armand
Chief Financial Officer

Maryse Beucher
Director Carmila Italy

Yves Cadélano
Deputy Chief Executive Officer

Éric Robert
Leasing Director

Marie-Flore Bachelier
General Secretary

Sebastian Palacios
Director Carmila Spain

Frédéric Desprès
Value Creation Director for Northern France Portfolio

Géry Robert-Ambroix
Deputy Chief Executive Officer

Jacques Ehrmann
Chairman and Chief Executive Officer

Anne-Laure Joumas
Chief Customer Officer, Digital & Innovation

SHOPPING CENTRES/CUSTOMERS

THE NEW WIN-WIN RELATIONSHIP

92%

OF FRENCH CONSUMERS LOOK UP INFORMATION ON THE INTERNET BEFORE BUYING A PRODUCT IN STORE.

Source: DigitasLBi study

For customers for whom omnichannel retail is now a central part of their consumer habits, shopping centres continue to offer a unique experience.

Cross-channel and omnichannel tools now form an integral part of the consumer journey, used to optimise visits to hypermarkets and shopping centres. The "Millennial" generation – those born in the 1980s to the 2000s, who grew up with digital technologies – looks online to find out information and compare products but in the end, does more shopping in stores compared with other generations. This is probably because nothing can replace the physical experience, the power of advice, after-sales services and brand loyalty. But also because the shopping centre continues to meet customer expectations by innovating alongside retailers.

1st, 2nd, 3rd-generation shopping centres

To meet these new trends of omnichannel and cross-channel consumption, physical retailers are constantly innovating, combining traditional marketing initiatives with the best digital tools. Historic shopping centre formats are evolving to offer new concepts and services. Gone is the first-generation shopping centre of the 1970s to the 2000s, which met success thanks to a population looking for a broad retail offering. As of the 2000s, the second-generation shopping centre sought

Le kiosque

par CARMILA

Targeted marketing solutions that hit the spot

How do you increase your customer base and, even better, foster their loyalty? Carmila has provided an innovative response to this question, which is more topical than ever in the age of digital technology, with “Le Kiosque”. Launched in 2015, it offers retailers bespoke local and digital marketing initiatives (promotions, events, media coverage etc.) to develop a sales outlet’s revenues, in addition to the retailer’s national marketing efforts. “Le Kiosque” is based primarily on a precise diagnosis of the retailer’s activity by the shopping centre director, with the support of head office marketing experts. It then uses effective solutions based on knowledge of each catchment area.

Overall – in France, Spain and Italy – 200 “*Le Kiosque*” marketing actions are launched each month to resolve a specific issue. Carmila also offers the “boost”, a support programme adapted to a store over a long period, which in 2017 achieved revenue growth of 9% for the 37 retailers involved. This BtoBtoC marketing strategy is unique to Carmila, which has chosen to offer these initiatives to retailers in order to encourage their roll-out. “*Le Kiosque*” makes it possible to increase footfall and boost transformation, producing a positive effect for the entire shopping centre.

to create preference and stand out by means of the quality of its in-mall shopping experience. This was the era of design and customer focus, where the shopping centre became a comfortable and welcoming destination. Carmila believes that there is now a third-generation shopping centre that goes beyond the in-mall experience.

The shopping centre has become a true media form

Able to target each and everyone via multiple digital tools and thanks to sophisticated databases, it makes it possible to come up with original local digital marketing initiatives benefiting retailers and customers. The preconceived idea that only the very large shopping centres model has a future is also undermined. In reality, having a leading position in the catchment area is the main criterion. This means that you don’t have to be a giant in order to succeed. Today, the transformation of retail is converging towards a model that all companies in the sector are in the process of learning to master.

IT’S A RECORD!

280

***“Le Kiosque”* local marketing initiatives** rolled out in November 2017 across the entire network.

A WIN-WIN STRATEGY FOR A LOCAL LEADING POSITION

For the roll-out of its value creation strategy, Carmila benefits from unique strengths. It capitalises on the strength of its existing network, the Carrefour group's hypermarket food anchors and digital initiatives to strengthen the local leading position of its properties. Thanks to its effective business model, Carmila has demonstrated its ability to create value. This was evidenced in 2017 by its successful IPO and business growth in all the countries in which it operates. The second half of the year was characterised in particular by the flourishing business of retailers in parallel with acceleration in the roll-out of local marketing initiatives offered to them.

Actioning growth drivers

To achieve these results, Carmila draws on its partnership with Carrefour and Carrefour Property, as well as the expertise of its teams, most of whom come from the retail world. Although retail is a value-creating business, it requires experienced teams to handle the convergence of online and offline commerce. Teams who are able to use digital tools and data to support retailers and allow them to increase their revenues. Teams who know how to surround themselves with the best external partners providing precise technical expertise. And teams who use – both at head office and on the ground – Carmila's growth drivers, in and around shopping centres:

- a renovation plan completed on the basis of the common theme of "*Un air de famille*", enhancing the customer experience;
- an innovative letting strategy with 3,000 leases signed in 3 and a half years;
- a unique BtoBtoC digital marketing service that aims to develop retailers' revenues;
- 9 extensions in 2017, representing an additional 110 stores to update the offering and an extension pipeline of 31 projects planned for between now and 2023;
- acquisitions for €2 billion since 2014;
- heavy investment in corporate social responsibility based on Carrefour's best practices.

"The important thing is not the size of a shopping centre but its ability to be a leader in its catchment area. Carmila's aim is to strengthen this local leading position with and for our retail partners. To do this, our teams demonstrate operating excellence every day in terms of the quality of the customer experience and running of our shopping centres. We are also working actively to attract new retailers to complement Carrefour stores: national or international retailers, new concepts or leading local artisans that make our shopping centres different. Our extension projects also allow us to boost the momentum of a retail site. Lastly, specific knowledge of each catchment area coupled with effective digital tools allows us to boost our retailers' revenue growth by offering more and more services and advantages to the end customer.

— Yves Cadélano,
Deputy CEO"

RESOURCES

UNIQUE CAPITAL AND POTENTIAL

CARMILA OWNS 41% OF SHOPPING CENTRES DEVELOPED AROUND A CARREFOUR HYPERMARKET IN FRANCE, SPAIN AND ITALY

THE POWER OF THE CARREFOUR BRAND

FOOD RETAIL,
DYNAMIC MOMENTUM,
A RECOGNISED RETAIL DNA

THE SMART SHOPPING CENTRE COMPANY

ACQUISITIONS

- SELECTIVE STRATEGY
- 26 SHOPPING CENTRES ACQUIRED IN 4 YEARS

RENOVATIONS

- 100% OF RENOVATION PLAN COMPLETED IN PARTNERSHIP WITH CARREFOUR PROPERTY AT 2017 YEAR-END
- CUSTOMER SATISFACTION

LETTING STRATEGY

- LEASE RENEWALS
- INTRODUCTION OF NEW LEADING RETAILERS
- 3,000 LEASES SIGNED IN 3 AND A HALF YEARS

MARKETING

- OMNICHANNEL VIEW OF THE BUSINESS
- LOCAL & DIGITAL MARKETING
- CUSTOMER DATA

EXTENSIONS

- 12 OPENINGS SINCE CREATION
- 31 PROJECTS BETWEEN NOW AND 2023

VALUE CREATION

GROWTH AND YIELDS

LOCAL LEADING POSITION

CSR BEST PRACTICES


ici, nous partageons

2017 OVERVIEW

EXTENSION PROJECT

The Basque Country's leading shopping centre renovated and enlarged

Located in the municipalities of Biarritz and Anglet, BAB2 – the Basque Country's leading shopping centre – celebrated the opening of its extension in the spring with over 10,000 participants. With 120 stores and restaurants, 25 of which open in the region for the first time, BAB2 offers the 350,000 people living in its catchment area a warm and connected space inspired by its Basque identity. For a total investment of €82.4 million with an average yield of 6.4%, in December BAB2 won the Enseigne & Innovation Club's Brique d'Or award for shopping centres.

BRINGING PEOPLE TOGETHER

On the ground for Valentine's Day

Based on an idea posted by an employee on the Mydea open innovation platform developed by Carmila, the "*Brigades de la Saint-Valentin*" involved 150 employees on 14 February. At around 20 shopping centres, they welcomed and guided visitors and ran workshops for children, as well as handing out toffee apples, chocolates, sweets and roses.

WIFI ++

MARKETING

Very-high-speed free Wi-Fi

With "Wifi ++", Carmila has rolled out free ultra-high-speed Wi-Fi at all its shopping centres in France in order to offer its increasingly connected customer base unparalleled access to digital content.

INNOVATION

Carmila welcomes more than 100 partners at Google

In April, around 100 representatives of retailers were invited by Carmila to Google's Paris head office for a round table of experts on creating store footfall.

RENOVATION

“Un air de famille” for everyone

With 11 renovation projects in France and 8 in Spain, in 2017 Carmila finalised the renovation programme initiated four years earlier. All its shopping centres now represent the “*Un air de famille*” concept, reflected in their interiors and exteriors. The aim is to transform retail space into a place for living, meeting and sharing, with a strong emphasis on spaces for rest and relaxation and play areas for children.

“

In 2017, we finalised the renovation of our Spanish network around Carmila’s “*Un air de famille*” concept. This is based on a warm welcome, colourful communal spaces, connected equipment and enhancing the value of our retail offering. These renovation projects, accompanied by the roll-out of a digital marketing strategy, will enable us to boost the diversity of our retailers, foster the loyalty of long-standing customers and win new customers. Near Cadix, in Jerez Norte, for example, the shopping centre’s value has almost doubled in three years thanks to these efforts.

— Sebastian Palacios,
Director Carmila Spain

”

EXTENSION PROJECT

Laying the first stone of the Cap Saran retail park

On 26 April, teams began construction work on a 29,000 sqm retail park adjoining the Cap Saran shopping centre. With around 30 retailers, restaurants and leisure facilities, at the heart of a high quality commercial area, this project promises a new shopping destination in the north of Orléans. It is scheduled to open in April 2018.

BRINGING PEOPLE TOGETHER

When sport rhymes with solidarity

In Spain, Carmila, Carrefour Property and the Carrefour Foundation organised a padel tournament (a combination of tennis and squash) involving employees and retailers to benefit two charities supporting sick children and disabled people.

AWARD

Two awards for Carmila Spain

Carmila Spain won the Los Centros award for the best digital strategy and the 2017 Retail award for its contribution to innovation within this field and its relationship with its retailers.

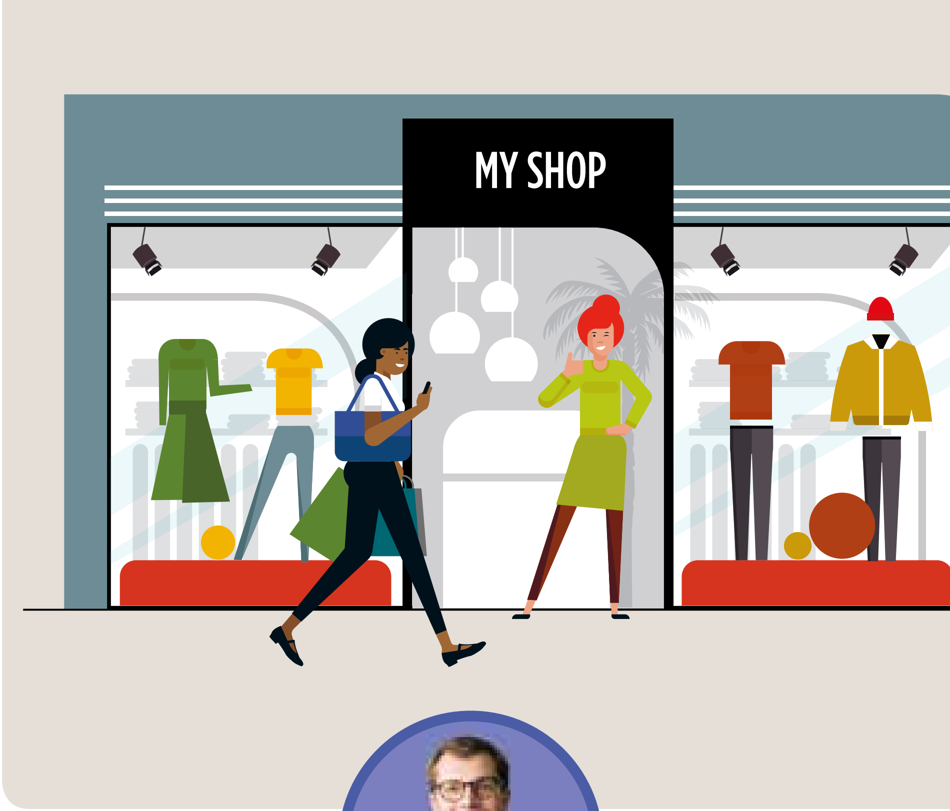
"This successful capital increase will enable us to diversify our sources of funding to accompany our ambitious growth strategy over the long term. It will strengthen our position as a leading name in pan-European listed shopping centre companies. We are delighted to welcome new individual shareholders and prominent institutional investors recognised for the quality of their investment strategy as Carmila shareholders."

— Géry Robert-Ambroix,
Deputy CEO

FINANCE

Creation of the "new Carmila": IPO

On 12 June 2017, Carmila and Cardety shareholders approved the proposed merger between the two companies to form the third-largest listed retail property company in continental Europe. The new entity, which kept the name Carmila, now has a portfolio of 206 shopping centres with a value of €5.8 billion. To finance its expansion plans 2017-2020, Carmila launched a capital increase on 25 June. On 6 July, Carmila announced the successful completion of its capital increase on Euronext, raising a total of €614 million.



INNOVATION

300 participants at Carmiday

An eagerly awaited event for the shopping centre industry, Carmiday takes place each September, bringing together retailers' management teams, presidents of retailer associations and Carmila's various teams at an open event held at its head office in Boulogne-Billancourt. In its third year, the event was attended by 300 participants sharing their expertise. They were also able to discuss new prospects for digital marketing during a conference on local targeting organised with Facebook.

LETTING ATTRACTIVE AND INNOVATIVE RETAILERS

"In France, our letting teams have done extremely good work in terms of re-lettings, concerning both renewals of traditional leases as well as the development of speciality leasing (pop-up stores and short-term leases). Our shopping centres have strengthened their local leading position thanks to retailers opening their first store in the region or even in France as a whole, such as Deichmann and OVS, as well as promising new concepts such as SquareMaker and La Barbe de Papa.

— Sébastien Vanhoove,
Commercial Director"

EXTENSION PROJECT

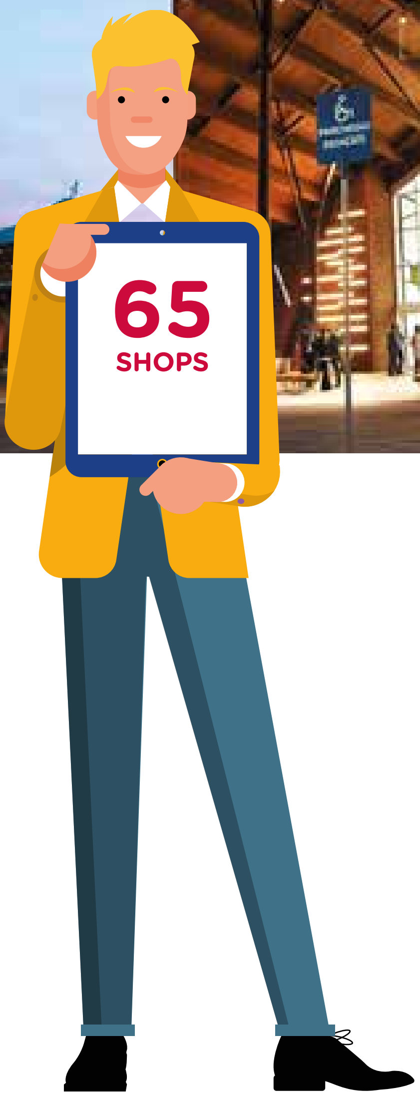
A new shopping destination south of Torino

In October, Carmila and Carrefour Property opened the I Viali retail park in Nichelino south of Torino, anchored by a Carrefour Hypermarket opened in 2016. The complex, comprising a shopping mall and retail park, contains 65 stores.

INNOVATION

Stepping up the rate of transformation thanks to start-ups

Confirming Carmila's commitment to supporting local start-up incubators, the signing of a partnership agreement with IOT Valley in Toulouse complements those already signed with Lab'O in Orléans and *La Cuisine du Web* in Lyon. The aim is to implement innovative projects relating to the Internet of Things (IoT) and connected buildings. An initial boot camp bringing together teams from Carmila and start-ups provided an opportunity to share ideas and begin experimenting with new projects.



"I Viali forms part of a major urban regeneration programme in an historic and strategic area in the south of Torino. The aim is to recreate a place that blends in fully with the local region, respecting its environment, serving the people living in the area. It features welcoming spaces, high quality architecture inviting people to take a stroll and green areas inspired by the surrounding parks including Stupinigi, a UNESCO World Heritage Site."

— Maryse Beucher,
Director Carmila Italy

EXTENSION PROJECT

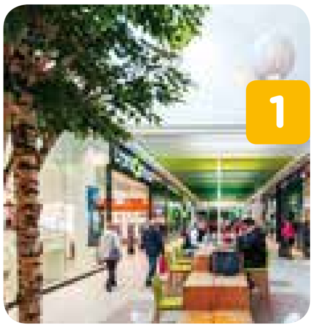
The new face of Carrefour Lescar

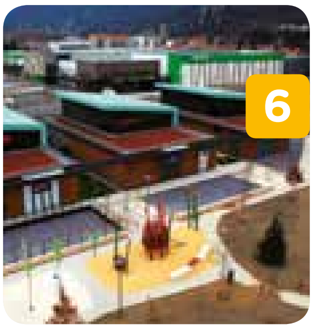
The Carrefour Lescar shopping centre near Pau completed its metamorphosis in November. More user-friendly and modern, it features a new “shopping street” adjoining a renovated shopping mall and hypermarket comprising 23 new retailers (H&M, New Yorker, Superdry, Square Maker, etc.), for many of which this is their first store in the region. Taking an exemplary environmental approach, the project includes planting 6,256 trees. It also allows for the creation of over 100 jobs in shops.

FAN

¡feliz cumpleaños!

Fan Mallorca, the Palma de Majorca shopping destination, celebrates its 1st birthday.

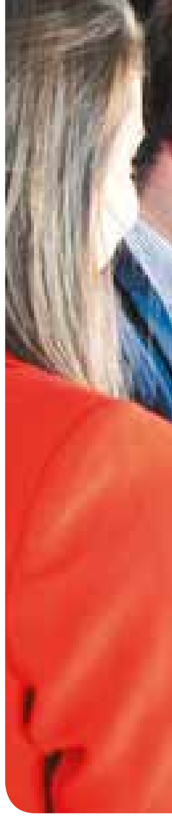




PROJECT

OPENINGS

In partnership with Carrefour Property, a number of extensions to Carrefour shopping centres were completed at the end of 2017: Crèches-sur-Saône (Mâcon) 1, Langueux (Saint-Brieuc) 2, Vannes 3 and the first phase of the Évreux extension 4 as well as the creation of the Rambouillet 5 and Saint-Egrève retail parks (Grenoble) 6.



AT THE HEART OF THE SMART SHOPPING CENTRE

Digital technology has become one of the main drivers for shopping centres, in the same way as it has become an issue for all retailers. Founded in 2014, Carmila is a digital native company that from the outset has been able to make digital technology central to its strategy. Carmila invented the "Smart shopping centre company" concept: a shopping centre that uses data and digital solutions to come up with unique BtoBtoC local digital marketing services for its retailers. Each of its shopping centres has the best digital tools, websites and latest-generation apps. Thanks to the local data Carmila has in synergy with Carrefour, it implements a locally-based marketing approach by means of ultra-personalised communications.

Customer data used to develop the relationship

All personal and non-personal data is used to meet the expectations of existing customers and win new customers. Relationship marketing tools such as email and SMS, social media, events such as gaming, e-sports or photo competitions also aim to maintain a constant link to customers.

Retailers can activate a marketing campaign in just one click

All Web-to-Store drivers activated

Today, the customer experience is both omnichannel and cross-channel. Carmila's strength lies in the fact that it is present from the point of online research to encourage people to come to stores. Carmila uses all advertising formats accessible to it, for example working with Google and Facebook. Carmila also works using the API

The shopping centre manager: a close relationship with retailers

The shopping centre manager plays a central role in the strategy of establishing a local leading position for Carmila's shopping centres. Acting as close as possible to the field, the manager organises the site's retail life, ensuring at all times that the expectations of current and future customers are met. With the support of Carmila's marketing experts and their tools (customer knowledge, digital tools, innovation projects), the manager defines and implements marketing and advertising campaigns that aim to attract new customers and foster the loyalty of existing customers. Above all, the manager helps retailers to develop their attractiveness on a local level by offering BtoBtoC solutions.

economy. It has created a digital ecosystem that facilitates interaction and interconnection between services in the digital sphere. Carmila aggregates on its interfaces services from start-up partners offering a high level of added value for customers. This makes it possible to check product inventory levels and availability, obtain real-time geolocated promotional offers or schedule a medical appointment.

Tailor-made tools for local teams

Carmila therefore uses "distributed marketing", i.e. on the basis of centrally developed platforms, it allows its local teams to manage shopping centres' activity in real time. Thanks to the "Nestor" portal, it is possible to publish content on the shopping centre's website or Facebook page, generate emails or place orders for local digital campaigns in just one click.

#THREE QUESTIONS TO...

ANNE-LAURE JOUMAS, CHIEF CUSTOMER OFFICER, DIGITAL & INNOVATION

In terms of marketing, what is the challenge of digital transformation for Carmila?

Above all, it concerns adapting customers' habits, which are currently an omnichannel experience. Our philosophy is to offer a sounding board for retailers on a multi-local level using the best digital marketing tools to make them more attractive and boost their revenues.

What makes Carmila unique in terms of digital marketing?

For each of our shopping centres, we're able to use the right data to give out the right message with optimum efficiency and at optimum cost. Carmila also has a great deal of flexibility thanks to its digital solutions, which can be rolled out everywhere and very quickly. Although it's normal for a retailer to disseminate its message on a national level or across a large geographical area, it's much more complicated to work on a multi-local level. Last-mile precision marketing is our strength.

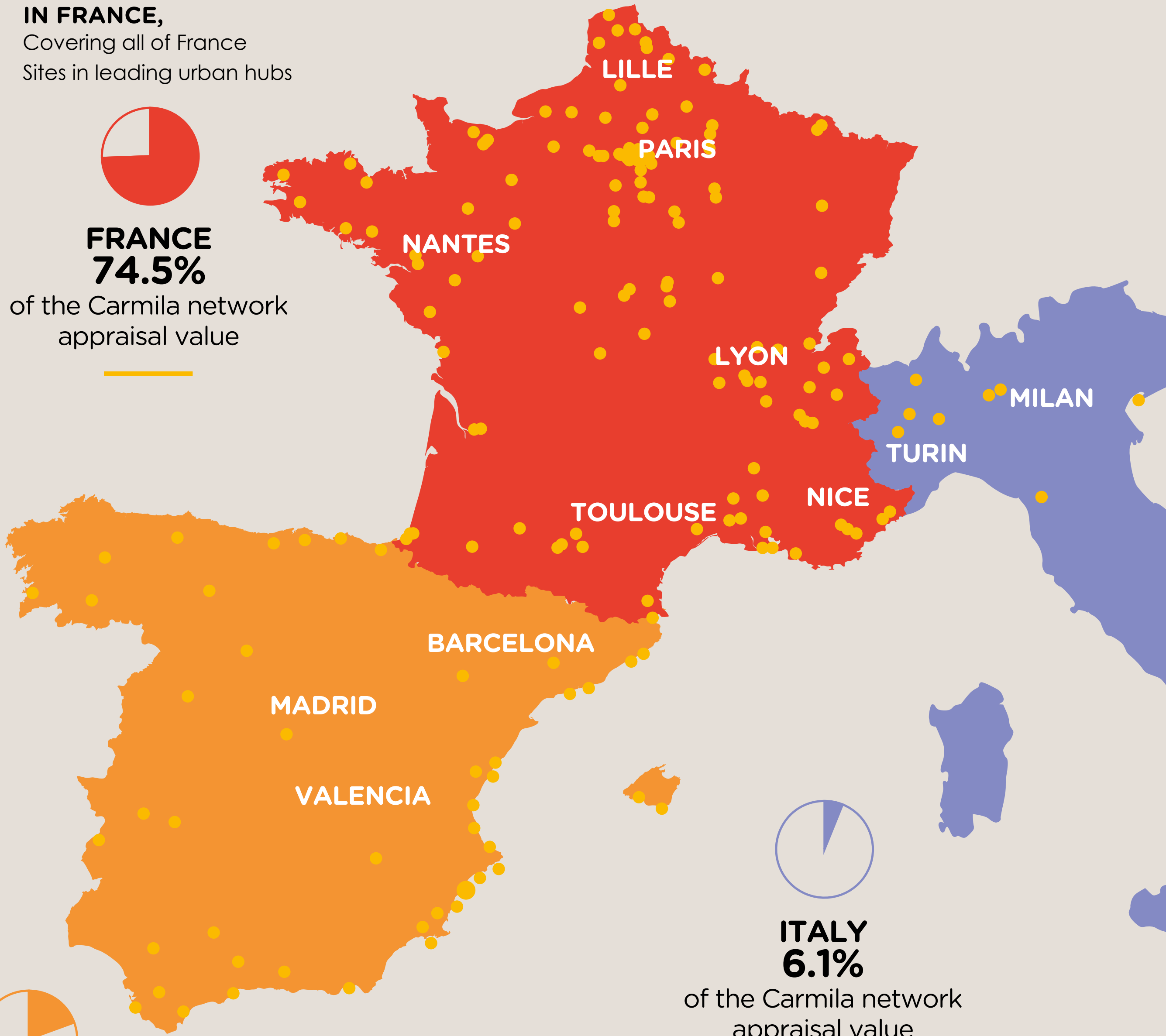
How do you develop these tools?

We have hired experts who roll out digital tools on a central level, allowing local teams to act independently and quickly. We also work using web-to-store in an API Economy model, aggregating flows and solutions from the best names in each segment, like Socloz, Le Ciseau and Fittizy. We have created an ecosystem of partners and start-ups selected for their performance, which allows us to respond to the needs of retailers in real time. And we also know how to use local Facebook and Google media tools such as "store visit", for which we're proud to have been white-listed as a beta tester. It proves to us that we're one step ahead.

A PORTFOLIO OF SHOPPING CENTRES WITH LEADING POSITIONS IN EUROPE

IN FRANCE,
Covering all of France
Sites in leading urban hubs

FRANCE
74.5%
of the Carmila network appraisal value



ITALY
6.1%
of the Carmila network appraisal value

SPAIN
19.4%
of the Carmila network appraisal value

IN SPAIN,
Strategic locations on the outskirts of European capital cities (Madrid, Barcelona, etc.) and on the Mediterranean coast

IN ITALY,
CONCENTRATED PRESENCE
Present primarily in Northern Italy, which is more attractive


Carrefour
BAY 2
Bienvenue
WIFI

SHAREHOLDER'S CORNER

Carmila is listed in compartment A of Euronext Paris under ticker CARM.

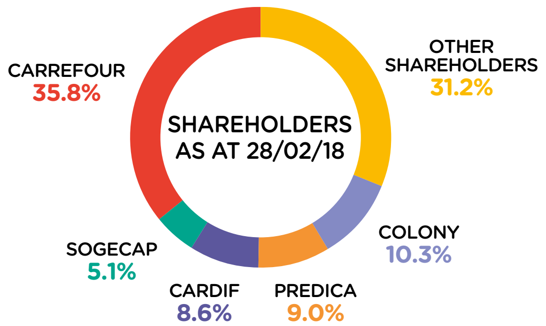
It benefits from SIIC (“*sociétés d’investissements immobiliers cotées*”) tax status (French REIT regime).

Market capitalisation at 28 February 2018

€3,226 MILLION

135.1 MILLION outstanding shares

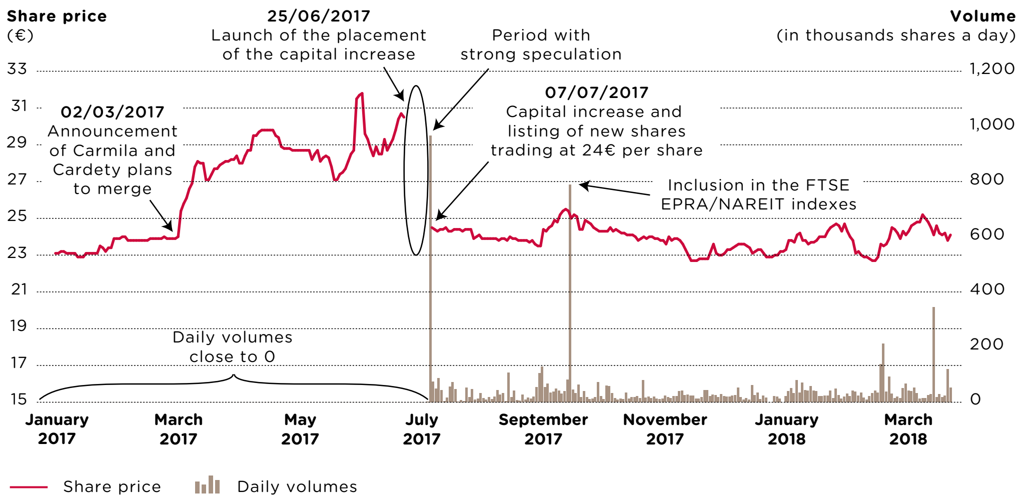
Shareholding structure



EPRA
On 18 September 2017, Carmila joined the FTSE EPRA/NAREIT Global Real Estate (EMEA Region) indices.

Share price performance over 8 months

from 1st January 2017 to 26 March 2018



ASSETS AND VALUATION

2.1 Competitive advantages

2.1.1 A major player in the Continental European shopping centre real estate sector

With more than €5.81 billion of assets[(1)] and 206 shopping centres and retail parks located in France, Spain and Italy, Carmila is, in continental Europe, the number one listed company in shopping centres adjacent to large food retail brands and the third listed company in commercial property by the market value of its assets on 31 December 2017.

Carmila has a broad portfolio of assets, with strong local leadership in their respective catchment areas. Thanks to the quality and positioning of its shopping centres, reinforced by a large-scale renovation plan based on the "Air de Famille" concept, Carmila offers tenant retailers space located in revitalised shopping centres, designed to fulfil the requirements and expectations of final consumers. The type of shopping centres held directly or indirectly by Carmila is highly diversified, thus enabling the main national and international brands to work in several formats while providing local tenants and innovative retailers with an attractive display environment.

At the heart of Carmila's strategy is to achieve leadership for its assets: the great majority of Carmila's shopping centres are leaders or co-leaders in their respective catchment areas. At 31 December 2017, Carmila had 141 leader or co-leader shopping centres, representing 86%[(2)] of its portfolio. Leader or co-leader status in a catchment area provides a competitive advantage in facilitating the marketing of retail space to brands seeking significant and sustainable footfall in a dynamic, high-quality commercial environment.

2.1.2 A portfolio with strong value-creation potential

Carmila is working in partnership with the Carrefour group on a strategy to renovate all of its shopping centres based on the "Un Air de Famille" concept. During 2017, Carmila completed its renovation programme (the renovation of six sites having been postponed until the associated expansions) for a total investment of €350 million spread over the 2014-2017 period, of which €90 million was provided by Carmila and €260 million was financed by the Carrefour group, the main co-owner of all of Carmila's sites.

In addition, Carmila also improved the commercial merchandising of its existing portfolio, with more than 3,000 leases signed over the period 2014-2017 (including 1,024 in 2017) and a consolidated financial occupancy rate of 96.4% on 31 December 2017, against 86.1% on 16 April 2014. In this context, Carmila has endeavoured to attract retail brands and strong concepts to make its shopping centres more attractive. The opening of temporary stores and the development of specialty leasing helps reinforce the leadership of its shopping centres by diversifying offerings to satisfy consumers seeking new products.

2.1.3 A controlled expansion pipeline and acquisition strategy

Since its creation in April 2014, Carmila has deployed a dynamic strategy to accelerate its development at a sustained pace, combining the development of its expansion pipeline for shopping centres with targeted acquisitions with strong potential, relying on its privileged relationship with the Carrefour group.

For the 2018-2023 period, Carmila's expansion pipeline includes 31 projects representing a total expected investment of €1.5 billion.

Developed jointly with Carrefour Property, these expansion projects enable Carmila to reinforce the attractiveness of its shopping centres to retailers, by adapting to their needs and to the needs of their customers, and to increase footfall at its shopping centres. Finally, the shopping centre expansion programmes create a platform for deploying Carmila's strategy to support tenant retailers, in particular by facilitating the inclusion of medium-sized retail anchors in the shopping centres, acting as real driving forces in addition to the hypermarkets of the Carrefour group, helping to create additional traffic and make these centres more attractive.

Between 2014 and 2017, Carmila acquired 24 shopping centres adjacent to Carrefour group hypermarkets in France, Spain and Italy and also acquired several units in shopping centres that it already owned, for a total of €1.8 billion, almost all of which was carried out through off-market transactions. These acquisitions had an average net initial yield of 6.0%.

Also, on 2 February 2018, Carmila announced the signing of an agreement to acquire two shopping centres from Klépierre located at Marseille-Vitrolles and Madrid in Spain, for €212.2 million.

Carmila aims to continue the dynamic management of its portfolio, and combine security of yield and the sustained creation of value.

(1) Transfer taxes and work in progress included.
(2) In appraisal value, including transfer taxes.

2.2 Key figures concerning the portfolio

2.2.1 Description of the portfolio

At 31 December 2017, Carmila had 206 shopping centre and retail park assets adjacent to Carrefour hypermarkets located in France, Spain and Italy, valued at more than €5.81 billion including transfer taxes and work in progress, for a total leasable area of close to 1.36 million square metres.

In France, Carmila is the direct or indirect owner of a very large majority of its real estate assets (with the remaining properties held under long-term leases or ground leases), which are either divided into units or held under co-ownership arrangements. In Spain, Carmila holds, directly or indirectly, the full ownership of its assets organised through co-ownership arrangements. All of Carmila's assets in Italy are fully owned, directly or indirectly.

The Carrefour group's hypermarkets and supermarkets, as well as the car parks adjacent to the shopping centres held by Carmila in France, Spain and Italy, are owned by entities of the Carrefour group.

2.2.2 Presentation of Carmila's most important assets

Out of 206 commercial real estate assets making up Carmila's portfolio, 16 assets represent 40% of the appraisal value (including transfer taxes) and 26% of the gross leasable area at 31 December 2017. The following table shows information on these 16 properties at 31 December 2017:

Name of centre, town	Year of acquisition	Year of renovation/ expansion	Total number of units	Carmila gross leasable area *(sqm)*	Carmila stake in C.C Site *(%)*
FRANCE					
CITÉ EUROPE (Calais Coquelles)	2014	2016	167	49,774	77.6%
THIONVILLE	2015	2017	160	26,188	62.9%
LABEGE 2 (Toulouse)	2014	2017	127	21,913	44.9%
CHAMBOURCY	2014	2017	70	21,057	44.0%
BAY 2 (Collégien)	2014	2015	108	21,096	37.0%
CLAIRA (Perpignan)	2014	2013	77	21,042	52.1%
BAB 2 (Biarritz)	2014	2017	123	25,679	52.4%
PLACE D'ARC (Orléans)	2014	2017	70	13,520	53.6%
MONTESSON	2014	2017	59	13,274	32.8%
SARAN ORLÉANS	2014	2017	52	9,607	29.5%
AIX EN PROVENCE	2014	2015	41	8,317	31.3%
ORMESSON	2015	2018	115	20,919	14.5%
NICE LINGOSTIERE	2014	2014	52	7,866	25.4%
Total France	**-**	**-**	**1,221**	**260,252**	**-**
SPAIN					
FAN (Mallorca)	2016	2016	104	38,122	60.1%
HOLEA (Huelva)	2014	2013	92	33,283	40.7%
Total Spain	**-**	**-**	**196**	**71,405**	**-**
ITALY					
Milan PADERNO	2014	2016	73	15,508	47.6%
TOTAL	**-**	**-**	**1,490**	**347,165**	**-**

For a detailed presentation of Carmila's portfolio of commercial assets at 31 December 2017, see "Detailed Presentation of the Operating Asset Base of Carmila at 31 December 2017".

2.3 Classes of assets by type

At 31 December 2017, Carmila held 141 "leader" or "co-leader" shopping centres (as defined below) in their catchment areas (representing 68% of the total number of Carmila's shopping centres and 86% of its portfolio in terms of appraisal value, including transfer taxes, at 31 December 2017).

A shopping centre is defined as a "leader" if (i) it is the leader in its commercial area by the number of commercial units (Source: Codata database, 2016) or (ii) it includes, for shopping centres in France, more than 80 commercial units or, for shopping centres in Spain or Italy, more than 60 commercial units.

A shopping centre is defined as a "co-leader" if (i) it is not a "leader" and (ii) (x) it includes the leading hypermarket in its commercial area (for France and Italy) in terms of revenues or (for Spain) in terms of leasable area (source: Nielsen database, 2016) or (y) the annual revenue of the hypermarket adjoining it is over €100 million for hypermarkets in France or €60 million for hypermarkets in Spain or Italy.

		Market value Including transfer taxes *(in millions of euros)*	% Market value Including transfer taxes	Number of sites
France	Leader	2,268	52%	36
	Co-Leader	1,462	34%	40
	Other*	593	14%	52
	Total France	**4,323**	**100%**	**128**
Spain	Leader	567	50%	20
	Co-Leader	395	35%	37
	Other*	166	15%	13
	Total Spain	**1,128**	**100%**	**70**
Italy	Leader	247	70%	5
	Co-Leader	70	20%	3
	Other*	38	10%	
	Total Italy	**355**	**100%**	**8**
Total	Leader	3,082	53%	61
	Co-Leader	1,927	33%	80
	Other*	797	14%	65
TOTAL		**5,806**	**100%**	**206**

* *Retail parks, local shopping centres.*

2.4 Asset valuation

2.4.1 Our appraisers and their methodology

The investment properties that comprise Carmila's assets are initially recognised and valued individually at the cost of construction or acquisition, including expenses and taxes, then subsequently at their fair value. Any variation is recognised in the income statement.

The fair values used are based on the basis of the conclusions of independent appraisers. Carmila uses appraisers to value the whole of its asset portfolio at the end of every half-year. The assets are inspected by the appraisers annually. The appraisers' valuations comply with the guidance contained in the RICS Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors ("Red Book"). In order to conduct their work, the appraisers have access to all the information needed for valuation of the assets, and specifically the rent roll, the vacancy rate, rental arrangements and the main performance indicators for tenants (such as sales).

They independently establish their current and future cash flow estimates by applying risk factors either to the net income capitalisation rate or to future cash flows.

For buildings under construction, the valuation takes into account work in progress (capex) as well as the margin on development, which corresponds to the increase in fair value (determined by an appraiser) compared to the total cost price of the project (IPUC)[1]. Carmila considers that a development project may be valued reliably if the following three conditions are all fulfilled (i) all of the administrative authorisations necessary to completing the expansion have been obtained, (ii) the construction contract has been signed and the work has begun and, (iii) uncertainty concerning the amount of future rent has been eliminated.

(1) *Investment Property under Construction – Margin on development which corresponds to the increase in fair value compared to the cost price.*

The appraisers appointed by Carmila are as follows:

- Cushman & Wakefield, for all three countries;
- Catella, for the French and Spanish assets;
- Jones Lang Lasalle for part of the French assets coming from ex-Cardety;
- CBRE for part of the French assets coming from ex-Cardety.

Change in scope of consolidation

At 31 December 2017, four expansion projects under construction (Athis Mons, Évreux phase 2, Besançon Chalezeule and Saran) were valued at fair value, for which IPUC and work in progress were recognised for the first time in the accounts under investment property. In addition, the extensions delivered in the second half-year (Rambouillet, Nichelino, St Brieuc-Langueux, Pau Lescar, Crèches-sur-Saône, Évreux phase 1, Vannes and Saint-Égrève) were included in the assets for their appraised value.

Since 30 June 2017, phase 2 of the expansion of BAB2 has been included in the assets for its appraised value.

2.4.2 Geographical segmentation of the portfolio

Carmila's assets are located in the three main countries in which the Carrefour group operates in Europe.

The valuation of the total portfolio was €**5,805.5** million, including transfer taxes, at 31 December 2017, and breaks down as follows.

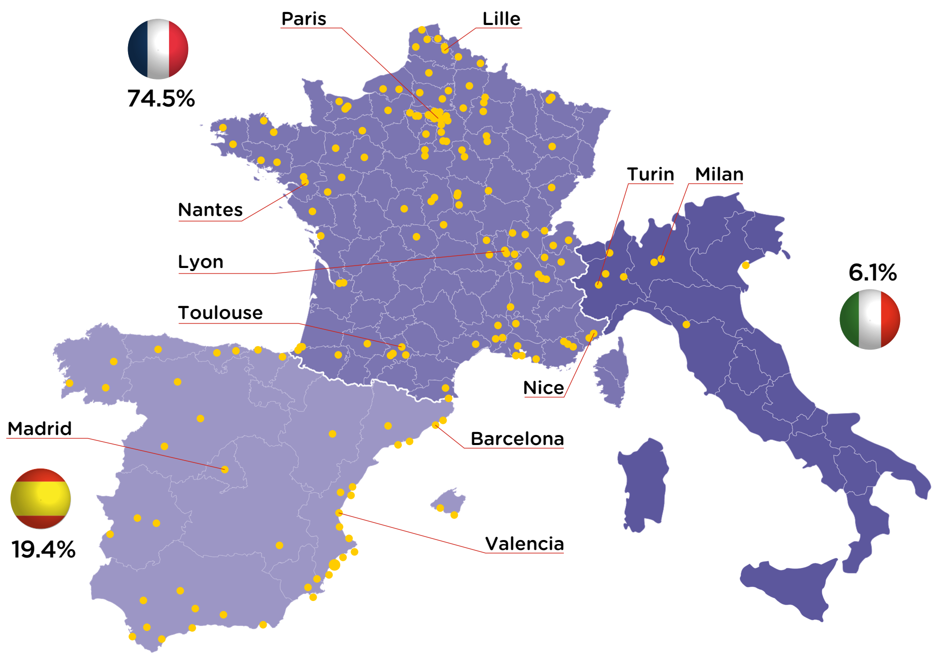
MARKET VALUE (GAV ITT)[(1)] – 31/12/2017

	Millions of euros	% of portfolio	# assets
France	4,323.1	74.5%	128
Spain	1,127.7	19.4%	70
Italy	354.7	6.1%	8
TOTAL	**5,805.5**	**100.0%**	**206**

In addition to the fair values determined by the appraisers for each shopping centre, this valuation includes work in progress (capex) for projects under development as well as the fair value adjustment determined by the appraisers for development projects meeting the conditions set out in the previous section. At 31 December 2017, assets under construction stood at €91.6 million and the increase in fair value compared to cost price was €26.8 million.

Also, this valuation included Carmila's share in the investment property valued at fair value held in the subsidiaries consolidated by the equity method (As Cancelas shopping centre), at Santiago de Compostela in Spain, taken into account at 50% and land for the expansion at Thiene in Italy at 50%.

The following map shows the locations of Carmila's 206 assets in France, Spain and Italy, and gives the portfolio percentage that each country represents by appraisal value (including transfer taxes) at 31 December 2017:



(1) *Gross asset value, or "GAV," corresponds to (i) the appraised value of the operating assets including transfer taxes plus (ii) work in progress and IPUC for projects under developments.*

2.4.3 Changes to the valuation of the assets

The data at 31 December, 2016 is proforma, with this data including Cardety assets for comparison purposes.

	31/12/2016		30/06/2017				31/12/2017					
	GAV ITT		GAV ITT		Variation vs. 31/12/2016		GAV ITT		Variation vs. 31/12/2016		Variation vs. 30/06/2017	
Country	*Millions of euros*	*%*	*Millions of euros*	*%*	*Variation*	*Var. on a like-for-like basis*	*Millions of euros*	*%*	*Variation*	*Var. on a like-for-like basis*	*Variation*	*Var. on a like-for-like basis*
France	3,949.2	74.2%	4,169.6	74.2%	5.6%	2.4%	4,323.1	74.5%	9.5%	3.5%	3.7%	1.0%
Spain	1,066.4	20.0%	1,123.1	20.0%	5.3%	5.3%	1,127.7	19.4%	5.7%	5.7%	0.4%	0.4%
Italy	305.2	5.7%	323.6	5.8%	6.0%	1.8%	354.7	6.1%	16.2%	1.6%	9.6%	-0.2%
TOTAL	**5,320.9**	**100.0%**	**5,616.3**	**100.0%**	**5.6%**	**2.9%**	**5,805.5**	**100.0%**	**9.1%**	**3.9%**	**3.4%**	**0.9%**

The increase in the market value, including transfer taxes, of the assets by €189.2 million during the second half-year breaks down as follows:

- the value of the assets, on a like-for-like basis, increased by +0.9% representing +€46.4 million, as a result of: +€12.8 million due to the increase in net rents and +€33.6 million due to the variation in capitalisation rates applied by the appraisers;
- the inclusion, within the valued scope, of +€191.5 million in extensions delivered in the second half-year;
- the other variations (variations of cost of assets under construction and IPUC for projects under construction) for -€48.7 million.

The increase in the market value, including transfer taxes, of the assets by +€485.5 million during the year breaks down as follows:

- the value of the assets, on a like-for-like basis, increased by +3.9%, representing +€207.9 million as a result of: +€46.6 million, including transfer taxes, due to the increase in rents and +€161.3 million due to the variation in capitalisation rates applied by the appraisers(1);
- the inclusion, within the valued scope, of +€268.4 million in extensions delivered during the year;
- the other variations (variations of cost of assets under construction and IPUC for projects under construction) for +€9.2 million.

2.4.4 Changes in capitalisation rates

EPRA NET INITIAL YIELD(2)

	EPRA NIY 31/12/2016	EPRA NIY 30/06/2017	EPRA NIY 31/12/2017
Spain	6.4%	6.2%	6.2%
France	5.3%	5.2%	5.2%
Italy	6.1%	6.1%	6.2%
TOTAL	**5.6%**	**5.5%**	**5.4%**

NET POTENTIAL YIELD(3)

	NPY 31/12/2016	NPY 30/06/2017	NPY 31/12/2017
Spain	6.6%	6.4%	6.3%
France	5.7%	5.5%	5.5%
Italy	6.1%	6.1%	6.2%
TOTAL	**5.9%**	**5.7%**	**5.7%**

The compression of the rates in the first half-year is concentrated on the largest assets in the Spanish and French scope; this compression results from the decrease in vacancy, improvement of the merchandising mix and the reduction in market rates on this type of asset.

In the second half-year, rates remained stable on the overall scope. In the country detail, the rates did not change in France. In Spain, rates slightly dropped due to the revaluation of certain assets because of the improvement in their occupancy rates. In Italy, the rates are practically stable.

(1) The units in the existing scope affected by the extensions have been reinstated in the comparable scope.
(2) EPRA NIY: The EPRA Net Initial Yield is the ratio between net annualised rental income based on the rental status and market value, including transfer taxes, of the assets.
(3) NPY: The Net Potential Yield is the ratio between annualised rental income (with reintegration of step increases and rent-free periods) plus the market rental value of the vacant lots defined by the experts and the market value, including transfer taxes, of the assets.

2.5 Reconciliation of the valuation of the assets with the value of the investment properties on the balance sheet

(in thousands of euros)	31/12/2017
GAV ITT	5,805,509
Works in progress	91,581
Valuation of the share of equity-accounted investments	67,730
Transfer taxes	290,136
Market value excluding transfer taxes (including IPUC)	5,356,002
Other reclassifications	993
IPUC	26,775
MARKET VALUE EXCLUDING TRANSFER TAXES	**5,328,234**

The market value, including transfer taxes, of the assets includes the fair value of investment properties held in companies consolidated by the equity method.

2.6 Expert appraisal report

2.6.1 Overview of valuation reports prepared by the independent external appraisers of Carmila

2.6.1.1 General context of the valuation

Context and instructions

In accordance with Carmila's instructions ("the Company") as detailed in the signed valuation contracts between Carmila and the appraisers, we have valued the assets held by the Company, taking account of their ownership (freehold, ground lease, etc.). This Summary Report has been prepared for inclusion in the Company's annual report.

The valuations were undertaken locally by our valuation teams present in each market. In order to estimate the market value for each asset, we have not only taken into consideration domestic retail investment transactions but have also considered transactions on a European level. We confirm that our valuations have been prepared in a similar way to other valuations undertaken in Europe, in order to maintain a consistent approach and to take into consideration all the market transactions and information available.

The valuations are based on the discounted cash flow method and the capitalisation method, which are regularly used for these types of assets.

Our valuations were undertaken as at 31 December 2017.

Reference Documents and General Principles

We confirm that our valuations were undertaken in accordance with the appropriate sections of the June 2017 Edition (effective from 1st July 2017) of the RICS Valuation – Global Standards 2017 (the "Red Book"). This is a valuation basis accepted on an international level. Our valuations are compliant with the IFRS accounting standards and the IVSC standards. The valuations have also been prepared on the basis of the AMF recommendations on the presentation of valuations of real estate assets owned by listed companies, published on 8th February 2010.

Furthermore, they take into account the recommendations of the Barthès de Ruyter report on valuation of real estate owned by listed companies, published in February 2000.

We confirm that we have prepared our valuations as external and independent appraisers as defined by the Red Book standards published by RICS.

Basis of Valuation

Our valuations correspond to the Market Value and are reported to the Company as both gross values (market value before deduction of transfer costs) and net values (market value after deduction of transfer costs).

2.6.1.2 Valuation considerations and assumptions

Information

The Company's management were asked to confirm that the information provided relating to the assets and tenants is complete and accurate in all significant aspects. Consequently, we have assumed that all relevant information known by our contacts within the Company that could impact value has been made available to us and that this information is up to date in all significant aspects. This includes running costs, works undertaken, financial elements, including turnover rents, lettings signed or in the process of being signed and rental incentives, in addition to the list of let and vacant units.

Leasable areas

We have not measured the assets and have therefore based our valuations on the leasable areas that were provided to us.

Environmental analysis and ground conditions

We have not been asked to undertake a study of ground conditions nor an environmental analysis. We have not investigated past events in order to determine if the ground or buildings have been contaminated. Unless provided with information to the contrary we have worked on the assumption that the assets are not and should not be affected by ground pollution and that the state of the land will not affect their current or future usage.

Town planning

We have not studied planning consents or other permits and have assumed that the assets have been built and are occupied and used in conformity with all necessary authorisations and that any outstanding legal issues have been resolved. We have assumed that the layout of assets conforms to legal requirements and town planning regulations, notably concerning the structural materials, fire safety and health and safety. We have also assumed that any extensions in progress are being undertaken in line with town planning rules and that all necessary permissions have been obtained.

Titles deeds and tenancy schedules

We have relied upon the tenancy schedules, summaries of complimentary revenues, non recoverable charges, capital projects and the business plans which were provided to us. We have assumed, with the exception of what may be mentioned in our individual asset reports, that the assets are not inhibited by any restriction which could impede a sale and that they are free from any restrictions or charges. We have not read the title deeds and have taken as correct the rental, occupational and all other pertinent information that has been provided to us by the Company.

Condition of the assets

We have taken note of the general condition of each asset during our inspection. Our instruction does not include a building or structural survey but we have indicated in our report, where applicable, any maintenance problems which were immediately apparent during our inspection. The assets have been valued based on the information provided by the Company according to which no deleterious material was used in their construction.

Taxation

Our valuations were undertaken without taking into account potential sales or legal fees or taxes which would come into effect in the case of a transfer. The rental and market values produced are net of VAT.

2.6.1.3 Confidentiality and disclosure

Finally, and in accordance with our standard practice we confirm that our valuation reports are confidential and are addressed solely to the Company Carmila. We accept no liability to third parties. Neither the whole reports, nor any extracts may be published in a document, declaration, memorandum or statement without our written consent as regards the form and context in which this information may appear.

In signing this Summary Report, the valuation firms accept no liability for the valuations carried out by the other firms.

Jean-Philippe Carmarans
Président
Cushman & Wakefield Valuation France

Tony Loughran
Partner
Head of C&W Valuation & Advisory, Spain

Mariacristina Laria
Partner
Head of C&W Valuation & Advisory, Italy

Jean-François Drouets
Chairman
Catella Valuation

Isabel Fernandez-Valencia
Head Of Valuations
Catella Property Spain S.A.

Béatrice Rousseau
Director of Valuation
CBRE Valuation

Christophe Adam
Director of valuation
Jones Lang LaSalle Expertises

2.7 Expansion pipeline at 31 December 2017

2.7.1 Developments

In each of its markets, Carmila intends to continue implementing its programme of extending of high-potential shopping centres and also plans to perform restructuring operations to optimise its centres and increase their yield.

Pursuant to the Renovation and Development Agreement, expansion projects are evaluated and established jointly by Carmila and Carrefour Property through a partnership committee and a presentation of each project is prepared for pre-approval by the relevant decision-making bodies of Carmila and the Carrefour group. For purposes of carrying out expansion projects, Carmila and Carrefour Property may (i) form a special purpose company held as a joint venture, through which Carmila may acquire, upon completion of the expansion project, the 50% share held by Carrefour Property, or (ii) use other alternative methods, such as a sale by Carrefour Property to Carmila of the real estate that it holds with an additional price corresponding to 50% of Carrefour Property's development margin. To the extent that the pre-rentals of the expansion project are deemed satisfactory (usually at approximately 60%), a final project package is submitted to the relevant decision-making bodies of Carmila and the Carrefour group for approval and the start of work. In order to strengthen the alignment of interests of both parties, the Renovation and Development Agreement provides that the financing costs and the development margin achieved for each development project will be divided equally (50% each) between Carmila and Carrefour Property. The target average yield on investment (expected net rents divided by the total estimated investment amount) for the expansion projects is approximately 7% to 8%, or between 6% and 7% for Carmila after sharing the development margin (50% each) with Carrefour Property.

Development pipeline

In 2014, Carmila initiated a detailed review of all of its sites in order to launch a large expansion programme for its shopping centres. At 1 January 2016, Carmila had identified an initial pipeline of 40 potential expansion projects. The first project completions took place in 2016 with the expansions of Bourges, Nevers and the first phase of BAB 2 (Biarritz). In 2017, numerous expansions were delivered: BAB 2 phase 2, Rambouillet, Nichelino, St Brieuc-Langueux, Pau Lescar, Crèches-sur-Saône, Évreux phase 1, Vannes and Saint-Égrève. Overall, these 12 projects represent a leasable area of 83,000 square meters with a financial occupancy rate close to 100%.

In 2017, 6 projects have been put on hold: Perpignan, Feurs, Etamps, Epînal, Mareuil and Nantes Beaujoires; whereas 9 new projects (6 in France and 3 in Spain) entered into the pipeline perimeter: Vénissieux, Hérouville, Coquelles, Puget, Mably, Los Patios, Zaragoza, Puerta de Alicante and Burgos.

For the 2018-2023 period, Carmila's expansion pipeline integrate 31 projects representing a total expected investment of €1.5 billion with an average yield on cost of 6.5%[1].

(1) *Investment and yield on cost including Carmila's share of investment for the 50% of the project for which it is the developer and the purchase price of the 50% owned by Carrefour group.*

The following table presents the key information on Carmila's expansion projects for the period 2017-2023.

Expansion project	Country	Additional leasable area *(sqm)*	Planned opening date	Estimated cost[1] *(in millions of euros)*	Full year additional rental value *(in millions of euros)*	Yield[2]	Yield on Carmila share[3]
2017 PROJECTS – DELIVERED							
BAB 2 Biarritz (phase 2)	France	6,941	Apr.-17				
Rambouillet	France	4,850	Sept.-17				
Langueux St Brieuc	France	4,711	Oct.-17				
Évreux (phase 1)	France	15,250	Nov.-17				
Pau Lescar	France	6,409	Nov.-17				
Crèches-sur-Saône	France	4,200	Nov.-17				
Saint-Égrève	France	2,155	Nov.-17				
Vannes	France	1,460	Nov.-17				
Nichelino	Italy	24,837	Oct.-17				
Total projects 2017		**70,813**		**218.7**	**16.3**	**7.5%**	**7.1%**
2018 PROJECTS							
Besançon Chalezeule	France	15,000	H1 2018				
Orléans - Saran	France	29,929	H1 2018				
Douai	France	1,294	H1 2018				
Évreux (phase 2)	France	18,034	H2 2018				
Athis Mons	France	4,031	H2 2018				
Los Patios	Spain	1,207	H2 2018				
Hérouville restructuring	France	179	H2 2018				
Total projects 2018		**69,674**		**145.5**	**11.5**	**8.0%**	**7.5%**
PROJECTS POST-2018							
Lilles – Coquelles restructurings	France	600	H1 2019				
Toulouse Purpan	France	2,758	2019/2020				
Laon (phase 1)	France	1,700	2019/2020				
Chambéry Bassens	France	2,288	2019/2020				
Thiene	Italy	9,600	2019/2020				
Puget (phase 1) – restructuring	France	1,571	2019/2020				
Mably – restructuring	France	3,015	2019/2020				
Sallanches	France	1,819	2020				
Nice Lingostière	France	12,791	2020				
Thionville	France	6,432	2020				
Laval	France	4,948	2020				
Rennes – Cesson Sévigné	France	6,081	2020				
Milan – Paderno	Italy	32,000	2020				
Angoulins	France	8,923	2020				
Marseille-Vitrolles	France	11,727	2021				
Augusta – Saragossa	Spain	17,334	2021				
Puerta de Alicante	Spain	13,453	2021				
Aix-en-Provence	France	5,978	2022				
Montesson	France	30,409	2022				
Burgos	Spain	15,000	2022				
Antibes	France	36,440	2023				
Toulouse Labège	France	12,385	2022				
Vénissieux	France	42,965	2022				
Orléans – Place d'Arc	France	10,732	2023				
Total projects post-2018		**290,950**		**1,402.0**	**94.0**	**7.1%**	**6.4%**
TOTAL PROJECTS CONTROLLED[4]		**360,623**		**1,547.5**	**105.5**	**7.2%**	**6.5%**

(1) The total investment corresponds to Carmila's projected share (50% of the investment) plus Carrefour's share (50% of the investment and 50% of the margin) that is acquired upon delivery.
(2) Expected annualised rents divided by the total estimated investment amount.
(3) Expected annualised rents, divided by the total amount of the investment, including transfer taxes, including Carrefour's share that is acquired upon delivery.
(4) Projects controlled: post-2017 projects for which studies have been significantly advanced and Carmila holds either the real estate or the right to build on it, but where not all administrative authorisations may have been obtained.

2017 expansions

In 2017, Carmila confirmed its ability to successfully implement its strategy to develop its programme of extensions, with the delivery of 9 projects, which represent a leasable area of 70,813 sqm for a cost of €219 million.

- **BAB 2 (Biarritz) – The leading centre in the Basque Country, renovated and enlarged in April 2017**

This leading centre adjoining a Carrefour hypermarket is located in Biarritz, in the Basque region in Southwestern France. It has a catchment area that includes more than 350,000 residents and welcomes an average of 5.7 million customers each year. Before extension, the centre was composed of 89 shops over nearly 14,524 square metres of gross leasable area and 2,379 parking spaces. At the end of the extension project, which was inaugurated in April 2017, the centre was increased to 120 shops over nearly 25,700 square metres of gross leasable area and 3,029 parking spaces. This expansion project, developed by Carmila alone, represents a total investment of €82.4 million for an average yield of 6.4%.

- **Nichelino (Turin) – Inauguration of an extension at a modern shopping centre to the south of Turin**

This shopping centre, located in the Turin area, adjoining a Carrefour hypermarket and a retail park, has a catchment area of more than 680,000 residents. Following the project to expand the shopping centre and retail park inaugurated in October 2017, the shopping complex (centre and retail park) comprises 62 shops over 24,837 square metres of gross leasable area (against 4,833 square metres before the expansion) and 2,950 parking spaces. This expansion project, co-developed with Carrefour Property, represents an overall developer investment of €49.8 million for an average yield greater than 8.2%.

- **Rambouillet (78) – Creation of a retail park adjacent to a leading site**

On 13 September 2017, Carmila inaugurated the expansion to the shopping arcade in the Carrefour shopping centre in Rambouillet, with the creation of a retail park of a surface area of about 4,850 sqm. This expansion was rented to large national retail brands, including Cultura and Courtepaille.

- **Saint-Brieuc Langueux (22) – Creation of a retail park to become the leading commercial centre in the Côtes-d'Armor region**

On 25 October 2017, Carmila inaugurated a retail park attached to the shopping arcade at Saint-Brieuc, the largest town and administrative centre of the Côtes-d'Armor. The expansion is composed of 5 lots totaling 4,700 sqm rented to large retail brands in the Culture sector (Cultura) and the personal accessories sector (Pimkie, Bizzbee, Camaïeu and Mango).

- **Crêches-sur-Saône (71) – Inauguration of an expansion at a leading shopping centre to the south of Mâcon**

After 14 months of work, on 7 November 2017, Carmila inaugurated an expansion of 4,200 sqm, bringing the total area of the shopping centre to 14,263 sqm. Within this expansion, customers can discover 23 new retail brands, alongside around thirty longstanding retailers and the hypermarket. This expansion is a major step for the Mâcon urban area, as it will be the first commercial establishment in the area for Ambiance & Style, Darjeeling, H&M, La Barbe de Papa and Moa, and even in the region (such as the Decitre bookshop and Indigo).

- **Vannes (71) – A leading site improved by the addition of a retail park**

On 8 November 2017, Carmila inaugurated a retail park adjacent to the Vannes hypermarket shopping centre, for an overall leasable area of about 1,500 sqm of new shops. The architectural complex was designed to create continuity with the existing shopping mall, with a succession of modules punctuating a modern roofline. The shopping centre has 6 new retail brands for which this is their first store in the region (such as Damart and Brice), which supplement a range of 67 shops.

- **Évreux Guichainville (71) Phase 1 – The creation of a shopping-leisure destination around the leading site in the Eure department**

On 27 November 2017, Carmila inaugurated phase 1 of the extension of the shopping arcade in the Évreux Carrefour hypermarket shopping centre, for a surface area of 15,250 sqm. The hypermarket is the leader in its catchment zone, with nearly 10,000 sqm of sales area, increasing to 11,000 sqm at the end of the project.

- **Pau Lescar (64) – A new momentum for the number one commercial centre in southern Aquitaine**

On 21 November 2017, Carmila inaugurated the expansion to the Carrefour Lescar shopping centre, to the west of Pau, for a surface area of 6,409 sqm. Outside, the car park was renovated and offers 1,600 spaces, with more than 300 trees planted for the occasion. The whole of the shopping area now covers about 12,000 sqm, bringing the number of retail brands from 54 to 79. Out of 25 new shops, 13 retail brands are unique in the Béarn, including Ambiance et Style, NewYorker and Jack & Jones.

- **Saint-Égrève (38) – Creation of a "Food Park" for a comprehensive shopping centre to the north of Grenoble**

On 28 November 2017, Carmila inaugurated a "Food Park" adjacent to the Saint-Égrève Carrefour hypermarket, located in the only shopping centre to the north of the Grenoble urban area. The expansion is composed of 6 restaurants over 2,155 sqm rented to dynamic retail brands in the food sector (including "Au Bureau" and "Ayako Sushi").

2018 expansions

In 2018, Carmila plans to deliver seven expansions for a surface area of 69,674 sqm, for an estimated cost of €145.5 million.

- **Orléans, Cap Saran (45) – Creation of a modern and innovative retail park adjacent to a leading site**

In November 2014 and November 2016, Carmila acquired two adjacent plots, with the aim of developing a retail park. The project adjoins the "Cap Saran" shopping centre, the number one commercial and leisure centre in the Orleans urban area. In order to offer the most comprehensive shopping experience in Orleans, the project's resources match its ambitions, adding 920 sqm to the shopping arcade, a retail park of 29,000 sqm and 1,100 parking spaces.

- **Douai Flers-en-Escrebieux (59) – Project for the expansion of the leading shopping centre in Douai**

In the first half-year of 2018, Carmila plans to inaugurate an expansion of 1,300 sqm of the shopping mall in the Carrefour centre at Douai Flers, which will bring the number of retail brands from 48 to 57.

- **Caen Hérouville-Saint-Clair (14) – Project to restructure a major site in the Caen urban area**

In the second half of 2018, Carmila plans to inaugurate the restructuring of the shopping mall in the Carrefour shopping centre at Caen Hérouville-Saint-Clair. The entire shopping arcade will reach 19,000 sqm with a car park of 1,750 spaces.

- **Besançon Chalezeule (25) – Improving the retail offer to the east of Besançon, with the creation of a retail park**

In the first half of 2018, Carmila plans to inaugurate a retail park of 15,000 sqm linked with the Carrefour shopping centre at Besançon Chalezeule, which will attract 18 new retail brands.

- **Athis Mons (91) – A project creating commercial vitality in a shopping mall with a loyal and regular clientele**

In the second half of 2018, Carmila plans to inaugurate the expansion of the shopping mall in the Carrefour shopping centre at Athis-Mons. The expansion will cover 4,031 sqm and will bring the number of retail brands from 22 to 41.

- **Évreux Guichainville (71) Phase 2 – The creation of a shopping-leisure destination around the leading site in the Eure department**

In the second half of 2018, Carmila plans to inaugurate the second phase of the expansion of the shopping arcade in the Carrefour Évreux hypermarket shopping centre. The shopping centre will then reach a leasable area of 7,000 sqm for the shopping mall and 30,500 sqm for the retail park, bringing the total number of retail brands from 15 to 70.

- **Los Patios (Malaga - Spain) – Project for the expansion of a leading shopping centre in the south of Spain**

At the end of 2018, Carmila plans to inaugurate the expansion of the shopping mall “Los Patios” in Malaga. The project consists of a total restructuring of the shopping mall and the expansion of a leasable area of 1,200 sqm.

Administrative authorisations

Building permits

A construction permit is required in order to construct new buildings or to renovate existing buildings where the renovations change the intended use of the buildings and modify the supporting structure or the facade, or create additional floor area or footprint of more than twenty square meters.

To date, 12 building permits have been obtained, including five permits during 2017:

- **Toulouse-Purpan** – 9 February;
- **Nice** – 14 March;
- **Laval** – 20 July;
- **Sallanches** – 8 August;
- **Vitrolles** – 9 October.

Authorisations to operate retail facilities

An authorisation to operate a retail facility (*autorisation d’exploitation commerciale*, or “AEC”) is required in connection with the creation of a store or retail complex with retail space of more than 1,000 sqm (or 400 sqm for Paris) or for an extension of a store or of a retail complex that contains or will contain more than 1,000 sqm of retail space (or 400 sqm for Paris). This regulation primarily applies to food stores, retailers, and artisanal services. The Pinel Law and Decree No. 2015-165 of 12 February 2015 on commercial development significantly modified the rules governing authorizations to operate retail facilities, merging them with the procedure for requesting construction permits.

Projects requiring construction permits are eligible for a “one-stop shopping” procedure in which the project leader files a single application for both the construction permit and for the authorisation to operate a retail facility. The application must be filed with the competent town planning authority (for the construction permit), which then obtains the opinion of the regional commission on retail development (*commission départementale d’aménagement commercial*, or “CDAC”).

To date, 16 CDAC/CNAC have been obtained, including four CDAC/CNAC during 2017:

- **Sallanches** – 3,244 sqm, CNAC obtained (27 April);
- **Laval** – 3,239 sqm, CDAC obtained (15 May);
- **Aix-en-Provence** – 5,384 sqm, CNAC obtained (26 October);
- **Coquelles** – 3,800 sqm, CDAC obtained (13 November).

2.7.2 Finalisation of the programme to renovate the existing property portfolio

Renovation operations consist of modernising and maintaining the property portfolio to adapt to the expectations of retailers and end consumers by making properties more attractive.

Carmila and Carrefour committed to carry out, within five years following their signature of the Renovation and Development Agreement, an initial renovation programme covering 167 shopping centres, the costs of which are borne in proportion to the rates of investment in co-owned property or volumes, representing about 30% at the expense of Carmila.

The Renovation and Development Agreement provides that renovation expenditures other than the estimated total amount, both for the shopping centres included in the initial scope and for shopping centres acquired by Carmila and located on sites co-owned between Carmila (shopping centres) and the Carrefour group (hypermarkets), would be financed at 50/50 by both groups. As shopping centres have been acquired by Carmila, they have benefited from a major renovation plan, usually in conjunction with the Carrefour group’s modernisation of its adjoining hypermarkets, while ensuring sustained customer footfall at these sites during construction.

Eleven renovations were delivered in France during 2017 (BAB2 in Anglet, Mably, Saint Jean de Luz, Saran, Saint-Brieuc – Langueux, Rethel, Segny, Évreux, Draguignan, Lescar, Puget sur Argens) and eight renovations were delivered in Spain (Jerez Sur, Jerez Norte, Valladolid Parquesol, Dos Hermanas, Lugo, Tarragona, Alzira and Valladolid 2).

At the end of 2017, Carmila reached 100% of its renovation programme (the renovation of 6 sites having been postponed to be done during the associated expansions). The total amount of this renovation programme represents an investment of €350 million, including €90 million borne by Carmila.

Carmila's shopping centres are renovated based on the "Un Air de Famille" concept, with re-imagined customer pathways, modernised facades, coloured arches to mark entrances and interior designs including numerous gathering spaces and children's play areas. These renovations have made the shopping centres more attractive and capable of attracting international and national retail brands, as well as local specialist franchisees, who seek first-rate locations. Each time shopping centres are renovated, Carmila's teams also encourage the tenant-retailers to renovate their shops, generating a ripple effect that reinforces the overall attractiveness of the shopping centres to the benefit of Carmila and all of the retail brands.

2.8 Detailed presentation of the operating asset base of Carmila at 31 December 2017

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila gross leasable area *(sqm)*	Carmila stake in C.C /Site *(%)*
FRANCE						
Aix-en-Provence	1971	2014	2015	41	8,317	31.3%
Amiens	1973	2014	2014	20	4,428	25.2%
Angers - Saint Serge	1969	2014	2015	28	5,176	24.5%
Angoulins	1973	2014	2018	31	4,800	22.6%
Annecy Brogny	1968	2014	2015	25	4,312	24.6%
Antibes	1973	2014	2014	34	4,820	22.6%
Athis Mons	1971	2014	2014	19	2,502	26.1%
Auch	1976	2014	2014	10	922	16.3%
Auchy les Mines	1993	2014	2015	28	2,762	26.1%
Auterive	2011	2014	-	17	6,674	36.8%
Bab 2 - Anglet	1967	2014	2017	123	25,679	52.4%
Barentin	1973	2016	-	10	5,697	14.5%
Bassens (Chambéry)	1969	2014	2014	21	2,701	17.1%
Bay 1	2004	2014	-	29	8,586	32.9%
Bay 2	2003	2014	-	108	21,096	37.0%
Bayeux Besneville	1974	2014	2014	7	584	11.0%
Beaucaire	1989	2014	2015	32	6,825	21.4%
Beaurains 2	2011	2014	-	12	4,364	39.8%
Beauvais	1969	2014	2016	17	3,300	21.1%
Berck SCI de l'Arche	1995	2014	2014	21	2,268	49.6%
Berck-sur-Mer	1995	2014	2014	7	5,354	10.7%
Besançon Chalezeule	1976	2014	2014	9	1,365	9.8%
Besançon Chalezeule	1976	2012	2014	2	258	9.8%
Bourg-en-Bresse	1977	2014	2018	23	4,489	19.2%
Bourges (avec extension)	1969	2014	2016	49	6,417	31.7%
Brest Hyper	1969	2014	2014	47	18,014	41.0%
Calais/Beau Marais	1973	2014	2015	23	5,118	28.3%
Calais/Coquelles	1995	2014	2018	167	49,774	77.6%
Chambourcy	1973	2014	2018	70	21,057	44.0%
Champs sur Marne	1967	2014	2014	17	1,773	15.5%
Charleville-Mézières, La Croisette	1985	2014	2014	26	2,475	17.5%
Château Thierry	1972	2014	2015	11	649	8.8%
Châteauneuf-les-Martigues	1973	2014	2016	23	12,734	12.5%
Châteauroux	1969	2014	2014	20	3,561	22.4%
Cholet	1970	2014	2014	30	5,281	16.9%
Condé-sur-l'Escaut	1987	2014	2015	8	528	9.6%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila gross leasable area *(sqm)*	Carmila stake in C.C /Site *(%)*
Condé-sur-Sarthe	1972	2014	2014	31	9,218	71.8%
Crèches-sur-Saône	1981	2014	2015	67	14,768	48.7%
Denain	1979	2014	2018	9	623	6.0%
Dinan Quevert	1970	2016	-	18	3,196	-
Douai Flers (GM)	1983	2014	2015	47	7,179	19.7%
Draguignan (GM)	1992	2014	2017	27	4,230	39.1%
Échirolles (Grenoble)	1969	2014	2014	34	4,740	20.6%
Épernay	1970	2014	2016	12	1,043	9.0%
Épinal	1983	2014	2016	24	19,101	100%
Épinay-sur-Orge	1992	2015	-	1	54	-
Étampes	1983	2014	2018	3	878	7.7%
Évreux	1974	2014	2017	40	17,889	25.7%
Feurs	1981	2014	2018	7	1,025	12.1%
Flers Saint-Georges-Des-Groseillers	1998	2016	-	12	1,691	30.8%
Flins-sur-Seine	1973	2014	2014	17	8,111	21.3%
Fourmies	1985	2014	2016	16	1,852	16.1%
Francheville	1989	2014	2015	22	2,421	16.5%
Francheville hyparmo	1989	2014	2015	23	2,433	16.5%
Gennevilliers	1976	2014	2015	17	2,349	14.11%
Goussainville	1989	2014	2015	25	3,171	38.1%
Gruchet	1974	2014	2015	31	8,939	38.7%
Gueret	1987	2014	2018	13	3,415	17.0%
Hazebrouck	1983	2014	2014	15	1,300	17.3%
Hérouville Saint-Clair	1976	2014	2016	49	13,910	40.4%
La Chapelle Saint-Luc	2012	2014	2015	43	17,588	58.0%
La Ciotat	1998	2014	2015	15	703	5.3%
La Roche-sur-Yon	1973	2014	2015	11	1,364	16.4%
Laon	1990	2014	2015	39	8,045	91.1%
Laval	1986	2014	2018	38	7,218	42.0%
Le Mans	1968	2014	2014	19	1,938	11.9%
L'Hay-les-Roses	1981	2014	2016	12	564	2.6%
Libourne	1973	2014	2014	19	4,146	18.0%
Liévin	1973	2014	2014	20	3,017	7.0%
Limay	1998	2014	2018	7	327	4.8%
Lorient	1981	2014	2014	33	11,600	31.5%
Mably	1972	2014	2017	32	13,215	34.8%
Meylan (Grenoble)	1972	2014	2014	13	1,602	9.2%
Mondeville	1970	2014	-	3	2,401	2.61%
Mondeville HE	2013	2014	-	28	29,833	50.0%
Mont Saint Aignan	1987	2015	2018	33	3,049	13.8%
Montélimar	1985	2014	2016	7	7,689	34.0%
Montereau	1970	2014	2015	9	967	10.4%
Montesson	1970	2014	2018	59	13,274	32.8%
Montluçon	1988	2015	2016	35	3,490	23.0%
Nantes Beaujoire	1972	2014	2015	35	4,479	22.0%
Nantes St Herblain	1968	2014	2015	11	1,467	12.1%
Nanteuil-Les-Meaux (GM)	2014	2015	-	8	811	100.0%
Nanteuil-Les-Meaux (PAC)	2014	2014	-	5	4,927	100.0%
Nevers-Marzy	1969	2014	2016	53	19,886	49.7%
Nice Lingostière	1978	2014	2014	52	7,866	25.4%
Nîmes Sud	1969	2014	2015	22	2,964	14.4%
Orange	1988	2014	2014	35	5,173	29.3%
Orléans Place d'Arc	1988	2014	2018	70	13,520	53.6%
Ormesson	1972	2015	2018	112	16,843	14.5%
Ormesson SCI Dominique	1972	2015	2018	3	4,076	-

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila gross leasable area *(sqm)*	Carmila stake in C.C /Site *(%)*
Paimpol	1964	2014	2016	14	4,556	20.8%
Pau Lescar	1973	2014	2017	73	11,877	31.0%
Perpignan Claira	1983	2014	2015	77	21,042	52.1%
Port de Bouc	1973	2014	2015	27	6,028	30.6%
Pré-Saint-Gervais	1979	2016	-	19	1,621	-
Puget-sur-Argens	1991	2015	2017	53	4,203	28.4%
Quetigny (PAC)	2014	2014	-	5	7,365	100.0%
Quimper – Le Kerdrezec	1978	2014	2016	38	8,512	26.1%
Rambouillet	2017	2017	-	4	4,850	-
Reims/Cernay	1981	2014	2016	23	3,376	26.8%
Rennes Cesson	1981	2014	2014	41	6,727	31.0%
Rethel	1994	2016	2017	16	3,374	35.7%
Saint-Jean-de-Luz	1982	2014	2017	15	2,598	33.9%
Saint-Lô	1973	2016	-	9	1,085	18.5%
Saint-Martin-au-Laërt	1991	2014	2016	11	854	15.6%
Salaise sur Sanne	1991	2014	2014	14	840	40.6%
Salaise-sur-Sanne	1991	2014	2014	29	6,075	40.6%
Sallanches	1973	2014	2016	14	1,912	17.0%
Sannois	1992	2015	2015	36	3,802	27.4%
Saran – Orléans	1971	2014	2017	52	9,607	29.5%
Sartrouville	1977	2014	2014	36	5,606	26.6%
Segny	1980	2014	2017	16	2,130	30.0%
Sens Maillot	1970	2014	2016	6	1,870	20.4%
Sens Voulx	1972	2014	2016	7	591	5.8%
Saint-André-les-Vergers	1975	2014	2016	7	1,096	5.2%
Saint-Brieuc-Langueux	1969	2014	2017	46	13,915	37.1%
Saint-Égrève	1986	2014	2014	38	9,338	13.3%
Saint-Jean-de-Védas	1986	2014	2014	29	3,073	18.6%
Stains	1972	2014	2018	24	2,973	16.7%
Tarnos	1989	2014	2014	25	4,081	29.0%
Thionville	1971	2016	2018	160	26,188	62.9%
Tinqueux	1969	2014	2015	32	5,919	22.6%
Toulouse Labège	1983	2014	2018	127	21,913	44.9%
Toulouse Purpan	1970	2014	2015	45	16,551	36.4%
Tournefeuille	1995	2014	-	20	5,672	39.5%
Trans-en-Provence	1976	2014	2016	31	3,687	31.6%
Uzès	1989	2014	2015	19	1,278	15.3%
Vannes – Le Fourchêne	1969	2014	2014	63	8,898	41.2%
Vaulx-en-Velin	1988	2014	2016	49	6,125	34.3%
Venette	1974	2014	2015	40	6,283	24.8%
Venissieux	1966	2014	2016	25	4,445	12.0%
Villejuif	1988	2014	2015	32	4,093	4.2%
SPAIN						
Alcala de Henares	2007	2014	2016	25	1,677	17.3%
Alcobendas	1981	2014	2016	47	3,524	23.7%
Azabache	1977	2014	2016	37	5,450	22.4%
Cabrera de Mar	1979	2014	2014	31	14,244	17.9%
Caceres	1998	2014	2015	19	1,517	11.7%
Ciudad de la Imagen	1995	2014	2016	26	2,056	14.2%
El Alisal	2004	2014	2016	45	15,174	43.9%
El Pinar	1981	2014	2014	41	4,353	14.0%
La Granadilla	1990	2014	2014	23	909	7.0%
Leon	1990	2014	2016	22	2,497	18.6%
Lérida	1986	2014	2014	15	518	8.8%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila gross leasable area *(sqm)*	Carmila stake in C.C /Site *(%)*
Los Angeles	1992	2014	2016	46	6,784	34.4%
Lugo	1993	2014	2017	24	2,027	11.1%
Merida	1992	2014	2017	26	2,599	10.4%
Mostoles	1992	2014	2016	26	3,300	20.1%
Oiartzun	1979	2014	2014	16	744	5.5%
Orense	1995	2014	2016	24	4,141	82.9%
Palma	1977	2014	2014	28	594	5.9%
Peñacastillo	1992	2014	2014	60	10,241	42.0%
Plasencia	1998	2014	-	14	805	11.9%
Pontevedra	1995	2014	2014	22	1,693	13.0%
Reus	1991	2014	2014	28	2,938	21.2%
Rivas	1997	2014	2016	27	2,166	21.5%
Salamanca	1989	2014	2016	17	798	7.6%
San Sebastian de los Reyes	2004	2014	2016	26	2,273	12.7%
Sestao	1994	2014	2016	24	1,327	48.8%
Talavera/Los Alfares	2005	2014	2016	62	20,524	76.7%
Tarragona	1975	2014	2017	22	3,429	11.4%
Torrelavega	1996	2014	2016	21	1,505	9.7%
Valladolid	1981	2014	2017	35	3,306	17.5%
Valladolid II	1995	2014	2017	23	3,571	21.5%
Valverde Badajoz	1996	2014	2015	35	2,747	-
Villanueva	1995	2014	2016	12	692	10.2%
Zaragoza	1989	2014	2015	23	4,306	23.4%
Albacete/Los Llanos	1989	2014	2018	25	5,221	23.3%
Alfafar	1976	2014	2015	36	7,213	29.7%
Almería	1987	2014	2014	25	1,032	10.0%
Alzira	1991	2014	2017	25	7,731	18.3%
Cartagena	1998	2014	2016	19	1,126	14.5%
Castellón	1985	2014	2015	25	1,300	8.6%
Córdoba/Zahira	1977	2014	2018	17	1,010	7.4%
Dos Hermanas (Sevilla)	1993	2014	2017	20	1,423	13.4%
Elche	1983	2014	2015	22	9,823	-
Finestrat/Benidorm	1989	2014	2016	29	2,235	16.3%
Gandía	1994	2014	2015	23	2,066	13.3%
Granada	1999	2014	2015	30	2,701	15.7%
Huelva	2013	2014	2013	92	33,283	82.4%
Jerez de la Frontera/Norte	1997	2014	2017	44	6,908	37.5%
Jerez de la Frontera, Cádiz/Sur	1989	2014	2016	37	3,900	18.9%
La Línea de la Concepción, Cádiz/Gran Sur	1997	2014	2016	48	9,090	36.5%
Los Barrios Algeciras	1980	2014	2015	29	2,363	16.4%
Lucena	2002	2014	2016	14	1,398	11.4%
Málaga/Los Patios	1975	2014	2018	56	5,145	21.4%
Málaga/Alameda II	1987	2014	2016	33	8,844	37.6%
Murcia/Zaraiche	1985	2014	2014	26	2,575	14.1%
Paterna	1979	2014	2016	20	1,687	9.2%
Petrer	1991	2014	2016	32	4,092	23.4%
Sagunto	1989	2014	-	11	976	11.9%
San Juan de Aznalfarache, Sevilla	1985	2014	2015	39	5,017	21.5%
Sevilla/Macarena	1993	2014	2016	25	1,884	14.6%
Sevilla/Montequinto	1999	2014	2016	18	10,021	7.7%
Sevilla/San Pablo	1979	2014	2014	35	3,282	15.8%
Torrevieja	1994	2014	2014	21	1,711	11.5%
Valencia/Campanar	1988	2014	2016	33	3,160	16.7%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila gross leasable area *(sqm)*	Carmila stake in C.C /Site *(%)*
Villarreal de los Infantes	1995	2014	2016	16	937	10.3%
Murcia/Atalayas	1993	2016	2018	42	10,024	45.2%
Montigala	1991	2016	2018	58	10,668	43.7%
El Mirador	1997	2016	2018	48	9,846	50.4%
Fan Mallorca	2016	2016	2016	104	38,122	75.0%
As Cancelas wholly-owned (50% of assets held, based on the equity method)	2012	2014	2012	124	50,262	-
ITALY						
Massa	1995	2014	2016	42	7,331	45.9%
Burolo	1996	2014	2016	10	969	10.9%
Vercelli	1987	2014	2016	20	3,098	24.1%
Paderno Dugnano	1974	2014	-	73	15,508	47.6%
Gran Giussano	1997	2014	2017	48	9,338	47.4%
Thiene	1992	2014	2015	39	6,016	44.7%
Turin	1989	2014	2014	11	1,127	12.7%
Limbiate	2006	2015	-	1	1,923	4.4%
Assago	1988	2015	-	2	2,380	5.0%
Grugliasco	1994	2015	-	1	3,842	5.5%
Nichelino	1995	2014	2017	65	29,191	27.0%

ACTIVITY FOR THE FISCAL YEAR – 2017 FINANCIAL REPORT

3.1 Selected financial information

SELECTED FINANCIAL INFORMATION FROM THE INCOME STATEMENT

(in millions of euros, except for per-share data)	Fiscal year ended 31 December 2017	Fiscal year ended 31 December 2016
Gross rental income	300.9	275.7
Net rental income	276.7	252.5
EBITDA (excluding fair value adjustments)(1)	229.4	214.2
Change in fair value adjustments on investment properties	164.5	157.7
Operating income	393.9	376.3
Net financial income/(expense)	-45.3	-52.3
Consolidated net income – Group share	313.8	294.5
Diluted earnings per share – Group share(2)	2.63	2.85
EPRA earnings(3)	179.8	162.2
EPRA earnings per share(2)(3)	1.33	1.5
Recurring earnings(4)	182.9	172.3

(1) For a definition of the EBITDA (excluding fair value adjustments) and reconciliation with the closest IFRS indicator see Section "Comments on the income for the year".
(2) Diluted number of shares comprising share capital at the end of period (i.e. 1,351,182,748 shares at 31 December 2017).
(3) For a definition of "EPRA earnings" see the Section "EPRA performance indicators".
(4) Recurring earnings are equal to EPRA earnings excluding certain non-recurring items. See the Section "EPRA Performance Measurements".

SELECTED FINANCIAL INFORMATION FROM THE BALANCE SHEET

(in millions of euros)	Fiscal year ended 31 December 2017	Fiscal year ended 31 December 2016
Investment properties (carried at fair-value excluding transfer taxes)	5,356.0	4,850.4
Cash and cash equivalents	329.4	71.2
Financial debt (current and non-current)	2,035.0	2,203.2
Shareholders' equity – Group share	3,536.5	2,642.8

FINANCIAL INFORMATION RELATED TO KEY INDICATORS AND RATIOS

(in millions of euros, except for ratios and per-share amounts)	Fiscal year ended 31 December 2017	Fiscal year ended 31 December 2016
Net financial debt	1,745.7	2,147,2
Loan-to-Value Ratio (LTV)(1)	30.1%	40.5%
Interest Coverage Ratio (ICR)(2)	4.7x	4.4x
EPRA Net asset value, excluding transfer taxes	3,714.4	2,817.9(4)
EPRA Net asset value, excluding transfer taxes, per share(3)	27.48	25.85(4)
Gross asset value (including transfer taxes, including works in progress)	5,805.5	5,320.9(4)

(1) LTV including transfer taxes and works in progress: ratio between the value of the investment properties, including transfer taxes and works in progress, and net financial debt.
(2) Ratio of EBITDA (excluding change in fair value adjustments) to net financial costs.
(3) Fully diluted number of shares comprising share capital at end of period (i.e 135,182,748 shares at 31 December 2017).
(4) Information disclosed at 31 December 2016 is stated proforma, with Cardety included for comparison purposes.

3.2 Key highlights from 2017

The successful listing following the merger of Carmila with Cardety in June 2017 followed by a capital increase of €614 million net of costs, both leaded to the creation of a major listed company in the shopping centre sector in Europe.

The shares liquidity increases over time, notably since the end of the lock-up period of its founding shareholders.

Carmila has exceeded its targets for the 2017 financial year, set at the time of completion of its IPO and capital increase in July 2017. This is further confirmation of the relevance of the Group's strategy and its ability to create value.

- Recurring earnings amounted to **€182.9 million**, an increase of **+6.2% compared to 2016**, and in excess of the upper target set in July of €175-180 million.
- Gross rental income increased by **+9.2%** to **€300.9 million**, including organic growth of **+2.5%.**
- The value (inclusive of transfer taxes) of Carmila's shopping centres totalled **€5.8 billion**, an increase of **+9.1%** compared to the proforma market value of assets at 31 December 2016[1]. Highly active asset management by the Carmila teams, focused on improving the quality of Carmila assets and the value creation, resulted in an increase in the valuation of the portfolio on a like-for-like basis of **+3.9%** over 12 months and an average capitalisation rate of **5.7%, stable over the second half of the year** and down 20 basis points, from the start of the year.
- EPRA NAV per share at 31 December 2017 was up **+6.3%** over 12 months to **€27.48 per share**, compared with proforma NAV at 31 December 2016[2] and taking into account the payment of an interim dividend of €0.75 in November 2017.
- The LTV ratio currently stands at 30.1%. This is expected to increase between 2018 and 2020 to an average of approximately 40%.

The company's asset renovation programme continued in 2017, finishing by end of the year. 11 renovation projects were delivered in France and eight in Spain over the period. At the end of 2017, Carmila has completed 100% of its renovation programme (the renovation of six sites having been postponed to coincide with associated extensions).

Nine extensions were completed during 2017, eight of which during the second half of the year, and seven of which had a financial pre-letting rate of 100%. Four units remain to be let for the extensions at St Égrève and Évreux (phase 1). These nine extensions represent an additional 70,800 sqm, annualised rental income of €15.5 million, investment of €219 million and an average yield on cost of 7.1%.

The main commissioned extensions are located at the shopping centres in Biarritz (BAB2), Pau-Lescar, Crêches-sur-Saône (near Macon) and Torino (I Viali in Nichelino).

Four new Commercial licence (CDAC) approvals and five new building permits were obtained in 2017 for pipeline extension projects. The 2018-2023 extension pipeline at 31 December 2017 encompassed 31 projects representing an estimated investment of €1.5 billion and an average yield on cost of 6.5%.

In 2017, Carmila ramped up its digital strategy, which aims to use digital levers to supply retail brands with digital tools and cutting edge local marketing expertise:

- 6.5 million customers visited Carmila centres' websites in 2017 to find information, to discover special offers, or to reserve products at retailers present in shopping centres, an increase of 22% on the prior year;
- 7.5 million people connected to a Google My Business page of Carmila's shopping centres and 750,000 of those have requested directions to get to the shopping centre;
- Carmila customer database is growing rapidly. At the end of 2017, it comprises 1.1 million qualified contacts.

Carmila's digital offering for retailers is also expanding and is being increasingly used. Carmila currently offers over 200 initiatives per month to its retailers, as part of the "Kiosk", aiming to help them boost their business.

(1) Value of both Carmila and Cardety assets at 31/12/16, stated proforma prior to the merger of the two companies.
(2) NAV proforma for the Carmila/Cardety merger at 31/12/16, net of the balance of 2016 dividends to be paid.

3.3 Analysis of the activity

3.3.1 Markets and retailers

3.3.1.1 The economic and competitive environment

The commercial real estate market

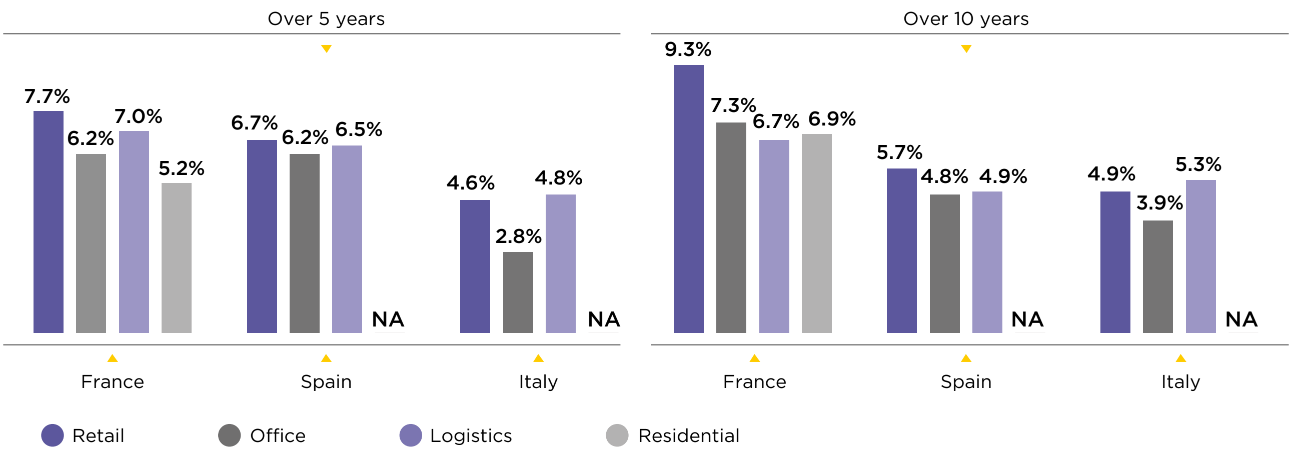
Commercial real estate is defined as all properties owned by professionals who do not occupy them and who derive income from them on a regular basis. Such properties fall into several categories:

- business properties, which make up the majority of commercial real estate assets. Business properties can be divided into four large classes each covering different segments: (i) offices, (ii) retail (high street shops, shopping centres and retail parks), (iii) industrial and logistic premises for designing, producing and storing goods (warehouses, production premises etc.), and (iv) service properties, i.e. hotels, health and leisure establishments;
- other non-residential properties, such as parking lots; and
- residential properties (other than those owned public housing entities), including multi-family residential properties.

The shopping centre segment has a dynamic and resilient profile with highly visible cash flows supported by a lease, a basis for long-term contractual and indexed revenue, low vacancy levels notably due to the lease right ownership in France (which encourages tenants wishing to terminate an on-going lease to look for their successors themselves) or the restrictive legislation on new developments (e.g. in France the authorisations required from the Departmental Commission on Commercial Development and the sharing of risks across a large number of sites and leases. It also offers the ability to create value by focusing on merchandising and shopping centre management, renewal and letting negotiations, and by engaging in programs to renovate, restructure, and expand sites to improve their attractiveness.

In addition, according to data from MSCI set forth in the chart below, the retail segment has the best long-term return as compared with other categories of real estate properties in France, Spain, and Italy.

ANNUALISED* TOTAL RETURN ON REAL ESTATE INVESTMENT



Source: MSCI (data at year-end 2016).
Notes and definitions:
Annualised total return (MSCI's IPD index): measures the performance of direct real estate investment (rental returns and investment returns, without leverage effect) as measured by two consecutive appraisals.

Retail estate is sensitive to the macroeconomic climate (notably growth, inflation, the level of employment and household expenditure) which impacts prices, the number of transactions, the vacancy and default rates and rent levels.

The shopping centre market in France, Spain, and Italy

The shopping centre market in France

With 67 million residents, France is the second largest consumer market in the European Union after Germany. According to the International Monetary Fund, the growth in Gross Domestic Product (GDP) in France has accelerated in recent years increasing from +1.0% in 2014 to +1.9% in 2017. In addition, France has experienced regular population growth over the last ten years, which is expected to continue, supporting future consumer spending.

The footfall in France fell slightly by -1.2% and -1.8% in 2016 and 2017 respectively, according to the CNCC. However, shopping centres are continuing to show their ability to generate higher levels of footfall (more than 3 billion visits per year) which benefits retailers and consumers alike. In addition, certain shopping centres have chosen to take advantage of new legal provisions that allow them to open for a greater number of business hours on Sundays. Overall, the variation in retailer revenue for the 2016-2017 period outperformed shopping centre footfall (a decrease of -0.9% in 2016 and -1.5% in 2017[1]).

On 1 December 2017, total investment volume in the retail sector was €3.0 billion, a decrease of 11% compared to December 2016. According to Cushman & Wakefield, this decrease in activity in 2017, which continues the downward trend from 2016, has not diminished the appetite of either French or international investors for the retail sector, but is instead the result of the scarcity of real estate assets available for sale in the French market.

The shopping centre market in Spain

Spain has a population of more than 46 million people, making it one of the largest consumer markets in the European Union. Growth in GDP has improved since the financial crisis with a return to growth since 2014 (+1.4%) leading up to a growth of +3.1% in 2017 (source: IMF December 2017).

According to the Instituto Nacional de Estadistica, growth in retailers' revenues in shopping centres in Spain has rebounded significantly since 2013, becoming positive in 2014 and with excellent results in 2016 and 2017 (+3.2% and +2% respectively). CBRE states that the improvement in shopping centre footfall was slightly more moderate than the improvement in retailer revenues, since consumers adjusted their spending during the economic crisis without substantially changing the frequency of their visits to shopping malls.

Cushman & Wakefield report that volumes of investment in Spain in the retail sector have rebounded sharply since 2012 and will be close to €4.15 billion in 2017. The years 2014 through 2017 were the best years on record in terms of investment volume. In particular, shopping centres are the flagship segment for retail in Spain, attracting on average more than 75% of the sector's capital flows.

The shopping centre market in Italy

Italy is one of the largest countries in the European Union, with a population of 61 million people. Like France and Spain, growth in GDP has clearly improved in recent years, increasing from +0.2% in 2014 to +1.6% in 2017 (source: IMF December 2017).

According to Colliers International, in the third quarter of 2017, the retail sector accounted for 24% of total investment in the real estate sector in Italy, with a value of €1.5 billion. This growth was closely linked to the activity by foreign players on this market, accounting for around 70% of investment volume in 2017. These investments were principally focused on the northern and central regions of Italy (approximately 90% of investment volume in 2016).

Carmila only has a presence in northern Italy, specifically in Lombardy (the Milan region), Piedmont (the Turin region), Tuscany (the Florence region) and Veneto (the Venice region). These four regions and, more generally, the north of Italy are among the wealthiest regions in the country, with per capita GDP higher than the European Union average, according to Eurostat.

Carmila's competitive environment and positioning

Carmila assesses its competition on a shopping centre by shopping centre basis, in a given catchment area, depending on the site's attractiveness to consumers and tenant retailers and if necessary, taking other retail formats, such as town centre shopping areas in the same catchment area into account. A site's attractiveness may also be measured compared to national or international networks, for large retail brands.

These competing properties are held by a number of different companies, including:

- institutional investors (insurance companies, pension funds and other asset managers, such as Allianz, APG, and NBIM);
- real estate companies, most of which are REIT (Real Estate Investment Trust, for example listed real estate companies specialised in retail, such as Unibail-Rodamco, Klépierre, Altarea, Mercialys and Eurocommercial Properties, and unlisted companies, such as Immochan, as well as real estate companies with more diversified portfolios, such as Merlin Properties);
- funds dedicated to professional investors and retail funds focusing on individual investors (such as Amundi, AXA Real Assets and CBRE Global Investors);
- private equity funds (such as Blackstone and KKR); and
- family funds (funds managed by family offices or family real estate companies).

Competition among the participants in the shopping centre market impacts acquisitions of existing shopping centres and the development and creation of new shopping centres. Carmila benefits from access to a wide range of development and acquisition opportunities because of its special relationship with the Carrefour group.

(1) *Total to end November 2017.*

3.3.1.2 Change in revenue of Carmila's tenants

Consolidated revenues for tenants in Carmila' shopping centres increased by +1.0% on a like-for-like basis in 2017 compared to 2016.

Revenue for tenants in Carmila's shopping centres in France increased by +0.7% in 2017 compared to 2016, while revenue for a panel of shopping centres tracked by the CNCC fell by -1.5%(1) for the same period.

In Spain, revenue for tenants at Carmila's shopping centres increased by +2.3% in 2017 compared to 2016, while revenue for a panel of shopping centres tracked by the Instituto Nacional de Estadistica increased by +2.0%, calculated at November 2017.

In Italy, revenue for tenants at Carmila's shopping centres increased by +0.5% in 2017 compared to 2016, compared to a -1.4%(2) drop in revenue for retailers at shopping centres tracked by the CNCC panel.

3.3.2 Letting activity

3.3.2.1 Summary

With a broad portfolio of shopping centres with solid leadership positions at the local level, supplemented by a global renovation programme, Carmila is deploying a unique letting strategy intended to optimise its portfolio and monitor risks (such as the risk of defaulting tenant retailers), to target a wide range of tenant retailers and regularly adapt its rental mix based on consumer expectations and to improve its operational performance. Carmila's policy is to attract leading retail brands, which are real anchors, with strong attraction potential, beyond the Carrefour group's hypermarkets, in order to densify footfall and make the centres more attractive.

2017 was a particularly dynamic year for Camilla with the conclusion of 1,024 commercial leases.

	Letting of vacant premises		Letting of extensions		Renewals		
Country	**Number of leases**	**Annual minimum guaranteed rent** *(in thousands of euros)*	**Number of leases**	**Annual minimum guaranteed rent** *(in thousands of euros)*	**Number of leases**	**Annual minimum guaranteed rent** *(in thousands of euros)*	**Reversion on renewals**
France	158	6,436	135	15,915	208	12,437	10.0%
Spain	166	5,128			243	7,294	8.5%
Italy	34	2,127	59	3,713	21	2,055	3.0%
TOTAL	**358**	**13,691**	**194**	**19,628**	**472**	**21,786**	**8.8%**

Letting of vacant premises and extensions

358 vacant premises were let in France, Spain and Italy with an annual minimum guaranteed rent of €13.7 million and Carmila signed 194 leases in extensions with an annual minimum guaranteed rent of €19.6 million.

Renewal and reversion

During 2017, 472 leases were renewed for a minimum guaranteed rent of €21.8 million. The reversion achieved on these renewals was +8.8%.

3.3.2.2 France

Letting of vacant premises and premises created by extensions

158 vacant premises were let in France during 2017 for an annual minimum guaranteed rent of €6.4 million and 135 leases were signed for Carmila's extensions for an annual minimum guaranteed rent of €15.9 million.

Key signings

In order to increase the visibility of the centres, Carmila focuses its letting efforts on large reputed retail brands. These large brands have an attractive image that benefits all the tenant retailers at Carmila's shopping centres. In particular, its expansion projects are intended to facilitate the inclusion of medium-sized retail spaces in Carmila's shopping centres to serve as additional anchors beyond the Carrefour group hypermarkets, helping to create additional traffic and reinforce the appeal of these shopping centres.

Carmila intensified its relationships with the major players in the sector. The most significant transactions in 2017 were the openings by H&M in the centres of Crêches and Pau and the signings for six sites for future extensions; the four openings of Mango in Perpignan Claira, Langueux, BAB2, Hérouville and two signings in Saran and Évreux; the signing of FNAC in Montluçon and Douai and the opening in Alençon; the signings of Darty in Saint-Égrève, Boulanger in Évreux, Cultura in Saint-Brieuc, Saran and Évreux, Courir in the centres at Saran and Alençon.

Focus on restaurants

Carmila is working intensively on its restaurant offer to cater for consumer demand. Carmila has signed several restaurants notably to reflect the growing trend for burgers. The most significant signings are Steak'n Shake in Anglet and Cité Europe, les Burgers de Papa in Thionville, Holly's Diner in Orleans Saran and B-Chef in Montesson and Évreux. Carmila succeeded in attracting new restaurant brands to its centres in 2017: El Tapas in Saran, les 3 Brasseurs and al Mama in Thionville. Carmila also signed a significant partnership with Columbus Café for 10 units in 2017.

(1) CNCC Panel to end November 2017.
(2) Panel CNCC to Q3 2017.

New trends

Carmila anticipates new trends and adapts its offer to new consumer demands. For instance, in the medical sector, Carmila installed two medical centres in the centres in Athis-Mons and La Roche Sur Yon. In the fitness sector, Basic Fit opened in Thionville (Géric) and signed in Saran and Chateauroux. Carmila also signed three premises in the indoor leisure sector.

Partnerships with promising retail brands (Augustin, La Barbe de Papa, Squaremaker)

Carmila is also increasing its visibility and accelerating its growth by offering resources and support to promising and creative brands in order to diversify its existing offerings. In 2017, Carmila acquired a 25% minority interest in La Barbe de Papa Holding, whose retail brand La Barbe de Papa, a hairstylist and barber, opened in five centres in Carmila's portfolio in 2017 and should open in another six centres, and 20% in Squaremaker, whose retail brand Squaremaker, opened in four of Carmila's centres.

First locations in France

For example, Carmila was the first shopping centre company in France to enter into a lease with OVS, an Italian leader in ready-to-wear, at its Chambourcy shopping centre. Moreover, Muy Mucho chose the Saran site for its 6th opening in France.

Renewals and reversion

208 leases were renewed during 2017 for a minimum guaranteed rent of €12.4 million. The reversion achieved on these renewals is +10.0%.

3.3.2.3 Spain

Letting of vacant premises

166 premises were commercialised in Spain during 2017 for an annual minimum guaranteed rent of €5.1 million.

Key signings

To make its centres more attractive, Carmila is attracting and reinforcing the presence of large retail brands from the sector. In 2017 Carmila intensified its relationship with the Inditex Group by signing for extensions for points of sale already in operation (Zara in As Cancelas; Bershka, Lefties and Stradivarius in Holea Huelva) and signing new premises (Zara Home in As Cancelas and Stradivarius in Talavera). In the accessories sector, in 2017 Carmila signed with the retail brand Tous in FAN Mayorca, the retail brand Tedi in Seville Macarena, Merida, Seville San Juan, Alcala de Henares, Druni in Talavera and Alcobendas and Time Road.

Focus on restaurants

Carmila's restaurant offer densified in 2017 by signing up well-known retail brands: in particular, Burger King in Petrer and FAN Majorque, La Tagliatella in Burgos, Udon and VIPs Smart in As Cancelas, KFC in Santander Penacastillo.

New trends

Finally Camilla attracted new service brands: the law firm Arriaga Associados in four shopping centres, medical centres (Uniq medical center in Alcobendas) and dental surgeries (Dentix).

Renewals and reversion

243 leases were renewed for a minimum guaranteed rent of €7.3 million. The reversion achieved on these renewals is +8.5%.

3.3.2.4 Italy

Letting of vacant premises

During 2017, 34 vacant premises were let in Italy (out of a total of 333 premises in the portfolio), for an annual minimum guaranteed rent of €2.1 million and 59 leases were signed for the Nichelino Extension for an annual minimum guaranteed rent of €3.7 million.

The Nichelino shopping centre was fully let when it opened with signings of anchor brands including OVS, Terranova, Conte'Scarpe e Moda, Maisons du Monde, Piazza Italia. Furthermore, there were numerous signings in the existing portfolio to attract dynamic retail brands. Carmila signed 12 new retail brands including Yamamay, Bistrot Marremonti, Frittotosto and Blokker.

Renewals and reversion

21 leases were renewed for a minimum guaranteed rent of €2.1 million. The reversion realised on these renewals is +3.0%.

3.3.2.5 Specialty leasing and temporary stores

Specialty leasing

Specialty leasing is dedicated to sales promotion and advertising that generate additional revenue and energise the shopping centres. The Specialty Leasing Department operates in two segments: letting of space in the shopping centres and car parks and managing the advertising partnership agreement with Clear Channel, designed to digitalise shopping centres and jointly develop solutions that closely match new consumer behaviour. The specialty leasing activity helps generate additional revenues, diversify offerings for the benefit of customers and develop event-based sales to energise traffic in shopping centres. The success of this new letting avenue is based, in particular, on measures to renew concepts with a focus on quality (providing connections or appropriate furnishings), a marketing strategy adapted to each shopping centre in terms of lease tenor, nature, or theme, as well as the implementation of efficient procedures (including call centres, reservation tools, and digitalised payments).

The year 2017 witnessed the multiplication in brand road shows (Milka, Bailey's, Ker Cadelac) with theme weeks (100 weeks around well-being, home furnishing, the car, leisure and Made in France). Other operations were signed with concepts such as beauty bars, differentiating restaurants and electronic cigarettes.

A new Escape Game concept was also featured in the car parks, which toured in a roadshow throughout France. The Christmas booths were a great success in France attracting a loyal customer base.

Temporary stores

Carmila also leverages the attractiveness of its shopping centres to offer tenant retailers the opportunity to open temporary stores in premises of between 50 and 3,000 square meters, for lease tenors of between four and 34 months. Carmila supports its tenant retailers throughout the integration process and offers them turnkey solutions. It handles administrative tasks related to store openings upstream, so that the tenant retailers can focus entirely on their sales activities. Carmila targets new concepts and local retailers from a wide variety of sectors, with the goal of diversifying its shopping centres' offerings to satisfy consumers looking for new products.

This form of letting, which complements traditional letting, will enable Carmila to pursue opportunistic marketing of vacant spaces, for example by taking advantage of seasonality to install tenants in its spaces for a limited period of time. Moreover, Carmila can attract promising new brands by allowing them to test their concepts before committing to a commercial lease and develop original concepts to attract new customers and create loyalty.

Every day, a dedicated team prospects, selects and installs tenants to renew the merchandising mix. Whether they are local/regional or national retail brands (Mathon, Be Fashion, Lolë…) or e-retailers (Cabaïa, Mr T-Shirt…), they all use premises with high footfall to meet their customers and measure their performance.

Carmila has thereby confirmed its leadership in pop-up stores in shopping centres by offering dedicated premises with a high level of services to innovative and differentiating brands.

On 31 December 2017, revenues from specialty leasing and temporary stores totalled €8.5 million with a +18.5% increase over 2016.

3.3.2.6 Financial Occupancy Rate

At 31 December 2017, the consolidated financial occupancy rate of Carmila was 96.4%[1], including 96.1% in France, 96.2% in Spain and 99.9% in Italy.

The financial occupancy rate is defined as the ratio between the amount of rent invoiced and the amount of rent that Carmila would collect if its entire rental portfolio were leased, with the estimated rent for vacant lots determined on the basis of rental values used in determining the appraised values. The financial occupancy rate is stated excluding strategic vacancies, which are the vacancies necessary in order to implement renovation, expansion, or restructuring projects within the shopping centres.

The table below shows Carmila's financial occupancy rate (excluding strategic vacancies) broken down by country at 31 December 2014, 2015, 2016 and 2017:

	Financial occupancy rate (excluding strategic vacancies)			
Country	**On 31/12/2014***	**On 31/12/2015***	**On 31/12/2016***	**On 31/12/2017**
France	95.2%	94.3%	96.1%	96.1%
Spain	90.3%	91.5%	94.8%	96.2%
Italy	97.2%	99.2%	99.2%	99.9%
TOTAL	**94.3%**	**93.9%**	**96.0%**	**96.4%**

* *Excluding Cardety assets.*

3.3.2.7 Occupancy cost ratio of retailers

Carmila takes tenants' occupancy cost ratios into account in determining rent levels. Occupancy cost ratio is an important indicator for Carmila in determining the proper level of rent for each tenant as a function of its business and in evaluating the financial health of a tenant over the term of its lease.

The occupancy cost ratio is defined as the ratio between (i) the total amount charged to tenants (fixed rent, variable rent and rental charges passed on to the tenant) and (ii) the tenants' revenues.

The tenants included in the calculation are (i) the tenants present over the last 12 months with certified revenues, and (ii) tenants present over the last 12 months and having reported their reported revenues over 12 months on a rolling basis. If the tenant reports its certified revenues and its revenues over a rolling 12 months, only the certified revenues are used.

The ratio is calculated using revenues excluding tax. Tenants reporting certified revenues report their revenues both including and excluding tax. Carmila calculates an average VAT rate by category of retailer. Tenants with uncertified revenue only report revenue inclusive of VAT. Revenues excluding tax are then calculated using the average VAT rate by category of retailer determined using certified revenues.

The rental charges used to calculate occupancy cost ratio are made-up of fixed rent, variable rent and charges that are passed on to tenants. Rental charges do not include (i) incentives (rent-free periods, step increases and relief); (ii) property taxes passed on to tenants; or (iii) marketing fund costs passed on to tenants.

The following table shows Carmila's average occupancy cost ratio broken down by country for the years ended 31 December 2014, 2015, 2016 and 2017.

	Occupancy cost ratio			
	Financial year ended 31 December			
Country	**2014***	**2015***	**2016***	**2017**
France	11.2%	10.9%	10.6%	10.6%
Spain	11.4%	10.9%	10.5%	12.7%
Italy	13.6%	12.5%	13.0%	12.4%
TOTAL	**11.4%**	**11.2%**	**10.7%**	**11.1%**

* *Excluding Cardety assets.*

(1) *Excluding 1.7% of strategic vacancy.*

3.3.3 Structure of leases

3.3.3.1 A solid and diversified tenant base

With 5,793 leases under management at 31 December 2017, Carmila has a solid and diversified base of tenants, with rent from the Carrefour group representing less than 1% of net rental income in 2017. Annualised contractual rents totalled €314.9 million at 31 December 2017.

	At 31/12/2017		
Country	Number of leases	Annualised contractual rent *(in millions of euros)*	%/Total
France	3,385	214.9	68.2%
Spain	2,075	77.1	24.5%
Italy	333	22.9	7.3%
TOTAL	**5,793**	**314.9**	**100.0%**

Principal tenant retailers

At 31 December 2017, the 15 leading tenants accounted for 18.9% of annualised contractual rents, and none of them alone represent more than 2% of annualised contractual rent.

The table below shows the annualised contractual rents and business sector of the 15 largest tenants on 31 December 2017:

Tenant	Business sector	Annualised contractual rent at 31/12/2017 *(in millions of euros)*	Annualised contractual rent at 31/12/2017 *(%)*
H&M	Clothing and accessories	5.8	1.9%
FEU VERT	Services	5.2	1.7%
ALAIN AFFLELOU	Health and Beauty	5.1	1.6%
CAMAIEU	Clothing and accessories	4.9	1.6%
INDITEX	Clothing and accessories	4.7	1.5%
ORANGE	Services	4.7	1.5%
MCDONALD'S	Restaurant	4.6	1.2%
FLUNCH	Restaurant	3.9	1.1%
NOCIBE	Health and Beauty	3.6	1.1%
C&A	Clothing and accessories	3.5	1.1%
CELIO	Culture, gifts and leisure	3.4	1.1%
MICROMANIA	Clothing and accessories	3.4	1.0%
YVES ROCHER	Health and Beauty	3.0	0.9%
SEPHORA	Health and Beauty	2.7	0.9%
HISTOIRE D'OR	Health and Beauty	2.7	0.9%
TOTAL		**61.4**	**18.9%**

Distribution of contractual rent by business sector on an annualised basis

The clothing and accessories sector, with 36.6% of contractual rents on an annualised basis at 31 December 2017, represents the principal source of Carmila's revenues.

The table below shows Carmila's annualised contractual rents by business sector at 31 December 2017:

Business sector	Number of leases	Annualised contractual rent at 31/12/2017 *(in millions of euros)*	Annualised contractual rent at 31/12/2017 *(%)*
Clothing and accessories	1,431	115.2	36.6%
Health and Beauty	1,066	56.0	17.8%
Culture, gifts and leisure	912	52.1	16.5%
Food and Restaurants	794	41.5	13.2%
Services	1,306	16.4	5.2%
Household furnishings	254	23.3	7.4%
Other	30	10.4	3.3%
TOTAL	**5,793**	**314.9**	**100.0%**

Distribution of contractual rent by business sector on an annualised basis

Carmila rents space primarily to large, well-known national and international brands in order to promote the visibility of its shopping centres, as well as to local brands to reinforce its local roots. At 31 December 2017, large international brands represent 55.0% of annualised contractual rent (compared to 55.3% on 31 December 2016), and national brands represent 29.3% of annualised contractual rents (compared to 28.8% on 31 December 2016). Local brands represented 15.7% of annualised contractual rent on 31 December 2017 (compared to 15.9% on 31 December 2016).

The table below shows the breakdown of annualised contractual rent between international, national, and local brands in 2016 and 2017:

	At 31/12/2016			At 31/12/2017		
Brand category	Number of leases	Annualised contractual rent *(in millions of euros)*	%/Total	Number of leases	Annualised contractual rent *(in millions of euros)*	%/Total
International brands	2,313	165	55.3%	2,426	173	55.0%
National brands	1,860	86	28.8%	1,950	92	29.3%
Local brands	1,423	47	15.9%	1,417	50	15.7%
TOTAL	**5,596**	**297.8**	**100.0%**	**5,793**	**314.9**	**100.0%**

The table below shows the breakdown of annualised contractual rent between international, national, and local brands by country in 2017:

	At 31/12/2017		
Brand category	France	Spain	Italy
International brands	57%	55%	35%
National brands	29%	25%	50%
Local brands	14%	20%	15%

3.3.3.2 Structure of leases and rents

Structure of leases

In France, commercial leases are entered into for terms that may not be shorter than nine years. The lessee has the right to terminate at the close of each three-year period, subject to providing six months' notice prior to the end of the said period. However, leases with terms longer than nine years, such as those entered into by Carmila, which generally have terms of 10 or 12 years, may expressly provide otherwise. The lessor's right to terminate at the end of each three-year period is primarily limited to such purposes as construction, reconstruction, or raising the height of the existing building. In addition, the lessor only has the right to judicially terminate the lease if the tenant has breached its obligations.

In Spain, the tenor of the lease may be freely determined by the parties, as may methods of terminating, extending, or cancelling the lease. Leases have an average term of between five and eight years. They provide for a minimum term of three to five years and additional terms of varying lengths, with the lessee having the right to give notice prior to the end of the same period subject to providing notice of between two and six months. The lessor is generally bound until the end of the term agreed upon by the parties.

In Italy, leases that are subject to the real estate lease regime are entered into for a term of six years, renewable automatically for six years (with a maximum duration of 24 years), and their termination by the lessee may give rise to payment of indemnification. Leases subject to the rules on management leases or business leases have terms of various lengths (generally between five and seven years). Neither termination by the lessee nor termination by the lessor results in the payment of indemnification to the lessor.

Right to renegotiate

At 31 December 2017, the average lease term is 4.8 years, with average lease terms by country of 4.9 years in France, 4.8 years in Spain and 4.2 years in Italy.

The table below shows the expiration dates of the commercial leases for the property portfolio for the period 2017-2027 (data at 31 December 2017):

Expiration of leases	Number of leases	Lease maturity[1]	Annualised contractual rent *(in millions of euros)*
Expired on 31/12/2017	543	-	28.5
2018	568	0.5	24.1
2019	456	1.6	19.3
2020	588	2.6	26.4
2021	618	3.6	30.8
2022	572	4.6	28.0
2023	418	5.6	24.2
2024	408	6.6	26.7
2025	366	7.6	19.4
2026	549	8.7	32.1
2027	422	9.5	31.6
Beyond 2027	285	14.1	23.8
TOTAL	**5,793**	**4.8**	**314.9**

(1) Average remaining lease maturity in years, excluding expansion projects.

In France, in addition to rent indexation in line with changes in various indices, the rent fixed when the lease is concluded can be revised on the request of one of the parties, subject to certain restrictive conditions. If the lease in question has a rent-indexation clause, which is the case for the 3,385 leases entered into in France, revision may be requested whenever, due to application of that clause, rent is increased or decreased by more than 25% as compared with the initially agreed-upon price. The resulting change in rent may not lead to increases that are greater, for one year, than 10% of the rent paid in the previous year.

In compliance with the rules governing commercial leases Carmila revalues rents when leases are renewed. In France there is a cap removal provision for leases terms exceeding nine years. The change in rent resulting from the removal of the cap may not, since passage of the Pinel Law, lead to increases that are greater than 10% per year of the rent paid in the previous year. However, as this cap removal provision is not public policy, it is not compulsory for leases.

Rent renegotiation may also occur when the tenant is contemplating selling its leasehold right to an acquirer of its business. Although the rules governing commercial leases prohibit the lessor from opposing the lessee's sale of the lease to the acquirer of its business, Carmila benefits from pre-emption clauses in its commercial leases. Therefore, Carmila may exercise its pre-emptive right to acquire the business in the event that the premises could be re-let on better financial terms.

In Spain, the methods for renegotiating rent may be freely determined by the parties to the lease. Rent under certain leases is revised automatically at the beginning of each automatic renewal of the lease, resulting in a minimum guaranteed rent increase.

In Italy, the terms of commercial leases can be renegotiated each time the lease is renewed, in order to substitute real estate lease contracts with lease management contracts.

Method of setting rents

Leases in France comprise either a fixed rent or a dual component rent, which is called a "variable rent". Variable rents are composed of a fixed portion, the minimum guaranteed rent (or annual base rent), and an additional, variable rent, calculated as a percentage of the tenant's annual revenue, excluding taxes. In Spain, Carmila's leases include either fixed rent or dual component rent, similar to those under French leases. In Italy, the majority of the leases include double-component rents similar to those under the French and Spanish leases, with certain leases including only fixed rent. At 31 December 2017, Carmila had 4,392 leases with double-component rents and 1,401 leases with fixed rent only, representing, respectively, 84.9% and 15.1% of annualised contractual rent.

The table below shows the structure of Carmila's rents at 31 December 2017 and 2016:

	At 31 December 2016			At 31 December 2017		
	Number of leases	**Annualised contractual rent** *(in millions of euros)*	**%/Total**	**Number of leases**	**Annualised contractual rent** *(in millions of euros)*	**%/Total**
Leases with variable rent clauses	3,914	236.3	79.3%	4,392	267.3	84.9%
Of which leases with minimum guaranteed rent and additional variable rent	3,904	235.0	78.9%	4,377	265.1	84.2%
Of which leases with variable rent only	10	1.3	0.4%	15	2.2	0.7%
Leases without variable clauses, with only fixed rent	1,682	61.6	20.7%	1,401	47.5	15.1%
TOTAL	**5,596**	**297.8**	**100.0%**	**5,793**	**314.9**	**100.0%**

With respect to double-component leases, the minimum guaranteed rent is calculated based on the rental value of the premises. The additional variable rent is the positive difference between a percentage of the tenant's annual revenue, excluding taxes, and the minimum guaranteed rent. Different parameters are used to fix the rents: (i) the rents of competing shopping centre, (ii) the average rental for the shopping centre concerned (overall as well as per business sector), (iii) the quality of the site or (iv) the assessment of revenue, performance and the financial position of the potential tenant.

3.4 Comments on the income for the year

3.4.1 Consolidated Gross Rental Income (GRI) and Net Rental Income (NRI)

Gross rental income totals €300.9 million for the financial year 2017, an increase of +9.2% compared to the 2016 financial year. Growth in rental income is analysed as follows:

- impact of extensions delivered between 1 October 2016 and 31 December 2017: +2.1 points;
- impact of acquisitions on growth in rental income: +4.0 points;
- growth in rental income on a like-for-like basis: +2.5 points. Growth on a like-for-like basis is calculated on a comparable basis of shopping centres. The adjusted elements in this calculation are (i) the contribution of the acquisitions for 2016 and 2017 and the negative reversion linked to the acquisitions of previous years (iii) and the impacts of extensions delivered in 2016 and 2017;
- other impacts on scope (mainly the integration of the gross rental income of Cardety's assets on 1 June 2017): +0.6 points.

The growth in rental income on a like-for-like basis of +2.5% is the result of the main actions by Carmila to energise its assets. The main levers are:

- the letting of 358 vacant units with a guaranteed minimum rent of €13.7 million, resulting in a significant rise in the financial occupancy rate over the global scope with a rate of 96.4% at 31 December 2017 (compared to 96.0% on 31 December 2016);
- the increase in the revenues from specialty leasing and temporary stores of +18.5% in 2017 compared to 2016;
- the reversion on renewals of +8.8%;
- indexation which remains limited for the portfolio in 2017 and whose impact is included in growth on a like for like basis amounts to 0.4% on average.

Net rental income totals €276.7 million for the financial year 2017, an increase of +9.6% compared to the 2016 financial year. This increase follows the same trends as the increase in rental income, with an additional positive impact from a reduction in vacancies over the portfolio reflected by an increase in the financial occupancy rate. The margin between net rents and rental income improves by 30bps to 91.9%.

3.4.2 Income per geographical segment

Operating income per geographical segment

	France		Spain		Italy		Total	
(in thousands of euros)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Gross rental income	**212,578**	**201,171**	**68,132**	**55,268**	**20,201**	**19,244**	**300,911**	**275,683**
Real estate expenses	-2,103	-2,139	-1,613	-1,130	-673	-594	-4,389	-3,863
Non-recovered rental charges	-3,260	-4,746	-4,048	-3,516	3	-10	-7,305	-8,272
Property expenses (landlord)	-9,548	-9,384	-2,299	-1,280	-715	-381	-12,562	-11,045
Net rental income	**197,667**	**184,902**	**60,172**	**49,342**	**18,816**	**18,259**	**276,655**	**252,503**
Operating expenses	-35,856	-30,808	-8,665	-7,983	-2,912	-2,356	-47,433	-41,147
Income from management, administration and other activities	*4,736*	*1,492*	*16*	*84*	*38*	*50*	*4,790*	*1,626*
Other income	*4,425*	*8,283*	*1,251*	*748*	*36*	*14*	*5,712*	*9,045*
Payroll expenses	*-19,442*	*-19,328*	*-3,603*	*-2,844*	*-833*	*-425*	*-23,878*	*-22,597*
Other external expenses	*-25,575*	*-21,687*	*-6,329*	*-5,971*	*-2,153*	*-1,995*	*-34,057*	*-29,653*
Other income from operations	-	-	-	-	-	1,948	-	1,948
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	-723	-308	-47	-40	-39	-175	-809	-523
Other recurring operating income and expense	-196	-115	-	-	-3	-	-199	-115
Current operating income	**160,892**	**153,671**	**51,460**	**41,319**	**15,862**	**17,676**	**228,214**	**212,666**
Other non-recurring operating income and expense	-6,961	-584	-	-	-	-	-6,961	-584
Gains (losses) on disposals of investment properties and equity investments	-283	445	4	-4	-2,524	-	-2,803	441
Change in fair value adjustments	127,901	52,578	44,614	94,920	-8,045	10,180	164,470	157,678
Increase in fair value of investment properties	*160,803*	*125,428*	*49,755*	*98,027*	*1,237*	*12,045*	*211,795*	*235,500*
Decrease in fair value of investment properties	*-32,902*	*-72,850*	*-5,141*	*-3,107*	*-9,282*	*-1,865*	*-47,325*	*-77,822*
Share of net income in equity accounted companies-non-current	-	-91	4,582	6,180	6,486	5	11,067	6,094
OPERATING INCOME	**281,549**	**206,019**	**100,660**	**142,415**	**11,779**	**27,861**	**393,987**	**376,295**

Comment on the changes in rental income

Country	Gross rental income 2017 *(in million of euros)*	Gross rental income 2016 *(in millions of euros)*	Variation	Variation on a like-for-like basis
France	212.6	201.2	5.7%	2.2%
Spain	68.1	55.3	23.3%	4.0%
Italy	20.2	19.2	5.0%	1.8%
TOTAL	**300.9**	**275.7**	**9.2%**	**2.5%**

France

Gross rental income increased by +5.7% in France and is due to (i) the inclusion of the extensions delivered in 2016 and 2017 as well as the inclusion of Cardety on 1 June 2017 in the scope and (ii) the like-for-like basis growth of +2.2%. The like-for-like growth levers are the letting of vacant premises, the reversion on renewals and the strong contribution from specialty leasing as described in the Section "Letting Activity".

Indexation included in the like-for-like growth in France is limited to +0.1% in 2017.

Spain

Gross rental income in Spain increased by +23.3% due to (i) the integration of 2016 acquisitions (FAN, Badalona Montigala, Murcia Atalayas, Burgos El Mirador) into the scope and (ii) the like-for-like growth of +4.0%, the main levers being the letting of vacant lots, the reversion on renewals and the strong contribution from specialty leasing as described in the Section "Letting Activity".

Indexation included in the like-for-like growth totals +1.1% in Spain in 2017.

Italy

Gross rental income in Italy increased by +5.0% at current scope, due to integrating the Nichelino extension, and growth of +1.8% at constant scope, the main levers are the letting of vacant premises, the reversion on renewals and the strong contribution from specialty leasing as described in the Section "Letting Activity".

Indexation included in the like-for-like growth totals +0.2% in Italy in 2017.

3.4.3 Operating expenses

Operating expenses

In thousands of euros	31/12/2017	31/12/2016
Income from management services, administration and other activities	4,790	1,626
Other income from services rendered	5,712	9,045
Personnel costs	-23,878	-22,597
Other external expenses	-34,057	-29,653
OPERATING EXPENSES	**-47,433**	**-41,579**

Income from management services, administration and other activities

These revenues mainly relate to initial letting fees, to the rebilling of marketing funds dedicated to the development and attractiveness of shopping centres, and miscellaneous rebillings of real estate costs to co-owners.

Other income from services rendered

Other income from services rendered corresponds to rebilling of overhead fees, mainly to the Carrefour group (rebilling of part of the personnel cost of shopping mall directors and initial upfront letting fees for a shopping centre managed on behalf of Immobilière Carrefour).

Personnel costs

In 2017, personnel costs amount to €23,878 thousand.

In both 2016 and 2017, Carmila set up share-based payment bonus plans for executives and some employees. Related benefits are booked as payroll expenses for an amount of -€1,613 thousand, including social security contribution.

Other external expenses

Other external expenses concern administrative expenses. They mainly include marketing costs, in particular related to the build-up of digital tools and strategy, and miscellaneous fees including Carrefour group fees related to services provided (accounting, human resources, general services, etc.), appraisal fees for investment properties, financial communication and advertising fees, travel expenses and Director's fees.

Other operating income and expenses

Other operating income and expenses amount to -€7.2 million and include non-current expenses related to the merger for -€4.7 million, which are mainly made up of fees.

3.4.4 EBITDA

Adjusted for the extraordinary expenses connected to the merger and the capital increase, the EBITDA totals €229.4 million on 31 December 2017 i.e. a +7.1% increase compared to 31 December 2016.

In thousands of euros	EBITDA 31/12/2017	EBITDA 31/12/2016
Net rental income	**276,655**	**252,503**
Operating expenses	-47,433	-41,579
Other income from operations	0	1,948
Depreciation		
Provisions for R&C	*174*	*229*
Other expenses and current operating income	-7,160	-267
Share of net income of equity affiliates	2,439	1,396
Other non-recurring expenses	4,715	
Reversal of accrual related to share-based payments		
ADJUSTED EBITDA	**229,389**	**214,230**

3.4.5 Net financial income (expense)

Net financial gain/loss includes a badwill of + €6.5 million resulting from the merger.

Apart from this component and the JV adjustments for financial instruments or hedging, financial income (expense) is stable at -€52.1 million. The average cost of the debt is stable at 2.14% at 31 December 2017 (compared to 2.13% on 31 December 2016) due to the development of a commercial paper programme and the fall in interest rates, offset by the costs of unwinding credit lines refinanced in June.

3.5 EPRA performance indicators

3.5.1 EPRA earnings and EPRA recurring earnings

Recurring earnings are defined as the recurring earnings from operational activities.

Recurring earnings

(in thousands of euros)	2017 Real	2016 Carmila
Consolidated net income	**314,304**	**295,649**
Total restatements	**-134,495**	**-133,471**
Elimination of fair value adjustments	-164,470	-157,678
Change in fair value of equity investments consolidated using the equity method	-8,629	-4,698
Deferred tax liability resulting from fair value adjustments	32,449	25,469
Elimination of the change in fair value of interest rate derivative	-218	
Depreciation/amortisation of tangible and intangible assets	983	749
Gains (losses) on sales of investment properties	2,803	-441
Amortisation of the unwinding cost of interest rate derivative(1)	3,004	1,969
Restatement of equity-accounted earnings(2) not included in definition of EPRA		1,351
Non controlling interests share reversal(3)	-517	-1,117
Fair value adjustment for investment properties for minority interests in equity-accounted companies(3)	100	925
EPRA earnings	**179,809**	**162,178**
Restatement of debt issuance costs(4)	4,900	6,761
Adjustment for development margin(5)		1,948
Income from disposals and other non-recurring expenses(6)	-1,813	5,309
RECURRING EARNINGS	**182,896**	**172,300**

(1) Elimination of the depreciation of the balance due to the unwinding swap contracts (€3,004,000, see Note on the consolidated financial statement), and of the change in the fair value of the credit risk on banking counterparties of hedging instruments.

(2) The contribution by equity-accounted companies is adjusted to take account of the operational contribution, understood as the result before depreciation but after financial expenses and corporation tax of companies with the same business activity, and not a percentage of the net income alone.

(3) As investment properties are valued at the fair value (IAS 40), the minority interests are impacted by changes in the fair value of the assets held in the joint subsidiaries. In order to eliminate these impacts, the minority interests are adjusted by the effects of the changes in fair value.

(4) The cost of restructuring bank debt and bonds is non-recurring and the loans issuing cost amortisation is a non cash item.

(5) This concerns other operating income and expenses or development margin (see consolidated financial statements) which are non-recurring.

(6) The gains and losses on disposal of assets and other non-recurring charges include:

- *with the implementation of the 2016 share-based bonus plans, it is important to differentiate the Presence Plan, specific to 2016, and whose single condition for granting shares is to be employed on 31 December 2017. The employee expense provision of €1,470,000 (including social charges) is considered as non-recurring because there will be no equivalent in the coming years. This is not expected to be the case for the Performance Plan;*
- *a long-term incentive coming due at the end of 2016 is also a non-recurring item. This was accrued for €1,533,000. Such an incentive will not be renewed;*
- *in 2016, delays in the legal restructuring of acquired subsidiaries led to a non-recurring tax charge of €1,876,000. There will be no similar situation in 2017;*
- *the write-off of fixed assets is also considered as non-recurring.*

3.5.2 EPRA Cost Ratio

The cost ratio (EPRA) enables administrative and operational costs to be reported the same way across the sector.

Pursuant to recommendations of the EPRA's cost ratio note of July 2013 from the EPRA, Carmila's ratio was calculated as follows:

in millions of euros		31/12/2017
(i)	Operational costs	
	Operating expenses (Personnel costs + Other external expenses)	-57.9
	Property expenses	-12.6
(ii)	Net rental expenses	-7.3
(iii)	Management costs net of profit	4.8
(iv)	Other income covering administrative costs	5.7
(v)	Share of costs of equity-accounted companies	-
(vi)	Impairment of investment properties	3.0
(vii)	Ground rents	
(viii)	Rental costs included in the gross rent	
	EPRA costs (vacancy costs included)	**-64.3**
(ix)	Costs of direct vacancies	-6.7
	EPRA costs (vacancy costs excluded)	**-57.5**
(x)	Gross rent less ground rents	296.5
(xi)	Less: expenses and costs included in the gross rent	
(xii)	Plus: portion of gross rents of equity-accounted companies	2.4
	Gross rental income	299.0
	COST RATIO EPRA (VACANCIES INCLUDED)	**21.5%**
	COST RATIO EPRA (VACANCIES EXCLUDED)	**19.2%**

3.5.3 Going Concern NAV, EPRA NAV and EPRA NNNAV

Going Concern NAV reintegrates transfer taxes of assets in the Net Asset Value.

2016 Information below is proforma. Proforma information has been published in the appendix of Document E which was registered on 5 May 2017 with the AMF and which was given the registration number E. 17-040. It includes Cardety figures for comparability purpose.

Going concern NAV

(in thousands of euros)	31/12/2017	31/12/2016 Proforma
Consolidated shareholders' equity – Group share	**3,536,462**	**2,687,650**
Elimination of the fair value adjustment of hedging instruments	14,394	22,113
Reversal of the deferred income tax on potential capital gains	103,620	57,889
Transfer taxes	290,196	268,383
Going concern NAV	**3,944,672**	**3,036,035**
Average number of shares comprising Carmila's share capital	119,132,838	108,868,229
GOING CONCERN NAV PER AVERAGE SHARE *(in euros)*	**33.11**	**27.89**
Fully diluted number of shares compromising share capital at end of period	135,182,748	109,014,230
GOING CONCERN NAV PER FULLY DILUTED OUTSTANDING SHARE *(in euros)*	**29.18**	**27.85**

The EPRA NAV (Net Asset Value) is an indicator of the fair value of a property company's assets. The NAV is calculated by including the deferred capital gains or losses on the assets to the consolidated shareholders' equity Group share (corresponding to net consolidated assets). This indicator excludes, the deferred tax on deferred capital gains as well as the fair value of financial instruments.

Transfer tax is optimised because the duty is calculated as if it involved sales of assets. However, certain assets are owned by individual companies and would be subject to a share deal in the event of a disposal. The duty would then be calculated and paid on a reduced basis.

The EPRA NAV at 31 December 2017 totalled €27.48 per share, i.e. an increase of 6.3% in comparison to 31 December 2016 (proforma).

EPRA NAV (excluding transfer taxes)

(in thousands of euros)	31/12/2017	31/12/2016 Proforma
Consolidated shareholders' equity - Group share	**3,536,462**	**2,687,650**
Elimination of the fair value adjustment of hedging instruments	14,394	22,113
Reversal of the deferred income tax on potential capital gains	103,620	57,889
Optimisation of transfer taxes	59,900	50,289
EPRA NAV (excluding transfer taxes)	**3,714,376**	**2,817,941**
Average number of shares comprising Carmila's share capital	119,132,838	108,868,229
EPRA NAV (EXCLUDING TRANSFER TAXES) PER AVERAGE SHARE *(in euros)*	**31.18**	**25.88**
Fully diluted number of shares compromising share capital at end of period	135,182,748	109,014,230
EPRA NAV (EXCL. TRANSFER TAXES) PER FULLY DILUTED OUTSTANDING SHARE *(in euros)*	**27.48**	**25.85**

The triple net asset value is calculated by deducting the fair value adjustments of fixed-rate debt and the tax that would be owed on disposals at the net asset value. Financial instruments are recognised at fair value.

Triple net asset value (NNNAV EPRA)

(in thousands of euros)	31/12/2017	31/12/2016 Proforma
EPRA NAV	**3,714,376**	**2,817,941**
Fair value adjustments of hedging instruments	-14,394	-22,113
Fair value adjustments of fixed rate debt	-10,554	-23,834
Deferred taxes on unrealised capital gains	-103,620	-57,889
Triple net asset value (NNNAV EPRA)	**3,585,808**	**2,714,105**
Average number of shares comprising Carmila's share capital	119,132,838	108,868,229
TRIPLE NET ASSET VALUE (NNNAV EPRA) PER AVERAGE SHARE *(in euros)*	**30.10**	**24.93**
Fully diluted number of shares compromising share capital at period end	135,182,748	109,014,230
TRIPLE NET NAV (NNNAV EPRA) PER FULLY DILUTED OUTSTANDING SHARE *(in euros)*	**26.53**	**24.90**

3.5.4 EPRA Net Initial Yield and EPRA "Topped Up" Net Initial Yield

The EPRA Net Initial Yield is the ratio between the net annualised rental income based on the rent roll and the market value, including taxes, of the assets.

The EPRA "Topped Up" Net Initial Yield adds reductions and step rents back into rental income.

The Net Potential Yield is the ratio between the annualised rental income (after adding back step rents and rent-free periods) plus the rental market value of vacant premises defined by the appraisers and the market value including taxes, of the assets.

Country	NPY	Impact of vacant surface areas	EPRA topped-up NIY	Impact of rent adjustments	EPRA NIY
France	5.5%	-0.2%	5.3%	-0.1%	5.2%
Spain	6.3%	-0.1%	6.3%	-0.1%	6.2%
Italy	6.2%	0.0%	6.2%	0.0%	6.2%
TOTAL	**5.6%**	**-0.2%**	**5.5%**	**-0.1%**	**5.4%**

3.5.5 EPRA vacancy rate

The EPRA vacancy rate is the ratio between the market rent of vacant surface areas and the total market rent (of vacant and rented surface areas).

Country	Financial occupancy rate excluding strategic vacancy	Impact of strategic vacancy	EPRA vacancy rate
France	96.1%	-1.5%	94.6%
Spain	96.2%	-2.3%	93.9%
Italy	99.9%	-0.9%	99.0%
TOTAL	**96.4%**	**-1.7%**	**94.7%**

The strategic vacancy is defined to isolate lots that are impacted by ongoing restructuring or extensions in the portfolio. In order to be defined as a strategic vacancy, premises must be subject to restructuring or extensions with confirmed capital expenditure.

3.6 Carmila's financial and cash position

Bonds

Carmila has raised two bond loans subscribed in 2015 and 2016 for a total amount of €1,200,000,000.

As a reminder, Carmila completed a bond issue on 10 September 2015 (notional amount of €600,000,000) for a net amount of €593,034,000, received on 18 September 2015 after deduction of the issue premium and bank commissions. The bond was issued with an eight-year tenor maturing on 18 September 2023 with a coupon of 2.375%.

Carmila carried out a second bond issue for a notional amount of €600,000,000, dated 24 March 2017. After deducting the issuance premium and bank commissions, Carmila received €592,998,000. This is an 8.5-year bond loan, maturing on 16 September 2024, with a coupon of 2.375%.

In connection with the merger with Cardety, Carmila secured approval to transfer these financial liabilities to Cardety (renamed Carmila on 12 June 2017) from a qualified majority of both bonds' holders. They convened to a first notice meeting on 24 May 2017. This agreement gave rise to payment of a fee of €650,000 to the bondholders.

As of 31 December 2017, the outstanding on Carmila's bond loan was €1,200,000,000, and €13,408,000 of issue premium and bank cost remaining to be amortised over the tenor of the underlying debts.

Borrowings from banks

Carmila renegotiated its bank loans in June 2017, at the same time as the merger with Cardety.

On 12 June 2017, the full amount of Cardety's syndicated loan agreement arranged on 18 July 2016 in an amount of €21,600,000 was repaid.

As a reminder, on 15 December 2013, Carmila and a pool of banks signed a loan agreement for a total of €1,400,000,000, including €1,050,000,000 for Facility A, used to partially fund the acquisition of property assets from the Klépierre group, and a five-year revolving line of credit of €350,000,000. Facility A was fully drawn down in 2014. A rider to this agreement was signed on 30 July 2015, extending the maturity to 30 July 2020, with the option of two further one-year extensions. The first extension, requested in 2016, extended the maturity date to 30 July 2021.

An amendment was signed to this syndicated loan agreement on 16 June 2017. The drawdown amount was adjusted to €770,000,000 and the revolving loan was cancelled. The maturity date of this loan agreement was extended by five years to 16 June 2022.

On 17 September 2014, Carmila and a banking syndicate entered into a second loan agreement to partially finance the acquisition of assets from Unibail and Carrefour in the autumn of 2014, with a Facility A line of €496,000,000 and a revolving line of credit of €124,000,000. The Facility A line was drawn down in full on 27 November 2014. This loan agreement was signed for five years, maturing on 17 September 2019. During 2016, following the placement of the second bond, Carmila made a partial repayment of Facility A of €406,000,000. On 31 May 2016 Carmila negotiated an increase in the revolving credit facility, signed under the same loan agreement, from €124,000,000 to €396,500,000.

On 16 June 2017, the Group repaid the balance (€90,000,000 on 16 June 2017) of this syndicated loan and cancelled the related revolving credit.

The arrangement costs of this loan restructuring, including the new revolving credit lines described in the paragraph below, totalled €6,995,000 for the period. A financial expense for early repayment was recognised in the amount of €1,169,000.

At 31 December 2017, €10,030,000 of issuance costs for these loans remain to be amortised over the period of the underlying debts.

Compliance with the prudential ratios at 31 December 2017

This loan agreement along with the revolving credit facilities are subject to compliance with covenants measured at the closing date of each half-year period and financial year:

- interest cover: the ratio of EBITDA to the net cost of debt must be greater than 2.00 at the test dates. At 31 December 2017, the interest coverage ratio is 4.71;
- loan to Value ratio: the ratio of consolidated net financial debt to the fair value of the investment assets (including transfer costs) must not exceed 0.55 on the same dates. with the possibility of exceeding this ratio for one half-year period. At 31 December 2017, the LTV including transfer taxes is 30.1% and the LTV excluding transfer taxes is 31.8%.

Failure to comply with these ratios entitles the lenders to require immediate early repayment of their facilities.

Under the loan agreements, Carmila may provide security for up to 20% of the total amount of the fair value of the investment property. The latter amount must be at least €2,500,000,000 at any time.

At 31 December 2017, Carmila complied with the applicable covenants.

Other loans

In 2015, Carmila acquired Financière GERIC. This company had taken out three bank loans repayable by instalments for a residual total amount of €5,389,000 at 31 December 2017, maturing in December 2019 and 2020). These three loans were repaid in the amount of €2,826,000 during the year. These loans are also secured with mortgages up to the outstanding amount, which can be exercised on the assets of the Thionville shopping centre.

Carmila strives to diversify its sources of financing and their maturities, and has set up a short term commercial paper programme (NEU CP) for a maximum amount of €600,000,000, registered with the Banque de France on 29 June 2017.

The outstanding balance at the end of December is €60,000,000 with maturities ranging from 1 to 5 months. Up to €310,000,000 was drawn down in 2017 and subsequently repaid with the funds from the capital increase.

As part of its refinancing, Carmila negotiated new credit lines with leading banks within the framework of the credit facility agreements signed on 16 June 2017:

- a credit facility agreement amounting to €759,000,000 in the form of a revolving credit facility (the "RCF") available until 16 September 2022;
- a similar credit facility agreement amounting to €250,000,000 in the form of a club deal ("CD") with a limited number of leading banking partners close to Carmila maturing on 16 September 2020.

Breakdown of financial debt by maturity date

At 31 December 2017, the principal terms are as follows:

in thousands of euros	31/12/2017	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds – non-current	1,200,000	-	-	-	-	1,200,000
Bond redemption premiums – non-current	-10,768	-1,627	-1,668	-1,715	-1,754	-4,003
Bonds	**1,189,232**	**-1,627**	**-1,668**	**-1,715**	**-1,754**	**1,195,997**
Borrowings from banks – non-current	775,389	-	-	-	-	775,389
Accrued interest on current borrowings	8,968	8,968	-	-	-	-
Other loans and similar debt – current	60,000	60,000	-	-	-	-
Loan and bond issuance costs	-12,668	-2,712	-2,750	-2,672	-2,599	-1,934
Bank and bond borrowings	**2,020,921**	**64,629**	**-4,419**	**-4,388**	**-4,353**	**1,969,451**
Derivatives held as liabilities – non-current	14,053	6,180	5,826	3,610	1,912	-3,475
Bank facilities	40,129	40,129	-	-	-	-
GROSS DEBT BY MATURITY DATE	**2,075,103**	**110,938**	**1,407**	**-778**	**-2,441**	**1,965,976**

At 31 December 2017, the average residual duration of the debt is 5.6 years at an average rate of 2.14%.

Hedging transactions

In its capacity as the parent company, Carmila provides for almost all of the Group's financing and manages interest-rate risk centrally.

Carmila has set up a policy of hedging its variable rate debt in order to secure future cash flows by fixing or capping the interest rate paid. This policy involves setting up plain vanilla derivatives, interest rate swaps and options which are eligible for hedge accounting.

The fixed interest rate position represented 79% of gross debt at 31 December 2017 (compared with 73% at end-2016), and hedging instruments represented 49% of variable-rate debt on the same debt.

As of 31 December 2017, Carmila had set up with leading banking partners:

- eight fixed-rate payer swaps against 3 month Euribor for a notional amount of €410,000,000 covering a period up to, for the longest of them, September 2025;
- two deferred rate setting payer swaps against 3 month Euribor for a notional of €150,000,000 covering a period up to, for the longest of them, November 2027, and which begins to take effect in 2018.

These hedging instruments that are still effective were recognised as cash flow hedges for the 2017 financial year. The consequence of this cash flow hedge accounting is that derivative instruments are recognised on the closing balance sheet at their market value, with the change in fair value on the effective part of the hedge recorded in shareholders' equity (OCI) and the ineffective part in profit/loss. The change in fair value of the swaps on 31 December 2017 is considered to be 100% effective and therefore accounted through shareholders equity for €14,407,000.

During the Q4 2017, Carmila de-qualified the options included in its portfolio which were previously recognised as hedges, represented by four caps against three month Euribor, capping the interest paid for a notional amount of €300,000,000 with the longest running until December 2019. These options, whose maturity is now relatively close, are all out of the money with a low fair value. This dequalification resulted in an adjustment of the market value as of 31 December 2017 which was accounted through profit/loss for €303,000.

Cash

In thousands of euros	31/12/2017	31/12/2016
Cash	168,567	69,053
Cash equivalents	160,830	2,190
Gross cash and cash equivalents	**329,397**	**71,243**
Bank facilities	-40,129	-16,123
NET CASH AND CASH EQUIVALENTS	**289,268**	**55,120**

Cash equivalents consist entirely of investments in money-market funds (marketable securities) and cash deposits with leading credit institutions. The Group's cash level is partly explained by the capital increase completed on 6 July 2017 for a gross sum of €628,000,000.

3.7 Balance sheet variations

Capital flows

The balance of Investment properties includes acquisitions developments extensions and like-for-like investments.

The acquisitions include the insertion of Cardety assets in the scope and the purchase by Camilla of 49.9% of Galleria Comerciale Nichelino held by Carrefour. As this was previously an equity-accounted company, the related investment property is consolidated at 100% of its acquisition value on the date of taking control; the market value of 49.9% (purchased to Carrefour Property) of this asset was €36,237,000. Another item included in this line item is the acquisition of various lots, mainly in France, for a total amount of €16,830,000.

The development and extensions line item mainly concerns assets in France. These developments and extensions notably concern:

- projects delivered in 2017 such as Pau Lescar (November 2017, investment of €25,662,000 over the year), Crèche-sur-Saône (November 2017, €18,363,000), BAB2 in Anglet (April 2017, €13,378,000), Saint-Brieuc (October 2017, €9,229,000), Rambouillet (€9, 020,000) and Saint-Égrève (€3,077,000);
- projects under development such as Évreux (€46,412,000), Saran (€18,263,000), Besançon Chalezeule (€4,690,000) and Athis Mons (€2,710,000) which will be delivered in 2018.

Finally, the like-for-like investments include capital expenditure for an amount of €67,396,000 over the period. This capital expenditure is mainly focused on assets being redeveloped where renovation and restructuring have been carried out on existing parts in order to optimise value creation.

Financing flows

Financing flows take into account the renegotiations of the debt during the 2017 financial period and the capital increase in July 2017 as described in the Section "Capital and Shareholding".

3.8 Subsequent events

Furthermore, on 2 February 2018, Carmila announced the signing of an agreement with Klépierre for the acquisition of two shopping centres: Grand Vitrolles (in the municipality of Vitrolles, Greater Marseille) and Gran Via de Hortaleza (in Madrid), for an amount of €212 million.

3.9 Outlook

Over the course of this year, Carmila has demonstrated its ability to create value and generate solid, sustainable, steadily growing cash flows, by taking advantage of new solutions offered by the digital transformation.

Growth and performance drivers for the coming years are in place: expert teams, fully equipped to deliver the 2018-2020 business plan; a pipeline of extensions covering 2018-2023, which represents 25% of the current value of the portfolio; an innovative B2B2C digital strategy that aims to offer very targeted, local, marketing expertise to help our tenants grow their revenue.

In addition, external levers are also visible: a dynamic acquisitions market and improving macro-economic indicators in all countries in which Carmila operates.

In this context, as of now, we have a good level of confidence in our ability to deliver our business plan in 2018.

We have set the target of achieving double-digit growth in recurring earnings for 2018.

Moreover, a dividend of €1.50 per share for the 2017 financial year will be submitted for approval at the Shareholders' Meeting of 16 May 2018. The balance of €0.75 will be paid after the Shareholders' Meeting.

3.10 Carmila's dividend policy

Carmila's dividend policy will take into account, in addition to the legal constraints, various factors, including the Group's results, its financial position and the implementation of its objectives.

Carmila's objective is to distribute to its shareholders, from the financial year ended 31 December 2017, an annual amount representing approximately 90% of recurring earnings per share, with a bi-annual payment. Carmila distributions will be deducted from the distributable profits and, where applicable, in addition to distributed profits, from "premiums" accounts.

It is recalled that, in order to benefit from the SIIC regime in France, Carmila is required to distribute a significant portion of its profits to its shareholders (within the limit of the SIIC income and distributable income):

- 95% of profits from rental income at Carmila level;
- 60% of capital-gains; and
- 100% of dividends from subsidiaries subject to the SIIC regime.

CORPORATE RESPONSIBILITY

CONTEXTUAL NOTE: The report provides information for the entire year 2017, encompassing the Cardety and Carmila assets forming the Carmila Group.

This option enables an overall view of the Company in its post-merger scope, and to reflect best practice in CSR reporting, as recommended by the European Public Real Estate Association (EPRA).

However, this report does not include a comparison against the fiscal year 2016 as the information published by the Company for 2016 covered only the Cardety scope, making any comparison irrelevant due to the significant difference between the pre- and post-merger scopes. Consequently, a year-on-year comparison of indicators will be provided in 2018.

4.1 CSR at Carmila

4.1.1 Aligning CSR vision and strategy

As an intrinsically retail and digitally native real estate company, Carmila has put customer service and commercial attractiveness at the heart of its business model. As such, support for its retailers, and more generally, injecting dynamism into its catchment areas, has been designated both internally and externally as the company's no. 1 responsibility. As an intrinsic part of their respective societal and economic ecosystems, Carmila shopping centres are also intended to be an integral part of their environment in the broader sense: the buildings are designed in accordance with internationally-recognised sustainability criteria and the company supports its partners in managing their environmental impact. This adventure would not exist without the women and men of Carmila, who, on a daily basis, create the value of its assets and whose development is both a driver for the company's growth and its core responsibility.

The three strands of Carmila's CSR strategy were set out in 2017, and new resources were put in place to manage and implement them. The year was also marked by a number of CSR highlights around a range of initiatives: discussions with retail brands, initiatives to encourage biodiversity and the promotion of diversity.

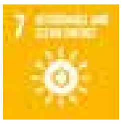
4.1.1.1 A CSR vision embedded in the company's strategy and in the UN's Sustainable Development Goals

Its stakeholders expect the Company to be invested in and adapted to society, respectful of the environment and employees and to have a more ethical and social outlook. It must share a longer-term vision, communicate transparently about its strategy, and through its senior executives, commit to its own value system. New regulations, employees' need to make their work more meaningful and the demands of increasingly informed consumers and citizens in the face of market demands, and finally the urgency of climate change, are all factors that have put CSR centre stage at Carmila.

UN's Sustainable Development Goals (SDGs)

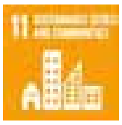
In order to make a contribution at its level to the Sustainable Development Goals agreed by UN member states, Carmila has embedded six of these Goals in its CSR strategy.

Gender equality is a fundamental human right that helps to build sustainable economies. Carmila guarantees the full and effective participation of women in its management functions, at all levels of decision-making within the Company.



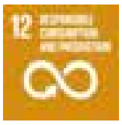
Sustainable energy represents an opportunity in the face of the challenges posed by climate change. Carmila is optimising its energy consumption and trialling solutions to use energy from renewable sources within its portfolio.

Universal access to decent employment is a prerequisite for sustainable economic growth. Carmila is taking action to promote employment in its catchment areas by contributing to local economic vitality and hosting dedicated events in its shopping centres to introduce employers to job-seekers.



Pollution, poverty and the use of resources are major challenges in urban areas. All urban stakeholders have a role to play at their own level in facilitating access to essential services: energy, housing and transport.

Carmila shares this goal and is offering new, secure living spaces that are accessible to all. The Company positions itself as a facilitator of economic and social connections at regional level and supports local development in partnership with all stakeholders.



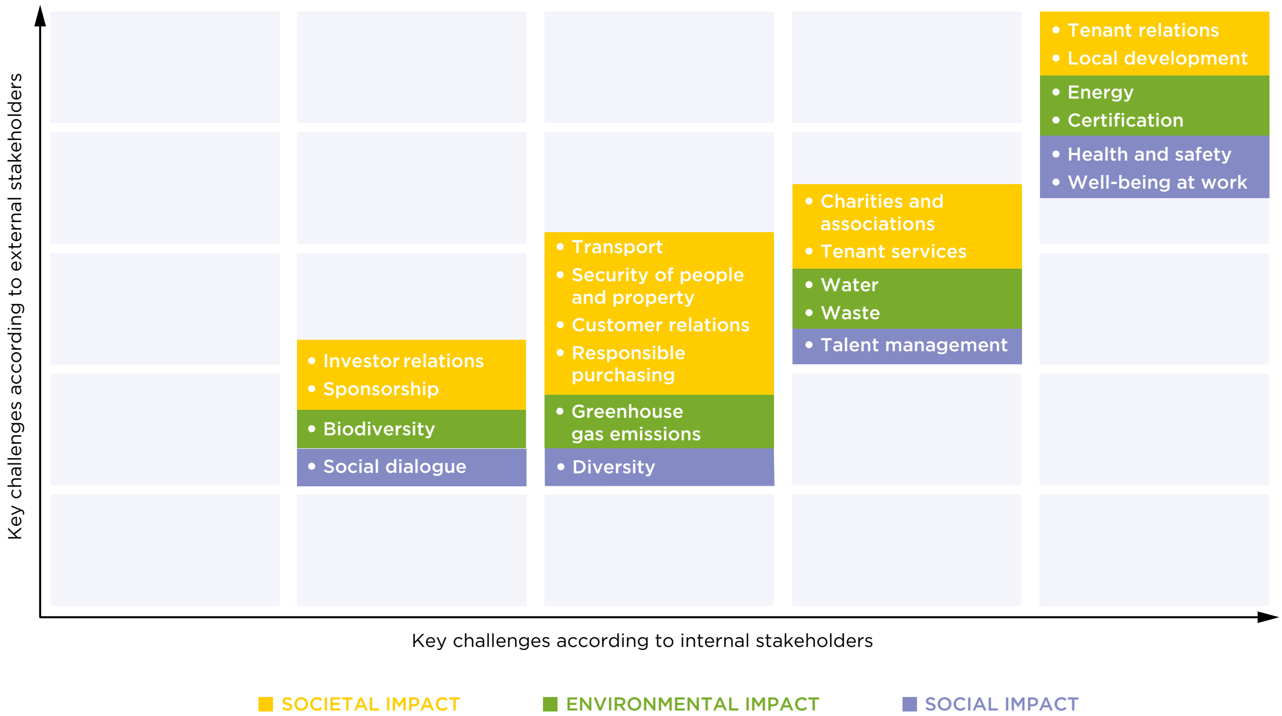
Challenging our consumption and production patterns is key to the sustainability of our societal model. Whether a supplier, distributor or private citizen, we must all take action to "do more with less". Working with its tenants and Carrefour hypermarkets, Carmila is implementing a waste management policy intended to improve recycling and reuse and is rolling out various preventative measures aimed at employees and retailers.

Preserving land ecosystems plays an essential part in combating climate change and protecting biodiversity. Carmila is helping to protect the flora and fauna of green spaces adjoining its shopping centres by supporting the introduction of endogenous species and restricting the use of pesticides for their maintenance, as well being involved in reforestation initiatives.

CSR challenges and materiality matrix

In 2017 Carmila developed its materiality matrix. A list of challenges was first drawn up in conjunction with CSR experts. Around twenty internal and external stakeholders were asked spontaneously about Carmila's CSR challenges, before ranking them by order of importance.

MATERIALITY MATRIX



KEY CSR CHALLENGES ACCORDING TO STAKEHOLDERS

Societal impact	Environmental impact	Social impact
1. **Quality of relations with retailers:** conditions for dialogue, information on Carmila's strategy and commitments, quality of contracts, services provided to retailers	1. **Energy management policy:** managing and limiting consumption related to cooling, heating, lighting and transport	1. **Health and safety policy:** health and safety of employees
2. **Contributing to local economic development:** boosting local employment on construction sites and in shopping centres, support for local businesses	2. **Environmental certification policy for our buildings:** right from the design and renovation of sites, anticipating ways to limit energy consumption and greenhouse gas emissions, promoting sorting and recycling, improving site accessibility and comfort for users of the building, etc.	2. **Promoting conditions for well-being at work:** a healthy working environment for all employees: rolling out teleworking, diversity awareness training for teams, etc.
3. **Links with the local voluntary sector:** partnerships to promote public interest campaigns, particularly on ecology and health, fund-raising campaigns	3. **Water management policy:** measures for monitoring and reducing water consumption	3. **Talent management policy:** attracting, training and promoting talent

The CSR challenges that emerged as priorities in the materiality matrix have been incorporated as a central part of Carmila's CSR strategy.

4.1.1.2 The CSR strategy

In 2017 Carmila set out its CSR strategy around three pillars:

- injecting a new dynamism into the economic and social life of its catchment areas by building on its local presence:
  - boosting the economy of catchment areas: by promoting employment and supporting the local economic structure through long-lasting, innovative partnerships,
  - establishing connections within the catchment area: by supporting retailer expansion and business staying power, with a focus on the needs of local authorities, tailoring such support to client requirements and promoting the solidarity-based sector;
- integrating shopping centres in their environment:
  - building and renovating shopping centres with respect for the environment: by designing sustainable buildings and limiting nuisance caused by construction sites,
  - limiting the environmental impact of our shopping centres and tenants: by taking action to reduce the energy and water consumption of shopping centres and by streamlining the sorting of waste,
  - helping to meet the shared challenges of climate change and biodiversity: by rolling out a transport policy that takes account of climate risk and taking daily action to preserve biodiversity in the natural spaces on our sites;
- promoting the well-being and development of employees:
  - promoting a dynamic of growth and dialogue: by establishing long-term relationships with employees and ensuring constructive social dialogue,
  - providing the conditions for well-being at work: ensuring the health and safety of employees, promoting diversity and inclusion and respecting the work-life balance of employees,
  - supporting talent and skills: by valuing contributions, supporting employee development and engagement with a mind set focussed on innovation and solidarity.

CSR ACTION PLAN

Theme	Action	Due date
Become integrated in the catchment areas	Expand the activities of the Kiosk in order to offer our retailers ever greater support	Ongoing
	Continue charitable and sponsorship activities at our shopping centres	Ongoing
	Develop projects with charities and associations promoting employability and integration into the workplace	Ongoing
	Include the perception of CSR in the customer satisfaction survey	2018
Climate action	Reduce energy consumption per sq m of usable commercial space by 15% compared with 2017*	2025
	Carbon reporting for a representative sample of assets	2020
	Continue the certification of shopping centres • 100% of projects to have a BREEAM rating of at least "good" • 50% of the commercial space of sites in operation in France to be certified	 Ongoing 2020
	Working with Carrefour, continue to promote bee-keeping projects on our sites*	Ongoing
	Plant one tree per sq m of commercial space created in our shopping centres, in partnership with Reforest'Action	2018
	Expand the installation of electric vehicle charging stations on our sites*	2020
	Raise awareness among our retailers and clients of waste sorting through concrete actions	Ongoing
	Bring major Spanish and Italian assets within the scope of environmental reporting: energy, gas, water, waste	2018
Social	Expand the annual survey of employee engagement to include Spain and Italy	2018
	Continue and build on road safety campaigns	Ongoing
	Continue initiatives to promote equality, diversity and inclusion in the workplace	Ongoing

* *In line with the commitments of the Carrefour group.*

4.1.2 Managing the CSR strategy

COLLEGIATE AND OPERATIONAL MANAGEMENT OF THE CSR STRATEGY

CSR COMMITTEE	CSR MANAGEMENT	CSR WORKSHOPS
steers the CSR strategy and approves action plans	draws up the CSR strategy, sets and drives CSR initiatives	roll out CSR across the business lines

4.1.2.1 CSR Governance

A CSR Committee was set up in 2017. It is made up of six members of the Management Committee, including the Deputy CEO, and is chaired by the CSR Management. This organisational structure provides a direct link between the company's business and CSR strategies. It steers the overall strategy and approves the action plans proposed by CSR Management. It met three times in 2017.

Established in 2017, CSR Management develops and implements the strategy. It sets and drives Carmila's societal, environmental and social initiatives.

4.1.2.2 CSR Workshops

Three thematic CSR Workshops were set up in 2017. Chaired by CSR Management, these working groups meet every two months. They develop joint action plans and operational pilots. They also feed into reporting. Their composition and the diversity of occupations and profiles represented are a means of building momentum throughout the business both in support and operational functions:

- societal workshop: shopping centre, operational marketing and development managers;
- environmental workshop: development, maintenance and assets, and property managers and contracting authority managers;
- social workshop: human resources managers.

Ad-hoc working groups met on specific topics throughout 2017: green initiatives in the office, sport in the workplace, office adaptations. The aim is to jointly and proactively develop CSR action plans.

CSR themes are also owned by employees and particularly shopping centre managers, who enjoy a great deal of autonomy in the choice and implementation of CSR initiatives in their centres. This autonomy is a means of establishing a strong local presence and a closer relationship with local stakeholders.

Dialogue with stakeholders

ARRANGEMENTS FOR DIALOGUE WITH STAKEHOLDERS

Stakeholder	Arrangements for dialogue	CSR issues
Retail brands	Shopping centre management Service kiosk Trade events and gatherings: trade fairs (SIEC, MAPIC), meeting of chairs of charities and associations, Carmiday Retailers' association Negotiating commercial leases	Quality of relationship with retailers Contribution to local economic development Energy management policy
Investors including Carrefour	Registered document and press releases Road show and conferences Shopping centre visits	Investor relations
Shopping centre visitors	Omni-channel and digital communication, events, in partnership with retail brands Media (press releases and packs, organised visits) Shopping centre management Social and environmental initiatives	Quality of relationship with clients Links with the local voluntary sector
Local authorities around shopping centres	Proactive, ongoing relations with involvement in projects within the catchment area	Contribution to local economic development Transport Security of people and property
Employees	Employee surveys Breakfast meetings with management Internal communication Integration of new recruits Relations with employee representative bodies	Well-being at work Health and safety of employees Diversity policy Social dialogue Talent management
Charities and associations	Charity campaigns	Links with the local voluntary sector
Trade bodies	Membership of and participation in the CNCC (*Conseil National des Centres Commerciaux*), Perifem, EPRA (European Public Real Estate), FSIF (*Fédération des Sociétés Immobilières et Foncières*), C3D (*Collège des Directeurs du Développement Durable*) and Club Génération Responsable	Discussions on all of the issues identified
Carrefour group	Property management mandate with Carrefour Property and other service agreements Bi-monthly joint Carmila/Carrefour Property management Committee meetings	Environmental policy on-site: energy, waste, water, green spaces, environmental certification Responsible purchasing
Service providers and suppliers	Responsible purchasing charter Calls to tender	

4.1.3 Action: key highlights from 2017

- Carmila structured its approach to CSR and its implementation by conducting its materiality analysis, formalising its CSR strategy and setting up the different bodies responsible for steering and rolling out CSR across the business lines.
- Carmiday, an annual event created by Carmila to support retail brands in their development, was attended by over 300 participants. All chairs of retailers' associations within Carmila centres also attended this day, which was focussed on innovation and included, in particular, a Facebook conference.
- In 2017 Carmila made a commitment to planting one tree for each sq m of new commercial space in its shopping centres. Since then, over 17,000 trees have been planted with the aim of preserving biodiversity in the vicinity of its sites.
- "If everyone in France picked up one piece of litter each day, we would clean France up": such was the challenge set by Eddie Platt to all French people, which Carmila was keen to get behind. The social media star galvanised visitors to seven shopping centres and employees of the headquarters in France, raising their awareness of the issue of litter.
- In October 2017, Carmila and Carrefour Property opened a shopping mall and retail park with 60 retail brands in Nichelino (Turin): I Viali. This shopping centre, certified in accordance with ITACA and IISBE protocols, is recognised for its environmental sustainability, particularly in terms of the quality of the site, consumption of energy resources, visitor comfort and the overall quality of service.
- In 2017, Carmila finalised its ambitious renovation plan begun in 2014 and relating to 167 shopping centres spread across the three countries. In carrying out these renovations, there was a particular focus on replacing equipment with a view to promoting energy and water savings.
- "Diversity Day" was celebrated by all Carmila employees across France, Spain and Italy. Various awareness-raising initiatives were organised in each country.

- In Spain, Carmila, Carrefour Property and the Carrefour Foundation jointly organised a charity Padel tournament in May 2017 in aid of two charities for sick children and disabled people.
- The new teleworking agreement for France offers eligible employees the opportunity to work off-site once or twice a week. This initiative is intended to protect the work-life balance for all whilst limiting the stress of commuting and helping employees to organise their own work day, whilst instilling a relationship based on trust with the Company.

4.2 Injecting a new dynamism into the economic and social life of its catchment areas by building on its local presence

Having listened to its clients and working closely with the Carrefour group, Carmila is helping its tenants to enhance their appeal by offering tailored marketing and digital services. More generally, Carmila is establishing a strong presence in its catchment areas by promoting job creation, local economic development, supporting the ecosystem of the solidarity-based sector organisations and local start-ups and building long-term relations with local authorities. The company benefits from the long-established presence of its sites in the catchment area, which gives it in-depth knowledge of the local demographics and economy. Together with all of its partners, Carmila also works to adopt an ethical approach.

4.2.1 Boosting the economy of catchment areas

4.2.1.1 Employment

Did you know?

Shopping centres, major players in the catchment areas

In France, shopping malls make a major contribution to the dynamism and economic and social regeneration of their catchment areas. These are real living spaces, but are also important sources of jobs that cannot be outsourced. According to the study published in 2017 by the *Conseil National des Centres Commerciaux* (CNCC), the 806 shopping centres documented in France account for:

- €126 billion in revenues, i.e. 5% of French GDP;
- €25.4 billion in tax paid to the State and local authorities;
- 450,000 direct jobs, i.e. 560 jobs per shopping centre on average;
- 75,000 indirect jobs, particularly in the construction sector and site security and maintenance.

Did you know?

I Viali, a new shopping centre creating jobs in Italy

Around the Carrefour hypermarket opened in 2016 in Nichelino, Italy, in 2017 Carmila and Carrefour Property opened a shopping centre with 60 retail brands: I VIALI.
250 contractors and over 600 workers were involved in the project, whilst some 500 jobs were created by the incoming retail brands and Carmila, in addition to the 230 employees of the Carrefour hypermarket.

Support for retail brands as employers

Carmila helps incoming retail brands at its shopping centres in their search for employees by liaising with local employment services (*Pôle Emploi*, local missions, etc.) and identifying the most suitable profiles for each store.

Other ad-hoc events (job fairs, job dating) are often organised to enable job-seekers to meet the region's recruiters and find out about the vacancies on offer. Participating tenants benefit from the high footfall attracted by the mall and thus improve their chances of finding the right candidate.

Did you know?

Carmila organises job dating

In Auchy-les-Mines, a job fair hosted three local home-help businesses that advertised 100 vacancies to visitors to the centre. The event was covered by the local press.
A job fair in Montesson played host to some 35 stands advertising 134 vacancies in total. Over 7,000 people received an announcement about the event. A number of the shopping centre's retail brands, including Histoire d'Or, Marc Orian, Mc Donald's, Carrefour Banque and Carrefour followed up on the CVs and went on to interview the candidates.
At Anglet BAB2, the shopping centre management and the Bayonne branch of the Pôle Emploi employment service organised two job-dating events aimed at 30 new retail brands having arrived at the centre at the start of the year, bringing together over 400 candidates. Of the 250 vacancies created by these retail brands, a significant proportion was filled at this job-dating event.

Did you know?

Carmila has an innovative approach to job-seeking!

Since early December 2017, the Nice Lingostière centre has been trialling a new service: the HucLink interactive terminal developed by Welljob. This terminal is located in the mall and enables visitors to consult and apply for job vacancies in the centre's stores and with nearby retailers. With just a few clicks, the visitor can apply or leave their details and request a call-back.

Local businesses during construction work

Insofar as possible, in carrying out its extension, renovation and construction work, Carmila and its partner Carrefour Property are keen to promote local businesses as much as possible. Departmental construction federations are systematically contacted in order to obtain a list of companies in the department or the surrounding area liable to respond to calls to tender.

Accordingly, in 2017, 75% of the cost of works at Carmila construction sites in France went to local businesses.

Did you know?

Local businesses used for the extension of Besançon Chalezeule

44 businesses from the region were contacted for the extension of the Besançon Chalezeule shopping centre. 13 of the 14 lots, amounting to 93% of the cost of works, were awarded to businesses with a local presence.

4.2.1.2 Local economic structure

Carmila centres contribute to the vitality of the local economic structure. The centres are key partners of both regional businesses and retailers. They are establishing themselves as major meeting points for retailers and local clients attracted by the diversity of what's on offer in the shopping centres. Carmila is also striving to become an accelerator and facilitator for start-up projects in local catchment areas.

Promoting synergies with the ecosystems of innovation and start-up incubators

Carmila identifies and supports the implementation of new solutions to meet the requirements of retailers and constantly improve visitor experience in its centres. To do so, and to ensure ever closer involvement by its centres in local development, Carmila is establishing partnerships with local innovation ecosystems.

Carmila has established a partnership with the digital incubator, Le LAB'O in Orleans and with the charity La Cuisine du Web in Lyon, so as to identify high-potential start-ups able to work on the issues of customer service and experience and to accelerate transformation.

In Toulouse, where Carmila owns several centres, it is with the young start-ups of the IoT Valley that it is implementing new innovative projects based on the Internet of things (IOT) and smart buildings. As part of a collaborative innovation programme, the start-ups are involved in running the shopping centre and sharing their expertise. Thus, the teams at Carmila, stakeholders and start-ups were able to share their ideas at a Boot Camp in Toulouse and begin trialling new projects on the design of car parks and operation of the assets using the Internet of things.

Supporting start-up expansion

Carmila is offering individual support to start-ups that are at a turning point in their development and require specific help in order to continue to grow. The Company either takes a financial stake in the start-ups to accelerate their expansion or provides skills mentoring in Carmila's areas of expertise: Phygital marketing, retail space layout, administrative relations with public stakeholders etc.

In 2017, Carmila supported several start-ups. It offered financial support and mentoring to SquareMaker, a retail brand specialising in croque-monsieurs with a twist, and to Barbe de Papa, a modern hairdresser and barber. Each of these retail brands is now managing five stores in Carmila's shopping centres.

The Augustin bakery, a traditional bread-based food retailer and Vapeurs Dim Sum, a healthy Food retail brand, have also received support from Carmila in order to develop their concept.

4.2.2 Establishing connections within the catchment area

4.2.2.1 With retail brands

Did you know?

New generation shopping centres

Carmila's shopping centres are now entering their third generation, with a new offering to retail brands. The first (1970-2000) was essentially based on the provision of retail space. The second (from the 2000s) was based on an enhanced experience through the design of the mall and events aimed at increasing footfall. The new era, which Carmila entered in 2014, is based on the specific knowledge of each catchment area in order to offer retailers targeted local and digital marketing solutions.

Commercial development of retail brands

The quality of Carmila's relationship with its tenants is a priority issue according to the materiality analysis. With its sales background, the company establishes partnerships with retail brands to offer them better service, visibility and footfall so as to boost their appeal locally. Thanks to the sales pedigree of the Carrefour group and the local leadership of its assets, which gives it excellent knowledge of customers in each area, Carmila offers a range of marketing solutions aimed at tenants called "The Kiosk".

These marketing tools, offered locally to retailers by shopping centre managers are designed to offer bespoke services targeted at the issues facing retailers. When they open, at key periods, as short-term support for a specific issue, or over the longer-term, retailers have free access to these offers, which are mostly designed around three themes:

- the announcement: an omni-channel campaign to share the news that a new retail brand has opened its doors: physical reception, local and digital advertising;
- word-of-mouth: local communication campaign to publicise a retail brand's news or promotional offers locally;
- the boost: personalised marketing campaign to boost a retail brand's sales over the long-term with support lasting between six and nine months.

All of these initiatives are based on the expertise of data and innovation specialists and on the digital tools rolled out by Carmila, such as the Nestor solution that allows retailers to manage their own visibility on the digital resources of the shopping centres.

In 2017, over 2,200 Kiosk campaigns aimed at retailers were carried out for a financial commitment of over €1,000,000 borne in full by Carmila.

As part of a process of continuous dialogue and improvement, Carmila conducts customer satisfaction surveys as well as questionnaires to gather targeted suggestions from its retail brands. Thus, 330 retailers were asked about a new method for recording sales figures to help us to decide whether to roll it out across the board. The retailers were provided with an open innovation platform, "Mydea", on which a competition encouraged them to share their ideas.

	France	Spain	Italy
Number of Kiosk campaigns	1,964	194	93

Did you know?

Carmila offers its retail brands bespoke marketing and communication services

In 2017, a third of our retailers on average benefited from a marketing or communication campaign that was partly developed and funded by Carmila. For example:

- a pop-up Nature et Découvertes stand on the concourse and two workshops offering an introduction to astronomy at Coquelles Cité Europe;
- a communication campaign to welcome new retail brands Berskha and Deichman to Los Alfares, Toledo: a video wall, radio campaign, social media messages and competitions to win vouchers.

Carmila is also supporting retail brands through marketing campaigns organised by the centre managers for key annual events, such as the winter sales, public holidays or the start of the school year.

Carmiday

In order to maintain constant dialogue with its partners, each year Carmila organises an annual event dedicated to sharing and innovation, the Carmiday. On this occasion the retail brands represented in the centres are invited to the company premises for an open day and to meet and chat with employees of Carmila and its partner Carrefour Property. In 2017, the third annual event was attended by some 300 participants, retail partners and presidents of retailers' associations. They were also able to gain new digital insights at a presentation by Facebook.

Initiatives to attract local retail brands

Carmila is playing a major role in enabling local retail brands and local franchises to open branches in the shopping centres. To do this, regional teams are stepping up contacts and establishing close links with local economic players. As an example, the Anglet BAB2 centre enabled the Basque retail brands Ttilika and 64 to open branches.

Joint environment and charity initiatives

Drawing on its strong relationships with its retailers, Carmila involves them in sustainable development initiatives that are related to their business activity. An environmental appendix is systematically appended to new commercial leases, irrespective of the size of the unit, whereas the law only requires it for those with an area of over 2,000 sq m.

Through these appendices, Carmila makes a series of measures to ensure that the premises are operated in a more sustainable way, as part of the contract with retail brands:

- introduction of water-saving equipment;
- selective sorting of waste;
- ban on incandescent lights, ferromagnetic ballasts and constant lighting in secondary rooms (toilets, corridors etc.).

Carmila is also working with its retail brands to organise charity and environmental action events. In 2017 for example: the Anglet BAB2 centre loaned the cosmetics store Lush a stand for the sale of Charity Pot charity-supporting creams. The proceeds went to the nature conservation charity, Hegalaldia.

4.2.2.3 With local authorities

With its 206 shopping centres, Carmila is actively contributing to the economic activity of the catchment areas in which it is established. In this respect, Carmila is striving to establish proactive, long-lasting relations with all administrations around its shopping centres so as to strengthen its local roots and contribute to building the catchment areas of tomorrow. Carmila is intent on transparently maintaining its contacts with elected officials, making sure they are the first to know about any company development and being a partner in regional planning.

Proactive, long-term relations with local authorities

Carmila's relations with local authorities are first and foremost in the form of regular discussions with local elected officials and, where possible, action on themes in which there is a shared interest. Thus, the Nice Lingostière shopping centre was a founding partner of a local association offering support and help to retailers in the town centre, in conjunction with the metropolitan authorities. The company offered funding over three years. Around the shopping centre, work with the local authority has also helped to manage traffic flows and fund new access routes. In Évreux Guichainville, Carmila helped to support retailers in the town centre. Finally, through public-private partnerships, Carmila funds athletic clubs and cultural events, such as handball in Aix-en-Provence, women's football in Palma, Majorca, rugby in Bayonne and basketball and the "Nuits Carrées" festival in Antibes.

4.2.2.4 With visitors to the centres

Carmila shopping centres maintain regular contact with their visitors in order to identify the main areas for improvement of the customer experience.

Surveys are carried out four times a year in 109 shopping centres. Through this process, Carmila gathered more than 42,000 customer opinions in 2017. Customers give their opinion of the entire customer experience (general satisfaction, ease of access to the centre, opinion on what's on offer etc.) and the information gathered feeds into team decision-making in order to improve the sites.

The latest results from 2017 show that 86% of our customers say they were satisfied with their visit to a Carmila shopping centre. In particular visitors appreciate the cleanliness and security of our centres (92% and 88% satisfaction ratings respectively).

More specific surveys are also carried out for ad hoc purposes. In this way, focus groups are organised locally and nationally to work with our clients on particular concepts or issues.

4.2.2.5 With charitable associations and solidarity-based sector organisations

Carmila also connects with visitors through social and environmental initiatives. In 2017, over 340 events were held on various themes. Across the shopping centres, a large number of health initiatives were carried out, supporting charities that help the sick or research, and promoting direct prevention initiatives: risk prevention at work, screening for diabetes etc.

A large number of campaigns focused on helping the most disadvantaged, in particular through charity collections and clothing donations. Sport was also a cross-cutting theme in the form of demonstrations and taster workshops. Some centres also chose to promote culture through temporary exhibitions and participatory libraries. Finally, campaigns to promote employment and education drew out the creativity and skills of visitors, at craft workshops for example.

? Did you know?

Health charities are particularly well represented in our centres

Shopping centres make space available to charities and local partners to raise awareness among visitors of health issues, through information and prevention campaigns.
At Orleans Place d'Arc, the centre ran a diabetes screening day, in partnership with the Lions Club and the diabetes charity L.I.D.E.R. diabète. Visitors were screened by health professionals and given advice on treating this illness.
In Palma, the Fan centre is supporting the Ocean Drive project by playing host to women whose cancer is in remission who come to give talks about their illness and collect donations for the charity Cris Cancer.

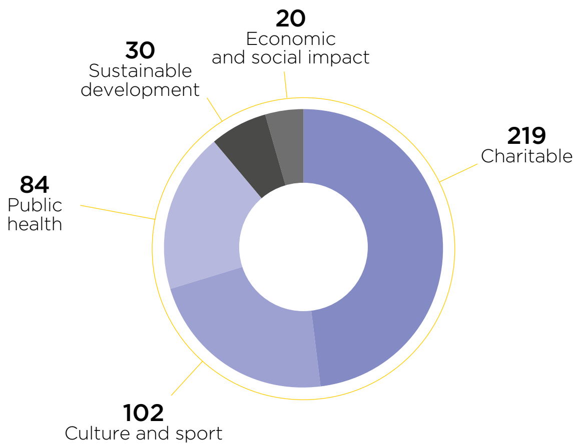
Carmila is also keen to support social enterprises with a business model based on creating a social and environmental impact. Carmila has established partnerships with two structures.

Since 2016, Lemontri has installed recycling machines at the shopping centres in Montesson, Stains and Goussainville. These encourage visitors to recycle their waste in exchange for vouchers. They collect different types of packaging, recognise, sort and compact them. In six months, on-site sorting and, consequently, the recycling of the shopping centre's waste, have been largely streamlined. As an example, almost 75,000 visitors deposited over 1,450,000 bottles and over 100,000 cans in one year at the Montesson shopping centre. They were rewarded with over €31,000 worth of Carrefour hypermarket vouchers.

Since October 2017, Centiméo vending machines have appeared in Carmila shopping centres. Individual food products are available for purchase for a few centimes. They are operated by employees on return-to-work schemes and 10% of sales revenue is donated to the charity Aux Goûts du jour, which works on educating people about a healthier, more sustainable diet.

CSR events in our centres	France	Spain	Italy	Total
Number of CSR events in 2017	157	102	82	341

455 CSR EVENT DAYS IN OUR CENTRES IN FRANCE



4.2.2.6 With suppliers: responsible purchasing

Carmila's purchases have a strong societal and regional impact, owing to their volume and the fact that the shopping centres are spread across three countries. Carmila uses a large number of suppliers and contractors, either directly or indirectly, most of which are regional players or the regional subsidiaries of major groups. These partnerships support a buoyant local economy in our catchment areas.

For its part, Carmila essentially buys services and regularly calls on social enterprise start-ups for catering at its events. Purchases in connection with development or renovation projects at its sites are made by Carrefour Property and operational management purchases by Carrefour Property Gestion.

Purchasing and supplier policy for the Development and Works business line

To ensure risks related to purchases are managed and performance streamlined in this area, a Purchasing Department has been created within Carrefour Property's Management of Openings Division. This team is made up of four employees, who are experts in purchasing in our business sector and work closely with the purchasing division of the Carrefour group. It follows, in particular, the responsible purchasing policy introduced by the Carrefour group, which represents a set of social and environmental guarantees.

This charter is based on four main strands:

- equal treatment of companies that bid for contracts as an example to others and to ensure cost optimisation;
- security of contracts awarded to works contractors and service providers to ensure effective management of operational risks;
- rationalisation of supplier contracts enabling improved evaluation and better monitoring of approved suppliers;
- integration of CSR and respect of commitments made to local stakeholders, including:
  - taking into account the local economy by systematically including local businesses in calls to tender,
  - employing those who are furthest from the labour market and working with supported employment organisations (*Structures d'Insertion par l'Activité Économique* – SIAE),
  - taking into account the environmental record of businesses in the process of evaluating suppliers at each call to tender.

Purchasing policy applied to operating expenditure

Operating expenditure is managed by the teams at Carrefour Property Gestion, with the support of the purchasing division of the Carrefour group and is also based on best practice in this area. Operational risks are restricted through the use of master agreements and enhanced monitoring at each site.

In 2017, this responsible purchasing policy was in particular applied to cleaning and waste management services, which were brought within the scope of new master agreements so as to safeguard costs and quality of services. The CSR policies of service providers were taken into account in the selection process, particularly in terms of issues around employee training, proximity of branches to our shopping centres and the use of eco-labelled cleaning products. For waste collection, a call to tender was launched and new contracts introduced in April 2017.

4.3 Integrating shopping centres in their environment

The preservation and protection of the environment is a key strand of Carmila's strategy, which takes into account the environment and sustainable development in the Group's activities.

Thus, Carmila is seeking to incorporate the best environmental practices at each stage of a building's life. In order to design and operate environmentally-friendly shopping centres, Carmila is introducing a sustainable construction policy based on internationally-recognised certification. During the construction phase, commitments fall within the scope of the Green Construction Site Charter. Finally, during operations, Carmila supports its retail brands by raising awareness of environmental impacts and providing them with the resources to reduce these.

4.3.1 Building and renovating with respect for the environment

4.3.1.1 Sustainable buildings

During the design stage:

- the architecture of shopping centres is geared toward the minimisation of energy consumption, including access to natural light, selection of materials with high thermal inertia, optimised facade orientation and green roofs or high solar reflectivity to limit the need for air conditioning. Carmila also tries to facilitate ease of accessibility to all its stores;
- preferring the use of natural materials that are more environment friendly, such as wood from sustainably managed forests, glues, paints, varnishes and glazes bearing the "NF Environment" and "Ecolabel" labels in Europe or equivalent environmental labels, and materials requiring little energy consumption for production or that are made from natural and abundant materials;
- renewable energy sources (such as solar water heaters, heat pumps and geothermal energy) are incorporated whenever possible;
- each project is designed to integrate harmoniously into the natural or urban environment and to minimise its impact on the environment.

Carmila has opted to align its sustainable buildings policy with the BREEAM standard owing to its exacting requirements, the comprehensive nature of the issues covered and the fact its use is recognised by the majority of players in the commercial real estate market.

? Did you know?

BREEAM certifies the environmental performance of Carmila shopping centres

Developed by the Building Research Establishment in 1990, BREEAM (Building Research Establishment Environmental Assessment Method) is a voluntary third-party certification of the environmental performance of buildings. It is one of the most internationally recognised. The environmental impact of buildings is assessed and rated according to ten issues and the final score leads to the award of one of six certification ratings: Unclassified, Pass, Good, Very Good, Excellent, Outstanding.

? Did you know?

The Bourges shopping centre was awarded a "Very Good" BREEAM Construction rating

In 2017, the Bourges shopping centre was awarded a "Very Good" BREEAM Construction rating and stood out in the following areas in particular:

- energy management, out-performing the thermal energy regulations of 2012 by more than 15%, and the introduction of individual metering for each energy category and each commercial unit so as to optimise the monitoring of consumption during site operations;
- ecological land management with an ecologist hired to draw up an ecological management plan for the site that is respectful of fauna and flora in the surrounding area;
- management of water resources with the installation of water-saving equipment in the toilets enabling less than 1.5 m^3 in water consumption per person, per annum.

As of 31 December, 14 centres have been certified, representing some 24.5% of commercial space in Carmila's France portfolio.

In 2017, Carmila set the following targets:

- BREEAM Construction Certification: 100% of new construction projects to achieve a Good rating or higher;
- BREEAM-in-Use Certification: 11 sites to achieve certification over the 2017-2018 period.

BREEAM CERTIFICATION OF CARMILA BUILDINGS IN FRANCE

Site	Phase	Rating
Anglet BAB2	Design	Very Good
Bourges	Design	Very Good
Caen Mondevillage	Design	Very Good
Nevers Marzy	Design	Good
Quetigny	Design	Good
Athis Mons	Design	Very Good
Évreux Guichainville	Design	Very Good
Besançon Chalezeule	Design	Very Good
Crèches-sur-Saône	Design	Very Good
Rambouillet	Design	Very Good
Bourges	Construction	Very Good
Nevers Marzy	Construction	Good
Anglet BAB2	BREEAM-in-Use	Excellent
Torcy Bay 2	BREEAM-in-Use	Excellent
Chambourcy	BREEAM-in-Use	Excellent
Toulouse Labège	BREEAM-in-Use	Excellent
Thionville Geric	BREEAM-in-Use	Very Good

EXAMPLES OF ENVIRONMENTAL PRACTICES IN EXTENSIONS AND NEW DEVELOPMENTS COMPLETED IN 2017

Site	Biodiversity	Transport	Water	Renewable energy
Anglet BAB2	Ecologist present throughout the project with advice offered on local species Nesting boxes and insect hotels Preservation and protection of a protected plant throughout construction work (a variety of water lily)	Car sharing and electric vehicle spaces 30 additional cycle spaces Bus stop planned	Two retention basins of which one open-air with plants	
Nevers Marzy	Ecologist present throughout the project with advice offered on local species Nesting boxes and insect hotels	Car sharing spaces Cycle and motorcycle shelters installed Soft link put in place to connect the RP with the cycle path	Resizing of open-air basin	
Vannes	Flower meadow to preserve biodiversity Nesting boxes and insect hotels	Car sharing and electric vehicle spaces		
Saint-Brieuc Langueux	Ecologist present throughout the project with advice offered on local species Nesting boxes and insect hotels Flour meadow for biodiversity conservation	Electric vehicle spaces Installation of cycle shelters		
Rambouillet	Ecologist present throughout the project with advice offered on local species Pond surrounded by plants to encourage biodiversity	Car sharing and electric vehicle spaces Electric bicycle charging stations Pedestrian walkway to bus stop		
Grenoble Saint-Egrève	Green roof	Bicycle spaces	Introduction of grass parking	Solar heating panels to supply hot water to toilets and restaurants LED lighting in car park
Crèches-sur-Saône	Ecologist present throughout the project with advice offered on local species Nesting boxes and insect hotels	Car sharing and electric vehicle spaces Bus stop planned	Open-air pond	

Land use

In all of its extension projects Carmila strives to manage space effectively so as to limit urban sprawl. Parking space is optimised through the sharing of spaces and, on certain sites, their multi-storey design.

Renovation programme

In 2017, Carmila finalised the renovation plan for its sites begun in 2014. In addition to improvements to the customer experience, Carmila has implemented environmental improvements such as:

- systematically replacing lighting in concourses with LEDs when renovating ceilings;
- recycling areas in prominent positions to promote sorting of waste;
- automatic sensors fitted in the toilets to limit water consumption.

Over the last three years this renovation programme has covered 167 malls, i.e. 100% of the property portfolio initially planned.

4.3.1.2 Limit nuisance caused by construction sites

An environmentally-friendly construction site is the natural extension of efforts made during the building design stage. Carmila is keen to reduce nuisance for the benefit of residents, workers and the environment.

To do so, Carmila has partnered with Carrefour Property to draw up a Green Construction Site Charter, which sets out its commitments. This charter is signed by all contractors. It is the framework for practices on the construction site: any soil and air pollution, any special protection areas designated by the ecologist.

The Construction Site Charter's stated aim is to limit the quantity of waste produced by the works and to put in place an effective waste management system to optimise its recovery. A waste management plan is produced prior to the construction of the building. It sets out the measures and provisions required to collect, sort, store and, insofar as possible, recover the waste produced at the construction site.

The Green Construction Site Charter is the framework for managing noise disturbance during the construction phase. The site's operational hours and noise limits are modified according to the presence of nearby homes and optimised according to the context. Contractors may thus be required to choose technical equipment based on its acoustic performance or to draw up a schedule for the noisy phases of the project as well as any measures taken to limit noise disturbance for residents.

It also provides for reports on work progress and the environmental provisions of the project to be given to residents.

4.3.2 Limiting our impact on the local environment

4.3.2.1 Energy

Effective design of buildings and use of renewable energy sources

Energy efficiency is a major priority for Carmila. As such, Carmila has signed up to the ambitions of the Carrefour group with which it shares the sites. As part of the Energy Climate Plan instigated by the Carrefour group in 2010, the aim of which is to reduce energy consumption by 30% per m^2 of retail surface area by 2025, Carmila and Carrefour are developing joint initiatives to meet this aim: gradual introduction of BMSs (Building Management Systems), consulting on building improvements with a focus on ventilation and natural light, working together on renewable energy projects such as geothermal and photovoltaic energy.

? Did you know?

In Salaise-sur-Sanne, the centre is heated by geothermal energy

The shopping centre of Salaise-sur-Sanne uses energy from groundwater stored underground to power the ventilation and air-conditioning in its stores and the mall.

Since 2014, and the launch of our Renovation Plan, energy-saving LED-type lights have gradually been fitted at the vast majority of our sites.

Monitoring and managing consumption

Carmila monitors energy consumption either independently or in partnership with the hypermarkets, which means it can benefit from low prices due to the volumes of electricity bought. Carmila is gradually fitting individual meters in order to analyse its consumption in detail and in real time. Operational teams on the ground are also raising awareness among partner retail brands by offering advice and sharing best practice to complement the environmental appendix attached to the commercial lease.

As an example, the introduction of a BMS has helped to reduce the electricity consumption of the Caen, Hérouville-Saint-Clair and Vannes shopping centres by around 10%.

Energy consumption in France	2017	Number of sites
Total consumption in kWh	60,284,142	
Electricity consumption in kWh (and share of total consumption)	46,234,897	66 sites
Gas consumption in kWh (and share of total consumption)	14,049,245	25 sites

Energy intensity per sqm	2017
Total consumption in kWh	60,284,142
Area concerned (sqm GLA + public areas)	705,187
Energy intensity (kWh/sqm)	85

4.3.2.2 Water

Carmila's property assets are not located in water stress areas and do not have high water consumption rates. Nonetheless, a process to manage consumption on the sites starts at the design phase and continues right up until the operational phase.

Water management is planned from the centre design phase

During the design phase: several rainwater management schemes are implemented:

- water retention structures restricting the flow of run-off on site;
- in car-parks, landscaped swales promote the absorption of water to limit its speed and pre-filter pollutants;
- permeability of parking spaces limits soil sealing.

Additionally, from the design phase, measures are put in place to limit future water consumption:

- installation of rainwater recovery tanks, to clean public areas of the mall, supply public toilets and water green spaces;
- installation of water-saving equipment in toilets, such as flow limiters, dual flush mechanisms, etc.;

Did you know?

Preserving water resources at Troyes L'Escapade

The Troyes l'Escapade shopping centre has a rainwater recovery tank that supplies the equivalent of 500 m³ each year. The groundwater level is maintained through nine infiltration basins with a total surface area equivalent to 34 tennis courts.

Managing water consumption during shopping centre operation

Carmila's main demands on water consumption are the mall toilets and cleaning. In 2017, 153,923 m³ of water was consumed by 96 of the 108 sites managed by Carrefour Property Gestion. Although water consumption is not a major issue for the Company, Carmila is striving to limit its consumption through a range of initiatives:

- since 2017, Carmila has been rolling out real-time monitoring of water consumption at the shopping centres and has hired a service provider to report leaks. Comparing ratios for the same types of store draws the attention of retail brands to the need to manage their water consumption;
- as renovations are carried out, toilets and concourses are fitted with water-saving equipment, such as flow limiters, dual flushes, etc.;
- finally, in 2017 Carmila renewed its cleaning contract and selected contractors based on their environmental and social commitments.

The green spaces adjoining the shopping centres are all owned by third parties and managed by Carrefour Property Gestion. However, Carmila strongly encourages the owners and manager to ban automatic watering and select plant species that are suited to the region and do not consume a lot of water.

4.3.2.3 Waste

Waste generated by Carmila's shopping centres can be divided into three categories: construction site waste, retailer waste, visitor waste.

Construction waste management

When carrying out extension or construction work, the management of waste falls within the scope of Carmila's Green Construction Site Charter (see section 4.3.1.2).

Retailer waste management

During the operation of shopping centres, the main producers of waste are the retailers. This waste is mainly due to product packaging and logistical arrangements. The main types of waste are boxes, plastic and wet food waste.

Depending on the size and type of the shopping centres, waste collection is either managed directly by Carmila, handled by the Hypermarket or managed by the local authority.

In France, working with Carrefour Property Gestion, Carmila renewed its waste collection contract and put out a national call to tender in order to set up secure master agreements that meet the Company's requirements in terms of optimising collection and reporting. These new master agreements have been gradually introduced since 1 April 2017. They include:

- environmental reporting on tonnage collected;
- a poster campaign, communication and, as needed, training aimed at retailers;
- a three-year waste characterisation in order to optimise reduction, sorting and recycling.

Best practice is included in the appendices to commercial leases to raise awareness of this practice among tenants. The topic is also included in the welcome guide given to retailers at mall extension openings, such as at Anglet BAB2 or Pau Lescar.

The benefit of introducing these new contracts will become clear after a full year in 2018.

Did you know?

Improved waste management in order to reduce the carbon footprint

In 2017, Carrefour Property Gestion trialled a system to obtain remote readings from the waste compactor at the Torcy BAY 2 shopping centre. With this system, the lorry responsible for collecting waste only makes the journey when the compactor is full, thus significantly reducing the number of journeys made by the waste collection company. This best practice is part of wider efforts to manage the impact on the climate of collecting and processing waste. Remote readings are a means of optimising collection and thus improving the impact on the climate of transporting waste. Following this successful trial, the system is to be rolled out by Carrefour France in the medium-term.

Visitor waste management

Visitors are encouraged to sort their waste with the provision of dual compartment bins in public areas. Our centres also provide recycling bins for specific waste such as: glass, clothing, final waste (lamps, light bulbs, batteries), etc.

Ad-hoc awareness-raising campaigns are also used to raise awareness among visitors of recycling habits.

Did you know?

Visitors are encouraged to pick up "one piece of litter per day"

Carmila wanted to get behind the challenge posed by social media star Eddie Platt: "If everyone in France picks up one piece of litter each day, we will clean France up". In 2017, seven shopping centres hosted this original awareness-raising campaign.

Waste collected on site in France	2017
Waste collected *(in tonnes)*	6,546
Boxes collected on-site *(in tonnes)*	965
Other waste collected on-site – OIW *(in tonnes)*	5,581
Collected waste recovery rate	15%

Sites covered: 44 sites.

4.3.2.4 Environmental risk management

Since Carmila was established, regular environmental audits of the sites have been carried out to ensure the compliance of buildings with current environmental regulations and identify the main areas for attention. In addition, Carmila is supported by an assistant environmental project manager at all of its sites. They share their expertise on subjects relating to air quality, water, materials and noise pollution.

In particular, Carmila is committed to fully managing the risks related to the presence of asbestos in its buildings and the risks related to the operation of its cooling towers. Carmila is rolling out a programme to replace these towers with new measures to reduce water consumption and guard against the risk of Legionnaire's disease associated with their use. Finally, the quality of wastewater discharged by our operational sites is monitored.

On the sites where public areas are managed by Carrefour Property Gestion, Carmila has arranged for the identification of installations and activities that fall within the scope of ICPE standards (refrigerant storage, combustion plants, evaporative coolers, etc.)

Its portfolio manager draws up an inventory of the technical installations or common activities across these shopping centres with the help of its service providers.

The portfolio manager keeps up-to-date with relevant regulations on classified installations in accordance with changes to standards and notifies prefectures using the paperless procedures put in place by the Environment Ministry.

With the support of the service providers, they ensure that relevant technical and administrative regulations are followed at all times.

Every year they carry out the checks required by law at the necessary intervals and reports to the accredited building control agencies.

Following these checks, they ensure that any non-compliance issues have been addressed as required by ICPE regulations.

4.3.3 Helping to meet the shared challenges of climate change and biodiversity

Combating climate change is a challenge for us all. With its clients, retailers, suppliers and partners, Carmila is working with Carrefour Hypermarkets to implement solutions to support the transition towards a low-carbon economy. In particular, Carmila draws on the commitments made by the Carrefour group and helps to meet these shared objectives.

In 2018, Carmila will continue the work begun in 2017 to introduce carbon accounting both in its future development plans and on existing sites.

4.3.3.1 Climate

The major carbon impact of shopping centre activity is from visitor travel rather than energy consumption. Shopping mall construction plans include measures to encourage visitors and employees to use sustainable modes of transport by putting in place:

- effective communication about getting to our centres;
- where possible, additional stops agreed with bus companies;
- car sharing areas;
- charging stations for electric vehicles;
- cycle paths and cycle shelters connected to nearby public roads and pavements;
- secure pedestrian networks accessible to persons with reduced mobility.

Carmila's efforts to improve accessibility also impact upon the layout of car-parks. From the design phase, spaces are reserved for car sharing, families, bicycles and motorcycles and for electric vehicles (with charging stations). Thus, Carmila is committed to ensuring that all of its shopping centres are accessible to everyone and encourages visitors and employees to use the most environmentally-friendly modes of transport.

BREAKDOWN OF VISITS BY MODE OF TRANSPORT

Greenhouse gas emissions related to energy use in France	2017
Greenhouse gas emissions related to energy use in France *(in kg CO_2e)*	3,334,439
Carbon intensity per sq m *(in kg CO_2e)*	4.73

Greenhouse gas emissions related to leakage of refrigerant gases in France	2017
Emissions related to the leakage of R407C gas *(in kg CO_2e)*	366,686
Emissions related to the leakage of R410A gas *(in kg CO_2e)*	207,756
Total *(in kg CO_2e)*	574,442

Sites covered: 82 sites.

4.3.3.2 Biodiversity

Biodiversity is one of the issues taken into account when the shopping centres are designed. For each shopping mall construction or extension project, an ecologist conducts a fauna and flora survey. The environmental survey and associated recommendations help the site to be more effectively integrated into the ecosystem with, in particular:

- adaptations made for local fauna: insect hotels, nesting boxes and bee hives;
- extensive management of green spaces, which re-establishes an ecological balance, brings together or combines different species and favours maintenance equipment that is the least disruptive for the plants and wildlife sheltered there;
- ecological management of green spaces, with the following aims: the absence of phytosanitary products, monitoring the emergence of invasive species and limiting water consumption requirements;
- a preference for indigenous plants, which require less care, less water and attract local wildlife.

Thus, from the site design stage, ecologists, landscapers and architects work together to create landscaping that takes into account the specific nature of the local fauna and flora.

Did you know?

There are bee hives on our roofs, in partnership with Carrefour France

In keeping with the CSR policy of the Carrefour group, Carmila has allocated space on its sites for the installation of bee hives. Events are organised with retailers to showcase the initiative to visitors and enable local bee-keepers to share their work. To date, 22 of our sites are equipped with bee hives.

Carmila has also made a commitment to planting one tree for each sq m of new commercial space in its shopping centre extensions. Thus, in partnership with ReforestAction, Carmila began four reforesting projects in France in 2017, representing over 700 work days, in the vicinity of Saint-Brieuc-Langueux, Grenoble Saint-Égrève, Pau Lescar and Crèches-sur-Saone. Over 17,000 trees have been planted. This project is beneficial for both biodiversity and the climate. It enables 2,614 tonnes of CO_2 to be stored, i.e. the equivalent carbon impact of over 17 million kilometres of journeys by car.

4.4 Promoting the well-being and development of employees

Employee engagement is a key factor in the successful growth of Carmila. This collective engagement has been developed and consolidated through various initiatives aimed at all employees, from their integration into the company and throughout their career.

4.4.1 Promoting a dynamic of growth and dialogue

4.4.1.1 A changing workforce

Carmila's workforce increased dramatically in 2017, in response to strategic challenges and in keeping with the company's expansion.

With its desire to establish lasting relations with its employees, the proportion of the workforce with an open-ended employment contract stands at 95% and 98% of the headcount works full-time. In addition, Carmila's policy, with a particular focus on young people and the importance of training in its occupations, led to the recruitment of 15 trainees on work-study contracts in 2017.

Total workforce	France	Spain	Italy	Total
Total Workforce 2017	140	41	15	196

Workforce by gender	France	Spain	Italy	Total
Men	67	21	10	98
Women	73	20	5	98

Workforce by age	France	Spain	Italy	Total
50+	15	2	2	19
30-50 years	86	33	10	129
-30 years	39	6	3	48

Workforce by status	France	Spain	Italy	Total
Directors	5	2	1	8
Senior managers	10	5	1	16
Managers	102	32	10	144
Salaried employees	23	2	3	28

Workforce by contract type	France	Spain	Italy	Total
Workforce with open-ended employment contracts	117	41	13	171
Workforce on fixed-term contracts	3	0	1	4
Apprenticeship	20	0	1	21

Number of new hires	France	Spain	Italy	Total
Open-ended employment contracts	27	8	12	47
Fixed-term contract (including work-study contracts)	20	0	1	21

Number of departures of people with open-ended employment contracts by reason	France	Spain	Italy	Total
Dismissals	1	1	0	2
Resignations & contractual terminations	8	3	0	11
Departures during the trial period	2	0	0	2
Turnover rate	7.8%	14.6%	0%	7.6%

4.4.1.2 Social dialogue

Carmila is keen to promote effective social dialogue, particularly on issues relating to working conditions, the organisation and flexibility of ways of working, workplace equality, pay, and quality of workplace life.

Employee representation is organised at the level of the Carrefour Property/Carmila economic and social unit (UES). In France, employees are represented by a works council, employee delegates and a Health and Safety Committee (CHSCT). All relevant agreements have been unanimously signed by the unions, evidence that effective and constructive social dialogue is in place.

In Spain and in Italy a body representing employees is not required for the Carmila workforce. However, out of the desire to maintain constructive dialogue, meetings between employees and management are held on specific organisational issues.

Main agreements applicable within the Carrefour Property/Carmila UES

- Collective status of the Carrefour Property/Almia Management UES dated 16 December 2014.
- Incentive plan dated 28 April 2017.
- Agreement on the generation contract within the Carrefour Property/Almia Management UES dated 31 March 2016.
- Agreement on gender equality in the workplace and quality of workplace life dated 28 April 2016.
- Agreement on the introduction of remote working within the Carrefour Property/Almia Management UES dated 28 April 2017.
- Carmila Group profit-sharing agreement and its addenda dated 16 June 2014, 23 June 2015, 28 January 2016, 20 June 2016 and 28 April 2017.
- Carmila Group Collective Incentive Plan dated 28 April 2017.
- Carrefour group collective agreement on the implementation of the right to disconnect from digital tools dated 7 July 2017.

4.4.2 Providing the conditions for well-being at work

4.4.2.1 Employee satisfaction and well-being

An employee satisfaction survey was conducted in the first quarter of 2017. This survey revealed general satisfaction on the part of the employees interviewed in terms of their loyalty to Carmila and their working environment. 93% of them felt satisfied with their job (overall, how do you feel about your job?) and 92% felt satisfied in the company (overall, how do you feel about your place in the company?).

The findings were shared with all employees. Following the presentation, employees volunteered to establish working groups on different issues around well-being. A number of initiatives emerged and were put in place in 2017, in particular the introduction of sport and yoga classes.

This survey will be repeated in 2018 and extended to include Spain and Italy.

4.4.2.2 Health and safety

Carmila's activity does not present significant risks for the health and safety of its employees. Carmila is committed to promoting well-being at work and stress management, the prevention of musculoskeletal disorders and psychosocial risks and to raising awareness of road safety. The initiatives carried out, in conjunction with the Health and Safety Committee in the case of France, are mainly focussed on these topics and the agreement signed with the unions in 2016 includes these components.

Health

Carmila pays close attention to the health of its employees and, in particular, is keen to promote well-being through nutrition, sport and the prevention of psychosocial risks.

In 2017, Carmila rolled out several internal awareness-raising schemes on healthy eating. In France and Spain consultations with a dietician were offered. In France, a digital platform was made available to employees. It offers open-access training modules on well-being, particularly on the topics of nutrition and biorhythms. Finally, at the headquarters in France, fresh fruit is provided for employees on a daily basis.

Over the last three years, Carmila has introduced initiatives aimed at preventing psychosocial risks. On the intranet, a comprehensive "My day in the office" package raises awareness among employees of work-life balance, best practice for working in open-space offices and the right to disconnect. Online courses on the topic of stress were delivered in Spain. Moreover, employees from the three countries have access to an anonymous and confidential listening and counselling service. The service is available via a helpline and online, 24 hours a day, seven days a week.

The absenteeism rate in France stood at 3% in 2017.

Safety

Roads are the main safety risk for Carmila. The Company has rolled out a range of initiatives aimed at employees closest to the business who use their vehicle regularly: Training in accident prevention, and full-day events on "eco-driving and safety". Moreover, a leaflet to raise awareness of best practice and rules on road safety has been circulated.

Finally, in 2016 and 2017, 39 employees were trained in crisis management to enable them to anticipate any emergency situations.

There were no cases of occupational accidents or illness in 2017 on Carmila's sites.

4.4.2.3 Diversity, inclusion and disability

As Carmila is convinced that the company must reflect society, it has made a commitment to raise awareness of and include diversity in all its forms, particularly in relation to age, gender, health, disability, sexual orientation, social or geographical origin, etc. To achieve this, respect for diversity is embedded in Carmila's ethical principles. This code is handed to each new employee at integration.

A specific training course, "Diversity affects us all", incorporating the theme of disability, is open to all company employees. In 2016 a survey carried out by Alther Entreprise et Handicap resulted in an action plan being put in place aimed at retaining employees with disabilities and including recommendations on recruiting employees with disabilities.

In each country, an annual day is dedicated to the theme of diversity. This major event raises awareness and offers a new perspective on the issues of diversity and inclusion. In France, a call for ideas was organised in advance of the event, in order to get all employees involved in the issues of inclusion and diversity. In Spain, employees were invited to take part in different initiatives organised under the umbrella of Carrefour Spain's Solidarity Foundation.

In 2017, women accounted for 50% of the total workforce and 50% of managers (excluding senior management). Carmila's senior executives were invited to the third Women Leaders & Diversity conference, organised by the Carrefour group. Women and men at Carmila benefit from the Group's best practice in terms of diversity and inclusion.

Since 2016, the intergenerational agreement signed by management and unions in France has set out practical initiatives intended to help young people find long-term employment: preferential recruitment, access to open-ended employment contracts, retaining older employees, sharing knowledge and skills with, and mentoring, new employees under the age of 30.

The Company has also invested in the installation of a system for communicating with deaf employees.

Employees with a recognised disability	France	Spain	Italy	Total
Number of employees with a recognised disability	3	0	0	3

4.4.2.4 Employee work-life balance

Carmila recognises the fundamental importance of work-life balance, a sign of the quality of workplace life and improved business performance.

Committed to the Economic and Social Unit's (UES) agreements, Carmila adheres to the charter signed by the Carrefour group, all of the principles of which are available on the intranet. As such, Carmila supports and promotes constructive behaviour such as through managers leading by example, optimising meetings, using emails effectively, etc.

In order to improve the work-life balance of employees, an agreement on remote working was signed with social partners in 2017. It is open to all categories of employee represented on Carmila's workforce in France. In 2017, three employees began to organise their work in this way under this agreement.

A Family Day event is held every year, promoting links between families, employees and the company. This day was a great success with parents and children invited to visit the offices and take part in activities.

Carmila offers employees returning from maternity or paternity leave the opportunity to take a specific training course intended to promote work-life balance and to draw up an action plan taking into account the changes in their life.

4.4.3 Supporting talent and skills

In order to attract and retain the best employees, Carmila rolled out an ambitious recruitment plan in 2014. What has set this young company apart has been its efforts to seek out talent in its business sectors, commercial real estate and retail, in order to combine different skills and support accelerated development in order to serve its clients.

The diversity of backgrounds and skills, a real asset for Carmila, has made it necessary to establish a shared culture allowing everyone to see themselves as an ambassador for the Company. At the instigation of the Management Committee, in 2016 a company platform presenting Carmila's ambition and mission was developed jointly with managers and shared with all employees in France. This culture of sharing, intrapreneurship, creativity and innovation continued to be rolled out in 2017. An open innovation platform, Mydea, was created, and internal and external competitions are held to produce ideas. The resounding success of these examples of sharing, both in France and in Spain, confirms the dynamism of the corporate culture.

In addition to these innovative cultural aspects, there have been more traditional, yet practical initiatives that meet employees' requirements, particularly in terms of compensation, training and career management.

4.4.3.1 Recognising and valuing employees

In order to attract the best talent on the market, Carmila has adopted an attractive and competitive compensation policy in the commercial real estate market and encourages the best performances through variable pay.

In all three countries, the compensation package comprises a fixed salary, annual variable compensation for managers and directors and, in the case of France, profit-sharing agreements and incentive plans.

32 employees, in management positions or in certain key functions, benefit from a bonus share allotment plan.

Average annual pay for managers *(in euros)*	France	Spain	Italy
TOTAL MANAGERS	**54,673**	**40,833**	**42,129**
Women	50,595	34,916	36,259
Men	59,185	45,963	48,125

In 2017, as part of the memorandum of understanding on the annual mandatory wage negotiations signed with the trade union organisations, non-managerial staff on UES open-ended employment agreements with Carrefour Property/Almia, benefited from a collective pay rise of 1.5% of their compensation.

4.4.3.2 Integration, training, promotion, mobility

Integration

Under Carmila's dynamic recruitment policy, the induction process must pay particular attention to new recruits in order for them to take ownership of the culture, values and organisational structure of the company.

- They are invited to induction seminars that combine an in-depth introduction to the company and team-building, over the course of two days. Four seminars took place in 2017, of which one was dedicated to those on work-study contracts. In addition, a manager kit promotes best management practice for new hires.
- Regular breakfasts are organised with the Company's senior executives and new recruits. These events promote discussion and the sharing of the Company's vision and strategy.
- Finally, each new employee meets the Human Resources Director individually at a new hires and induction interview.

Training

To help employees adapt to a constantly changing environment and new working methods, Carmila is rolling out training plans in each country focussed on the business challenges, work issues and regulatory restrictions.

The aim of these courses is to increase professionalism, contribute to individual personal development, establish a united mind set and to promote mobility for all. Training plans pave the way to the company's future and help to make the strategy a success.

For this, the catalogue on offer in France is broken into three major strands: job-specific and regulatory, personal development and languages training. Although most of these courses are classroom-based, some are available to employees at any time via the e-learning platform "cap formation".

Number of training hours	France	Spain	Italy	Total
Average number of training hours per employee	7.9	39.1	4.1	14.1
Total training hours	1,100	1,604	62	2,766

Career management

Carmila wishes to support its employees throughout their career. For this, and in order to capitalise on the company's recruitment, training and integration efforts, a major career management system was developed when the company was established. Its aim was to respond to the expectations of employees and particularly the younger generations, for whom dynamic career management is very important.

Since 2017 employees have had a mid-term personal review in addition to their annual appraisal. This review is an opportunity to take stock of objectives at the mid-term point as well as expectations in terms of career development, to adapt the training plan and assess the workload and work-life balance. Employees' expectations and requests are systematically shared with human resources management. Vacancies are automatically circulated in-house before being advertised externally, notably via the digital platform, "*Envie de Bouger*" ("Want to Move").

Career committee meetings are held annually, at which managers discuss issues and share information about each employee's skills transversally.

In order to support employee development, comprehensive tools are on offer such as evaluations carried out by an external firm on the basis of a specific skills framework and tailored support in the form of coaching.

In addition, Carmila's experienced managers benefit from specific programmes designed and delivered by Carrefour University. These are intended to help improve their performance and prepare them to become future company leaders. Delivered both in France and overseas, these programmes also focus on developing skills for working internationally. Four employees took part in this in 2017.

4.4.3.3 Employees and charity work

The company encourages employees to get involved in humanitarian and social causes and supports employees wishing to do volunteer work.

Accordingly, in France, employees took part in a race, "*Les foulées de l'immobilier*" ("Real Estate in our Stride") and for each kilometre they completed, Carmila donated one euro to the Association Grégory Lemarchal, a charity that supports research into cystic fibrosis.

In Spain, Carmila, Carrefour Property and the Carrefour Foundation jointly organised a charity padel tennis tournament with 30 teams of ten players taking part, each made up of a Carmila or Carrefour Property employee and a Spanish shopping centre tenant. Proceeds of €3,000 were donated to Dedlines, a charity that supports families affected by rare childhood diseases, and the TAS foundation, which strives to improve the quality of life of people with disabilities and their families in rural areas.

Finally, every year employees take action, alongside Carrefour, to make a contribution to the major national campaigns led by les *Restaurants du Cœur* and food banks in particular. They volunteer in-store to help collect food donations.

4.4.4 Ethics

Different methods are used to raise awareness among employees and train them in ethical principles:

- the Code of ethics handed out to employees at integration;
- an e-learning module on ethical principles is available on the intranet and presented at orientation seminars;
- each year all employees sign a declaration of interests;

- 35 employees at Carmila Spain took a course on "Money laundering and financing of terrorism";
- each year all employees are sent a memorandum by email setting out certain key points.

A joint Ethics Committee with Carrefour Property meets three times a year. The Legal Director, Secretary General of Carmila, Director of Carmila Italy, Director of Carrefour Property Span and the CSR Director sit on the committee, which is chaired by the Human Resources Director.

The Ethics Committee is responsible for overseeing the ethics policy and ensuring ethical principles are adhered to:

- ensuring the ethical principles are circulated and that the conditions are in place to ensure employees are familiar with them, understand them, take ownership of them and adhere to them;
- leading discussion and implementing an action plan on the main ethical issues relating to our business and the specificities of our catchment areas, whilst planning ahead and maintaining a broad overview of the issues;
- putting in place a whistle-blowing procedure and ensuring that it operates effectively;
- advising directors on any issue relating to applying or adhering to our ethical principles;
- ensuring whistle-blowing is treated independently in full accordance with the law;
- monitoring and regularly evaluating the effectiveness of the procedure on the basis of indicators and regular reporting in particular.

In 2017 no disclosures were made to the Ethics Committee.

4.5 Notes on methodology, correspondence tables and verification of data

4.5.1 Notes on methodology for environmental data

Energy consumption by type and related greenhouse gas emissions

Reported energy consumption (electricity, gas) is expressed in kWh. This consumption includes energy distributed to public areas and private areas connected to the grid. Where actual consumption is not known, consumption is estimated for the missing month(s) based on the actual data for the corresponding period the previous year.

Greenhouse gas emissions related to energy consumption are expressed in CO_2e and include emissions related to electricity and gas consumption. These emissions are obtained by applying conversion factors to recorded consumption (16 g/kWh of electricity, 205 g/kWh LCV of gas). These conversion factors are collected directly from our energy suppliers.

For these indicators the 2017 reporting scope includes sites owned by Carmila in France and for which the energy contract is managed by Carrefour Property Gestion. Of the 127 centres owned by Carmila in France, this scope covers 66 sites for electricity consumption and 20 sites for gas consumption. The reporting period runs from 1 January to 31 December 2017.

Waste produced and proportion recovered

The quantity of waste collected and breakdown by type of waste is expressed in tonnes. The proportion of recovered waste includes any reuse, recycling or recovery of waste. Recovery includes incineration of waste insofar as it allows energy to be recovered. Where the tonnage is not known, it is estimated for the missing month(s) based on the number of bins collected over the period. This method was applied to data in January, February and March 2017.

The 2017 scope of reporting covers sites owned by Carmila in France for which the waste collection contract is managed by Carrefour Property Gestion. This scope covers 44 sites in France. Waste from other sites located in France is managed directly by the adjoining Carrefour hypermarket or the relevant local authority. In the case of sites where waste is managed by the hypermarket, data is included in the CSR Report of the Carrefour group and are consequently excluded from Carmila's CSR Report. For sites where waste is managed by the local authority, the authority does not share reporting on the quantity and type of waste collected. The reporting period runs from 1 January to 31 December 2017.

4.5.2 Notes on methodology for societal data

The number of "Service Kiosk" initiatives refers to the number of marketing initiatives (digital, media, point of sale advertising, events) carried out by Carmila on behalf of a retailer. All sites owned by Carmila are included in the scope of reporting. The reporting period used runs from 1 January to 31 December 2017.

The indicator, "Number of CSR event days" refers to the number of CSR-related event days having taken place on the sites owned by Carmila. Whether an event is CSR-related is determined based on three criteria: the event must be connected to an issue in the public interest, must involve interaction with stakeholders on that issue and must not result in financial gain for the lessor.

The scope covered concerns the entire Carmila group comprising Carmila France, Carmila Spain and Carmila Italy.

4.5.3 Notes on methodology for social data

The total workforce refers to the number of employees having signed a contract with one of the companies within the Carmila group and present at the end of the period. The total workforce includes employees with an open-ended or fixed term employment contract, or on an apprenticeship or training contract. This indicator is also broken down by age range, gender, working hours (full-time/part-time) and by status (employee/manager/senior manager). The number of new hires refers to the number of open-ended and fixed-term employment contracts signed during the period, whether or not the employee is present at the end of the period.

The number of departures of employees with open-ended employment contracts refers to the number of employees with an open-ended employment contract having left the company during the reporting period for the following reasons: resignation, dismissal, departure during the trial period, contractual termination, death, retirement.

The total number of training hours refers to the number of classroom-based or distance training hours delivered to employees over a full year, whether or not they are present at the end of the period. This indicator is broken down into number of training hours per employee.

For these indicators, the scope of reporting covers all employees on a contract with one of the companies in the Carmila Group. The reporting period used is the period that runs from 1 January to 31 December 2017.

The scope covered concerns the entire Carmila Group comprising Carmila France, Carmila Spain and Carmila Italy.

4.5.4 Organisational details

Carmila has developed key areas of expertise needed to develop and enhance the value of its portfolio: asset management, leasing and speciality leasing, cross-channel marketing and communications, shopping centre management and investment (renovation, restructuring, expansion and acquisitions). Designed to be simple and efficient, Carmila's operating structure relies on services provided by the Carrefour group under the terms of several agreements (see section 5 of this document "Organisation and Risk Management"). The Group works with Carrefour Property entities, the subsidiaries of the Carrefour group that own its hypermarket and supermarket buildings in France, Spain and Italy. These entities will be co-developers and will perform project management and property management roles. Several Carrefour group entities will also perform certain administrative and financial services for the Group.

4.6 Table showing correlation with Article 225 of the Grenelle II Law

Art. 225 Grenelle II themes	Sub-themes	Carmila indicators
Employment	Total workforce and breakdown of employees by gender, age and geographical area	4.4.1.1
	New hires and dismissals	4.4.1.1
	Compensation and changes therein	4.4.3.1
Work organisation	Organisation of working time	4.4.1.1
	Absenteeism	4.4.2.2
Labour relations	Social dialogue arrangements, particularly procedures for staff notification, consultation and bargaining procedures.	4.4.1.2
	Overview of collective agreements	4.4.1.2
Health and safety	Conditions of health and safety at work	4.4.2.2
	Overview of agreements signed with unions or staff representatives on health and safety at work	4.4.2.2
	Occupational accidents and illness	4.4.2.2
Training	Training policies implemented	4.4.3.2
	Total number of training hours	4.4.3.2
Diversity and equal opportunities / equal treatment	Gender equality policy implemented and measures taken	4.4.2.3
	Policy implemented and measures taken to promote the employment and integration of people with disabilities	4.4.2.3
	Policy implemented to combat discrimination	4.4.2.3
Promotion of and adherence to the stipulations of ILO fundamental conventions		See exclusions
General policy on environmental matters	Organisation of the Company to take into account environmental issues and, where relevant, environmental audits and certification	4.3.1
	Initiatives to train and brief staff on protecting the environment	4.3.1/4.3.2.3
	Resources dedicated to preventing environmental risks and pollution	4.3.2.4
	Amount of reserves and guarantees for environmental risks	See exclusions
Pollution	Measures to prevent, reduce or mitigate air, water or soil pollution seriously affecting the environment	4.3.2.4
	Taking into account noise nuisance and any other form of pollution specific to an activity	4.3.1.2/4.3.2.4

Art. 225 Grenelle II themes	Sub-themes	Carmila indicators
Circular economy	Measures to prevent, recycle or reuse waste along with other forms of recovery and disposal	4.3.2.3
	Initiatives to combat food waste	See exclusions
	Water consumption and supply according to local restrictions	4.3.2.2
	Consumption of raw materials and measures taken to improve resource productivity	4.3
	Energy consumption and measures taken to improve energy efficiency and use of renewable energy	4.3.2.1
	Land use	4.3.1
Protection of biodiversity	Measures taken to promote biodiversity	4.3.3
Outsourcing and suppliers	Taking into account social and environmental issues in the company's purchasing policy	4.2.2.5
	The extent of outsourcing and taking into account social and environmental responsibility in relations with suppliers and sub-contractors	4.2.2.5
Fairness of practices	Initiatives to prevent corruption	See exclusions
	Measures taken to promote consumer health and safety	4.2.2.4
Other initiatives to promote human rights	Other initiatives to promote human rights	See exclusions
Territorial, economic and social impact of the company's activities	In terms of employment and regional development	4.2.1
	On residents and local communities	4.2.1
Relations with people or organisations with an interest in the company's business, in particular associations supporting inclusion, educational establishments, environmental associations, consumer and residents' associations	Conditions of dialogue with these people or organisations	4.2.2
	Partnership and sponsorship activities	4.2.2.4

Exclusions

Some of the information required under art. 225 of the Grenelle II Law is not reported owing to the nature of Carmila's business and the way it is organised:

- promotion of and adherence to the provisions of ILO fundamental conventions and other human rights initiatives: As Carmila only operates in countries within the European Union, all of the ILO's fundamental conventions and the European Convention on Human Rights are adhered to, in accordance with legislation in force within the European Union;
- initiatives to combat food waste: given the nature of its activities, this issue is not directly relevant to Carmila. However, the company publicises and contributes to its tenants' initiatives in this area. In particular, Carmila is the partner of the Carrefour group for collections organised at soup kitchens run by the *Restaurants du Cœur* and *Banques Alimentaires* every year;
- amount of reserves and guarantees for environmental risks: Carmila has not made any reserves for environmental risks.

EPRA code	EPRA indicator	Unit of measurement	GRI correspondence	Carmila indicators
MEASURING ENVIRONMENTAL PERFORMANCE				
Elec-Abs	Total electricity consumption	kWh over a one year period	302-1	4.3.2
Elec-Lfl	Electricity consumption on a like-for-like basis	kWh over a one year period	302-1	4.3.2
DH&C – Abs	Energy consumption related to HVAC	kWh over a one year period	302-1	-
DH&C – Lfl	Energy consumption related to HVAC on a like-for-like basis	kWh over a one year period	302-1	-
Fuels-Abs	Fuel consumption	kWh over a one year period	302-1	-
Fuels-Lfl	Fuel consumption on a like-for-like basis	kWh over a one year period	302-1	-
Energy-Int	Energy intensity of buildings	kWh / relevant denominator	CRE1	4.3.2
GHG-Dir-Abs	Total direct greenhouse gas emissions	Eq. T. CO_2 per year	305-1	4.3.3
GHG-Ind-Abs	Total indirect greenhouse gas emissions	T CO_2e per annum	305-2	-
GHG-Int	Carbon intensity related to energy consumption	T CO_2e / relevant denominator	CRE3	4.3.3
Waste-Abs	Total water consumption	M^3 consumed per year	303.1	4.3.2
Waste-Lfl	Total water consumption on a like-for-like basis	M^3 consumed per year	303.1	4.3.2
Water-Int	Water intensity of buildings	M^3 / relevant denominator	CRE2	-
Waste-Abs	Total weight of waste collected, by type of waste	Tonnes of waste and % by type	306-2	4.3.2
Waste-Lfl	Total weight of waste collected by type of waste on a like-for-like basis	Tonnes of waste and % by type	306-2	4.3.2
Cert-Tot	Type and number of assets with environmental certification	Total number of assets certified and corresponding rating	CRE8	4.3.1
MEASURING SOCIAL PERFORMANCE				
Diversity-Emp	Diversity of employees by gender	% M/F employees	405-1	4.4.1
Diversity-Pay	M/F pay ratio	Ratio as a %	405-2	-
Emp-Training	Training and development of employees' competencies	Average number of training hours per employee	404-1	4.4.3
Emp-Dev	Appraisals	% of employees having had appraisals	404-3	4.3.3
Emp-Turnover	New hires and turnover within the company	Total number of new hires and % turnover	401-1	4.4.1
H&S-Emp	Health and safety of employees	Frequency of absences from work, number of absences from work, absenteeism rate	403-2	4.4.2
H&S-Asset	Building health and safety audit	% of buildings having been audited	416-1	4.4.2
H&S-Comp	Health and safety compliance of buildings	Number of on-site accidents	416-2	-
Comty-Eng	Commitment for each asset	% of buildings with a personalised action plan	413-2	-
MEASURING GOVERNANCE PERFORMANCE				
Gov-Board	Composition of the highest governing body	Number and identity of members	102-22	See Financial Report
Gov-Selec	Appointment and/or selection procedure for the highest governing body	Narrative explanation	102-24	See Financial Report
Gov-Col	Procedure in place to resolve conflicts of interest	Narrative explanation	102-25	See Financial Report

4.7 Statutory Auditors' Report

Report by the Statutory Auditor, appointed as independent third party, on the consolidated human resources, environmental and social information included in the Management Report

This is a free English translation of the Statutory Auditors' Report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December, 2017

To the Shareholders,

In our capacity as Statutory Auditor of Carmila S.A, (hereinafter named the "Company"), appointed as independent third party and certified by COFRAC under number 3-1049[(1)], we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December, 2017, included in the Management Report (hereinafter named "CSR Information"), pursuant to Article L .225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's Management Report including the CSR Information required by Article R. 225-105-1 of the French Commercial Code in accordance with the protocol used by the Company (hereinafter the "Guidelines"), summarised in the Management Report and available on request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of Article L. 822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory Auditor(s)'s responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the Management Report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

However, it is not our responsibility to pronounce on the compliance with the relevant legal provisions applicable if necessary, in particular those envisaged by Article L. 225-102-4 of the French Commercial Code (Duty of care) and by the law n ° 2016-1691 of 9 December, 2016 known as Sapin II (fight against corruption).

Our work involved six persons and was conducted between December 2017 and February 2018 during a four weeks period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May, 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement and with ISAE 3000[(2)] concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the Management Report with the list provided in Article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with Article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by Article L. 233-1 and the controlled entities as defined by Article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in 4.5 section of the Management Report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the Management Report.

(1) "Whose scope is available at www.cofrac.fr"
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted five interviews with the persons responsible for preparing the CSR Information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important(1):

- at entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the Management Report;
- at the level of a representative sample of entities selected by us(2) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 71% of headcount considered as material data of social issues and between 87% and 100% of environmental data considered as material data of environmental issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

La CNCC considère que la traduction n'est pas signée, dans la mesure où il s'agit d'une traduction libre en anglais du rapport original établi en français. En effet, la signature est le graphisme par lequel une personne s'identifie dans un acte et par lequel elle exprime son approbation du contenu du document. En outre, l'apposition d'une signature sur un rapport lui confère la qualité d'être un original. Or, au cas particulier, l'original est représenté par la version française du rapport.

(1) **Social indicators**: *total workforce and breakdown by age, gender and geographical area, number of new hires, number of dismissals, total number of training hours.*
Environmental indicators: *energy consumption (electricity and gas), greenhouse gas emissions related to energy use, total waste collected and collected waste recovery rate.*
Societal indicators: *number of CRS-related event days, number of Service Kiosk initiatives.*
Qualitative information: *occupational health and safety conditions, the organization of the Company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues, territorial, economic and social impact of the Company activity regarding regional employment and development.*

(2) *Carmila France.*

(3) *Refer to the list of environmental and social indicators in the above note no 1 of this report.*

5.

ORGANISATION AND RISK MANAGEMENT

5.1 The organisation of the Group and relationship with the Carrefour group

5.1.1 The organisation

Carmila is a real estate company which benefits from the SIIC tax regime and which is dedicated to managing and enhancing the shopping centres and retail parks adjoining Carrefour group stores. With a portfolio of 206 shopping centres and retail parks in France, Spain and Italy valued at more than €5.8 billion, including 141 "leader" or "co-leader" shopping centres, in their catchment areas, accounting for 68% of Carmila's total shopping centres and 86% of its portfolio in terms of appraised value (transfer taxes included) on 31 December 2017, the Group is the leader in continental Europe in terms of the number of shopping centres anchored by Hypermarkets and the third largest listed commercial real estate company by gross asset value (calculated as of 31 December 2017[1]).

Carmila gathers key areas of expertise needed to develop and enhance the value of its portfolio: asset management, leasing and specialty leasing, omni-channel marketing and communications, shopping centre management and investment (renovation, restructuring, expansion and acquisition). The Group's operational organisation is designed to be simple and efficient, and it therefore uses the services of Carrefour group entities under several agreements (see Section 5.1.4 "Operational organisation" of this document).

Carmila also draws on its strategic partnership with the Carrefour group and the synergies this generates, in order to implement its strategy to enhance value and develop its property portfolio (see Section 5.1.5.2 of this document). Since inception, the Carmila Group has carried out a significant shopping centre renovation and expansion program in coordination with Carrefour Property entities, the subsidiaries of the Carrefour group that own the hypermarket and supermarket walls in France, Spain and Italy, as well as, in most cases, their parking lots. In April 2014, Carmila S.A.S. entered into a Renovation and Development Agreement with the Carrefour group for an initial term of 10 years (the "**Renovation and Development Agreement**") which was extended for three years, prolonging its residual post merger term until 31 December 2027. The purpose of this agreement is to create a partnership between the two groups with a strategy to strengthen the attractiveness and to optimise the value of retail sites which are co-owned by the Carrefour group (hypermarkets and car parks) and the Carmila Group (shopping centres) in France, Spain and Italy. Following the merger between Carmila and Cardety on 12 June, 2017, the Carmila Group is now Carrefour group's partner under the Renovation and Development Agreement (see Section 5.1.5.3 of this document for more details on the Renovation and Development Agreement).

(1) Source: The Carmila Group's analysis of data published by other market players.

5.1.2 Organisation chart of the Carmila Group

The organisation chart below shows the legal organisation of the Carmila Group at the date of this document[(1)].

(1) *The percentages held shown in chart correspond to percentage of voting rights and ownership.*

5.1.3 Subsidiaries and related holdings

Principal subsidiaries

The Company's principal direct or indirect subsidiaries are described below.

- **Carmila France SAS** is a simplified joint-stock company with a single shareholder, (*société par actions simplifiée à associé unique*) incorporated under French law with total registered share capital of €606,192,868, with its head offices at 58 avenue Emile Zola in Boulogne-Billancourt (92100), France and registered with the Nanterre Trade & Companies Register under number 799 828 173.
- **Carmila España SLU** is a company incorporated under the laws of Spain, with total registered share capital of €132,259,000, with its head offices at Av. del Juncal, 11, 28703 San Sebastián de los Reyes, Madrid, Spain and registered with the Registro Mercantil de Madrid, page M-563.021, book 31279, page 11, under number B-86.772.837.
- **Carmila Italia S.r.l** is a private limited company incorporated under the laws of Italy with total registered share capital of €11,200,000, with its head offices at Via Caldera, 21, 20153, Milan, Italy and registered with the *Registro delle Imprese di Milano* under number MI 2036489.

Equity interests

As of the date of this document, the Group holds a 20% interest in Squaremaker France, a 15% interest in Aug'Car and a 25% interest in La Barbe de Papa Holding.

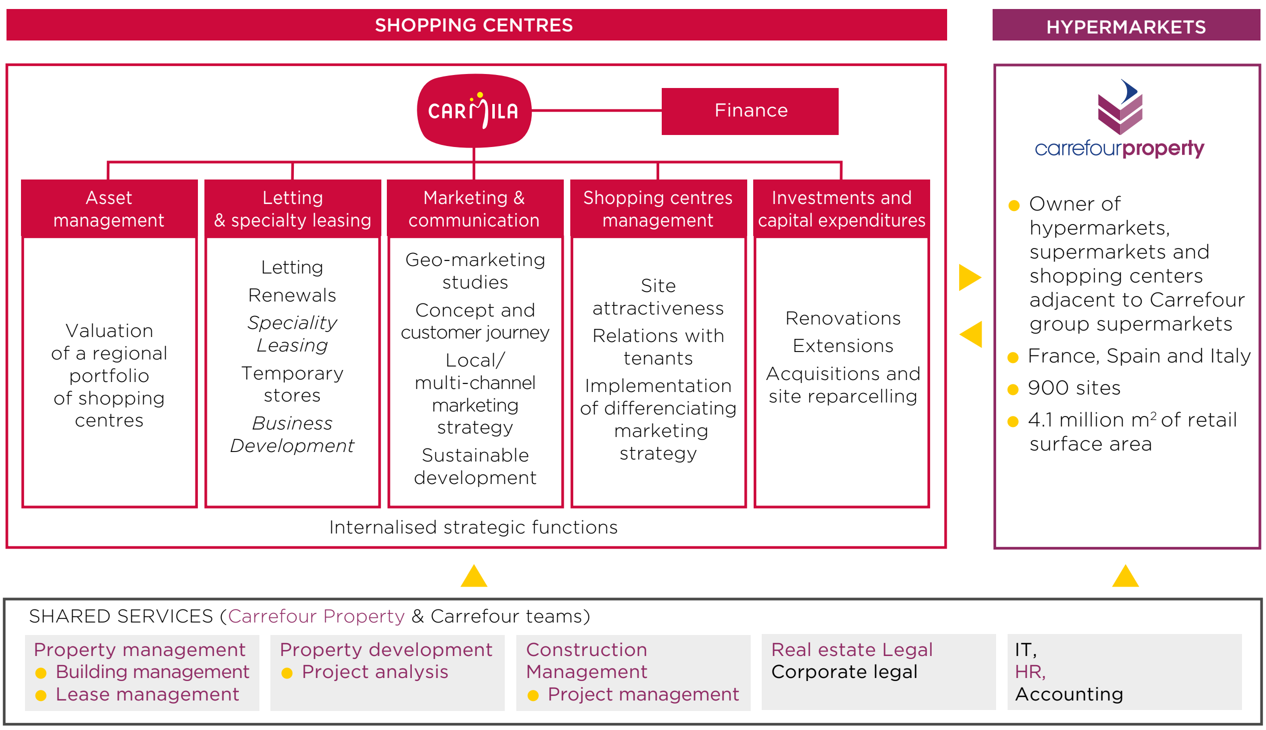
Information on equity interests

Information on the companies in which Carmila holds an interest which is likely to have a significant impact on the assessment of its portfolio, its financial position or its results is provided in Section 7.1, "Consolidated Financial Statements for 2017" of this document.

5.1.4 Operational organisation

Carmila gathers key areas of expertise needed to develop and enhance the value of its portfolio: asset management, leasing and specialty leasing, cross-channel marketing and communications, shopping centres management and investment (renovation, restructuring, expansion and acquisition). Besides the Renovations and Development Agreement, the Group's operational organisation is designed to be simple and efficient, and it therefore uses the services of Carrefour group entities under several agreements (see Section 5.1.5. of this document). The Group works with Carrefour Property entities, the subsidiaries of the Carrefour group that own the hypermarket and supermarket walls in France, Spain and Italy. These entities will be co-developers and will perform project management and property management roles. Several Carrefour group entities will also perform certain administrative and financial services for the Group.

The chart below summarises the Carmila Group's operational organisation and the principal existing relationships with Carrefour group entities:



5.1.5 A strategic partnership with the Carrefour group

The strategic partnership with the Carrefour group is a major competitive advantage for Carmila. It enables Carmila to develop its strategy based on a privileged relationship with the Carrefour group, one of the world's leading retailers, with local historical roots as well as unique knowledge and tools for targeting customers at the local level.

5.1.5.1 The Carrefour group

The Carmila Group owns shopping centres adjacent to Carrefour group hypermarkets in France, Spain and Italy. The Carrefour group, a renowned food retail group, is present in more than 30 countries, with close to 12,300 stores in addition to its e-commerce sites. The Carrefour group has more than 384,000 employees worldwide and had revenues of €88.2 billion in 2017. Each day, the Carrefour group welcomes 13 million customers throughout the world and is committed to quality and corporate responsibility.

The Carrefour group has a large range of stores from hypermarkets (1,528 stores at the end of 2017) to local grocery stores and e-commerce solutions, to meet a vast range of needs. It combines the advantages of a multi-format physical network with the agility of digital technology, while promoting the development of efficient logistics and real estate systems, helping to create attractive spaces for shopping and living.

Carrefour hypermarkets are designed for the large shopping expeditions of all types of customers. Customers can find a selection of between 20,000 and 80,000 food product references (fresh produce, mass consumption products, local products, etc.) and non-food references (clothing, electronics, house furnishing, culture, etc.) in its hypermarkets. Carrefour's hypermarkets offer quality products worldwide at low prices throughout the year. Carrefour also boosts customer satisfaction through promotional sales and events that introduce new products, price reductions and the various services the stores offer. Carrefour continues to work to provide its customers with quality products, leveraging its unique know-how in fresh products, the development of different production channels, organic foods and strong exclusive brands. In 2017, food represented 83% of Carrefour group sales.

Innovation has been an integral part of the Carrefour group's strategy for over 50 years. It opened the first hypermarket in France in 1963; introduced the first loyalty program by a large food retailer in 1981 and launched the Carrefour house brand in 1988. To enable customers to choose where, when and how to do their shopping, Carrefour offers them a range of solutions to enhance customer convenience by, on the one hand, adopting a local strategy that varies by country and, on the other hand, adopting a multi-channel approach in which stores and online solutions interact in a complementary ways, increasing the opportunities for customer contact. In particular, the Carrefour group is deploying its Drive service (click & collect service for consumers to order products online and collect them quickly from the stores), rolling out in-store mobile applications and digital services and growing its food and non-food e-commerce offer.

As of 31 December 2017, the Carrefour group had 504 hypermarkets under its brand in the three countries where the Carmila Group operates, including 247 hypermarkets in France, 203 in Spain and 54 in Italy. Carmila owns around 45% of the shopping centres adjoining Carrefour Hypermarkets across the three territories (France, Spain and Italy).

On 23 January, the Carrefour group unveiled its transformation plan, "Carrefour 2022". Carrefour has set itself one ambition: to enable its customers to consume better by becoming the world leader in the food transition for everyone. To boost its growth, the Group is undertaking a profound transformation with the launch of the "Carrefour 2022" plan, which is based on four pillars:

- rolling out a simplified and open organisation. To benefit from its strengths – multi-country, multi-format and multi-channel – the Group is simplifying its organisation and encouraging more partnerships, drivers of growth and innovation;
- increasing productivity and competitiveness. In order to invest in growth and improve its price competitiveness, Carrefour is becoming more selective in allocating its resources and tightening its financial discipline;
- creating a benchmark omni-channel universe. The Group is determined to become a benchmark omni-channel universe by investing in its successful channels, becoming a leader in food e-commerce and leveraging the power of its brand;
- revamping its offering with an emphasis on food quality. Carrefour aims to offer all consumers high quality, reliable food every day, accessible everywhere and at a reasonable price.

5.1.5.2 A partnership generating valuable synergies for Carmila

The Carmila Group was created in April 2014 to revitalise the retail ecosystem formed by the hypermarkets and their adjoining shopping centres. Its goal was to promote the revitalisation of the sites through the coordinated renovation, optimisation and expansion of the hypermarket and the shopping centre, as an extension of the hypermarket renovation program launched by the Carrefour group in 2012. The merger between Cardety and Carmila S.A.S. is a further stage in the strategy in place since 2014, to create a single player dedicated to enhancing the value of the real estate assets adjoining Carrefour hypermarkets in France, Spain and Italy.

In implementing its strategy, the Group benefits from its strategic partnership with the Carrefour group. The shared vision of the two groups embodied by their partnership is a major competitive advantage for Carmila, which enables it to benefit from significant synergies that will also benefit its tenant retailers and end customers:

- the aim of both groups to form a consistent commercial ecosystem at each site makes it possible to accelerate the revitalisation and expansion of the shopping centres to cement their local leadership;
- thanks to a joint "opt in" between the Carrefour group's hypermarkets and the Group's shopping centres (where a customer agrees to let both Groups use his or her data)

Carmila is building and developing a high-quality and continually updated customer database, offering its retailer tenants a refined targeting tool to attract customers and create customer loyalty;

- the implementation of coordinated marketing activities between the Carrefour group and the Carmila Group will promote the development of cross-channel marketing solutions at optimised cost to increase footfall at the Group's shopping centres;
- coordinated shopping centre renovation and hypermarket modernisation optimises the site's increased attractiveness while limiting temporary impacts of construction;
- the Group will be able to implement expansion projects relatively quickly by coordinating its actions with the Carrefour group and having control over land reserves, since the Carrefour group generally owns parking lots or land adjoining the Carmila Group's shopping centres;
- the Carmila Group will benefit from the Carrefour group's network and knowledge of its catchment areas in identifying off-market acquisition opportunities that will create value.

The Group benefits from an efficient operational organisation relying on services provided by the Carrefour group under several agreements. This operational model promotes cost optimisation and the sharing of skills required to manage and enhance the value of the Carmila Group's shopping centres.

5.1.5.3 Principal agreements with Carrefour group entities

The Carmila Group has entered into several agreements with the Carrefour group which mainly concern (i) the renovation and development of shopping centres; (ii) property management and; (iii) administrative and financial services.

In addition, the Carmila Group entities provide letting services to Carrefour group companies in France, Spain and Italy for shopping centres that are still held by the Carrefour group in those three countries.

In connection with the Merger, the parties maintained all of the existing contractual relationships between the Carmila Group and the Carrefour group.

The appropriate procedures with respect to regulated agreements have been followed to the extent applicable. It was therefore applied for the following agreements:

- the Renovation and Development Agreement (see Section 1, "Renovation and Development Agreement" of this paragraph); and
- the services support agreement covering support functions (see Section 3, "Service Agreements" of this paragraph).

The Renovation and Development Agreement (as defined below), entered into on 16 April 2014 for a term of ten years, was extended for a period of three years, prolonging its residual post merger term until 31 December 2027.

The other agreements described below, which were entered into on 16 April 2014 for a term of five years, were extended by one year, until 31 December 2020.

The conclusion and modification of these agreements are subject to specific rules in the internal regulations of the Company's Board of Directors.

In connection with the Merger, the contracts between the Company and the Carrefour group were reviewed and redrafted on a case-by-case basis; in particular the rental management agreements between the Company and the Carrefour group were terminated, with the Company joining the lease management agreement between Carrefour Property Gestion and Carmila France and its subsidiaries. The financial terms of these agreements were not intended to be modified by the Merger, apart from service agreements which had to cover a larger scope because of the merger between the Company and Carmila S.A.S.

For a summary of the flows under these agreements see Note 12 to the Company's Consolidated Financial Statements for 2017 in Section 7.1 of this document.

(1) Renovation and Development Agreement

On 16 April 2014, Carmila and Carrefour entered into the Renovation and Development Agreement, a partnership agreement with the objective of implementing a joint strategy in France, Spain and Italy to strengthen the attractiveness and optimise the value of the sites that are co-owned by the Carmila Group (shopping centres) and the Carrefour group (hypermarkets and car parks) (and, where applicable, with third parties).

Initially concluded for a term of 10 years, it was prolonged for three years, and its residual post-Merger term expires on 31 December 2027.

The purpose of the Renovation and Development Agreement is to establish the implementation and financing terms for renovation and expansion projects at the identified sites. The scope of the Renovation and Development Agreement covers an initial list of the Carmila Group's shopping centres in France, Spain and Italy at the date of this agreement and, unless the parties agree otherwise, covers any new site owned or developed jointly with the Carrefour group.

(a) Renovation projects

In connection with the Renovation and Development Agreement, the Company and Carrefour undertook to complete, within five years, an initial renovation program covering 167 shopping centres, for a provisional overall amount of €238.5 million (excluding transfer taxes), of which €74.5 million would be borne by the Company, around 30% of the provisional overall amount.

The Renovation and Development Agreement provides that the first renovations of the shopping centres adjoining Carrefour hypermarkets (i.e. the 167 centres and any other shopping centres adjoining a Carrefour hypermarket acquired by the Carmila Group exceeding this provisional overall amount) will be financed by the Carmila Group and the Carrefour group pro rata based on their respective shares of expense obligations (for sites divided into volumes) or based on their ownership percentages (for sites held through co-ownership).

This renovation programme of 167 shopping centres has now been completed (the renovation of six sites having been deferred to be completed with the associated extension development (see Section 2.1.2 of this document.)

Subsequent renovations of the Carmila Group's shopping centres will be paid for equally (50% each) by the Carmila Group and the Carrefour group. However, where the share (excluding taxes) to be borne by the Carmila Group is greater than 5% of the appraised value of the asset to be renovated, Carmila and Carrefour have undertaken to negotiate in good faith to modify the equal split of costs accordingly.

(b) Development projects

Pursuant to the Renovation and Development Agreement, and in addition to an initial list of 37 shopping centre development projects in France, Carmila and Carrefour may propose shopping centre expansion plans that they wish to undertake.

The proposed project is reviewed and established jointly by a partnership committee and then presented separately to the decision-making bodies of Carmila and Carrefour. Financing costs and the margin realised on each development project are split equally (50% each) between the Carmila Group and the Carrefour group.

For purposes of completing a development project, Carmila and Carrefour may (i) form a special purpose company held as a 50/50 joint-venture, in which Carmila has the right to acquire, upon completion of the development project, the 50% share held by Carrefour, and Carrefour also has an option to sell its stake to the Company, or (ii) use other alternative methods, such as a sale by Carrefour to the Company of the land parcels held by the Carrefour group with an additional price corresponding to 50% of Carrefour's development margin for that development project, or other ways.

In addition, CPF Asset Management, a subsidiary of Carrefour Property France, acts as project manager under project management delegation agreements.

(c) Other provisions

Reciprocal rights of first refusal

In the event that the Carrefour group intends to sell to a third party not affiliated with the Carrefour group: (i) one or more shopping centres anchored by a hypermarket; (ii) the land where a hypermarket is located adjoining a shopping centre covered by the Renovation and Development Agreement; (iii) one or more properties for use as retail parks; and/or (iv) a real estate complex including a shopping centre and the land for a hypermarket, located in France, Spain or Italy, the Company has a right of first refusal to acquire the asset or assets in question pursuant to the terms of the Renovation and Development Agreement. This right of first refusal does not apply in the event of a sale in connection with the sale of a hypermarket's business.

In accordance with this right of first refusal, Carrefour is required to send the Company an offer to sell the assets to Carmila before seeking a third-party acquirer. If the Company refuses the offer, Carrefour may sell the assets in question to a third-party acquirer on terms at least equal to those of the offer initially made to the Company, within a determined period.

Carrefour also holds a right of first refusal if the Company wishes to sell any subsidiary or one or more properties located in a shopping centre covered by the Renovation and Development Agreement, pursuant to terms that are identical to those applicable to the Company's right of first refusal.

Reciprocal priority right

Each of the parties to the Renovation and Development Agreement has undertaken to present to the other party any development project for a new site or any development project for one or more existing sites located in France, Spain or Italy held by it or by one of its affiliates but outside the scope of the agreement, to the extent that (i) the development project includes the development of a retail park; (ii) with respect to the priority right granted by Carrefour to the Company, the development project includes the development or expansion of a shopping centre anchored by a hypermarket; and (iii) with respect to the priority right granted by the Company to Carrefour, the development project provides for the development or expansion of a shopping centre anchored by a store that primarily sells food.

In the case of a joint development project, the project is reviewed and implemented pursuant to operational, legal and financial terms to be agreed between the Company and Carrefour. The Renovation and Development Agreement provides in that regard that (i) the ownership of volumes or co-ownership lots for use as hypermarkets, supermarkets and/or medium-sized food stores and as service stations is reserved to Carrefour; (ii) the ownership of parking lots is reserved to Carrefour (in the case of volume division) or to the property manager (in the case of a co-ownership); and (iii) ownership of volumes or co-ownership lots for use as shopping centres and/or retail parks and/or medium-sized stores other than those predominantly selling food is reserved to Carmila.

In addition, with respect to projects to develop new sites, (i) the development margin on shopping centres, retail parks and medium-sized stores (other than those that predominantly sell food) is shared equally between Carmila and Carrefour, with the financing borne equally between the two companies; and (ii) the development margins on hypermarkets, supermarkets and medium-sized stores predominantly selling food are attributed to Carrefour, with the financing borne by Carrefour.

Other commitments

The Renovation and Development Agreement also includes several rights and obligations binding on Carrefour and Carmila, such as rights of submission to Carrefour in the case of leases for certain real estate properties or in connection with Carmila's letting or re-letting of premises to be used for a hypermarket, supermarket, hard discount grocery store, click and drive grocery store or any other predominantly food business on the sites where Carrefour is not present. The Company is also prohibited from leasing certain premises inside shopping centres governed by the Renovation and Development Agreement (i.e., any premises with gross leasable area of greater than 300 m^2) for use as a hypermarket, supermarket, hard discount grocery store or click-and-drive grocery store (non-compete clause).

(2) Lease Management and Property Management Agreements

(a) Management of leasing activities in France

Pursuant to exclusive agreements with Carmila France and certain of its subsidiaries, Carrefour Property Gestion performs lease management and property management services for all of the real estate assets that Carmila France and its subsidiaries own or that they occupy under construction leases, long-term leases or financial leases with third parties. These exclusive agreements were entered into for a term of five years beginning on 16 April 2014. They were extended by a year, prolonging their residual post Merger term until 31 December 2020.

In connection with each agreement, Carmila France or one of its subsidiaries has retained Carrefour Property Gestion to perform the following lease management services:

- maintenance of the list of tenants and their rental status;
- monitoring of insurance policies that tenants are required to maintain;
- invoicing and collection of rents and related charges; and
- collection and reporting of tenants' revenues.

With respect to property management, each of the agreements provides for the performance of the following principal services:

- assistance with commercial optimisation of real estate assets;
- assistance with managing service provider and partner relationships and with preparing, negotiating, and carrying out disposals of all or part of the real estate assets;
- inspections of premises and approvals for sales of businesses, sales of leasehold rights, and subleases; and
- assistance with development projects (in accordance with the terms of the Renovation and Development Agreement).

As consideration for these services, Carmila France and each of its relevant subsidiaries pays Carrefour Property Gestion an annual fixed payment equal to 3.5% of the annual net rents collected. Net rents are defined as rents excluding taxes, charges and insurance, but excluding revenues relating to speciality leasing. For indicative purposes this amounted to €6,603 thousand in 2016 and €7,311 thousand in 2017.

In addition, Carrefour Property Gestion has granted the sub-management to Almia Management, a Carmila Group affiliate, of its shopping centres in France for which Carrefour Property Gestion is the designated property management entity or chairman of the relevant urban property association, and shopping centre director. In this context, Almia Management manages the shopping centre's relations with the shop retailers as well as, in particular, the management of regulatory compliance, leases and internal regulations, representation of landlords, marketing for the shopping centres and temporary exhibitions in the shopping malls. Almia Management was paid €6,292 thousand in 2016 and €4,405 thousand in 2017 as consideration for its services.

(b) Management of real estate activities in Spain

Carmila España has entered into an exclusive lease management and property management agreement with Carrefour Property España with a term of five years beginning in April 2014, covering the same services as those provided under the agreements in France, except for certain specific services (such as, in particular, the commercial optimisation of the properties). Simultaneously with the Merger, it was extended until 31 December 2020.

As consideration for the performance of these services, Carmila España pays Carrefour Property España annual compensation equal to 3.6% of annual net rents collected, with net rents defined in the same manner as for the agreements in France. Carrefour Property España was paid fees of €1,563 thousand in 2016 and €1,860 thousand in 2017 as consideration for these services.

Certain services, in particular the commercial optimisation of properties, that are not covered by the agreement, are performed by Carmila España on its own behalf, as well as for the benefit of Carrefour Property España and other Carrefour group entities in Spain pursuant to exclusive agreements with Carmila España. Carmila España SL was paid €55 thousand in 2016 and €145 thousand in 2017 for this service.

(c) Management of leasing activities in Italy

Carmila Italia has entered into an exclusive lease management agreement with Carrefour Property Italia covering the same services as those provided for in connection with real estate management activities in France, as described above, in addition to lease management and business lease management.

This management agreement, for an initial term of five years, was extended until 31 December 2020 simultaneously with the Merger in order to incorporate a design and town planning assignment. Since 1 January 2017, asset management and letting services initially provided by Carrefour Property Italia pursuant to this agreement are now performed by Carmila Italia, including (i) optimisation of the properties' merchandising mix and (ii) renewal of leases and letting of vacant premises or premises that become vacant.

From 1 January 2017, Carmila Italia pays Carrefour Property Italia, as consideration for all these services, (i) fixed annual compensation equal to 1.3% of annual net rent collected, with net rents defined in the same manner as for the agreements in France, and (ii) €79,000 for design and urban planning services. Carmila Italia paid Carrefour Property Italia €729 thousand in 2016 and €626 thousand in 2017 for all the services.

Carrefour Property Italia has also entered into the following agreements with Carmila Italia: (i) an exclusive delegation agreement pursuant to which Carmila Italia markets its assets, and (ii) a sub-delegation agreement for the management of the Carmila Group's shopping centres located in Italy.

(3) Service Agreements

The Carmila Group has entered into several service agreements with the Carrefour group pursuant to which Carrefour or its affiliates undertake to provide assistance, advice, and services to Carmila and its subsidiaries relating to accounting, tax, legal, administrative, and insurance matters. As consideration for these services, the Carmila Group paid the Carrefour group fees totalling €2,452 thousand in 2016 and €2,753 thousand in 2017.

(4) Letting and speciality leasing agreements in Spain

Carmila España provides letting services to Carrefour Property España and other Carrefour group entities in Spain under exclusive agreements with terms of five-years, as consideration for which Carmila España receives compensation equal to 10% of the rent agreed with tenants, in the case of letting or re-letting, or 5% of the rent agreed with tenants, in the case of renewals of leases.

Carmila España also provides speciality leasing services to Carrefour Property España and other Carrefour group entities in Spain under separate agreements entered into with each of the Carrefour group entities. Carmila España's payment under these agreements is set by reference to a two-tranche sliding scale corresponding to revenues received from tenants, where the thresholds vary from one shopping centre to the next, pursuant to which Carmila España receives 15% of revenues corresponding to the first tranche and, where applicable, 40% of revenues corresponding to the second tranche.

Carmila España SL received €580 thousand in 2016 for 2016 and €613 thousand in 2017 for these letting services.

5.1.6 Information systems

The Carrefour group provides information system services to the Carmila Group. Carrefour Property's Information Services Department assists the Carmila Group in planning its information system strategy, supervises the implementation of its IT projects and manages the resources and budget dedicated to information systems. The Information Services Department participates in the design and articulation of the Carmila Group's projects and is involved in the preparatory phases, in order to (i) identity a project's inherent risks, in particular with respect to the protection of information and (ii) define the security needs and actions to be integrated into the project.

Certain modules and innovations are being evaluated in order to capitalise on the Carmila Group's operational strength, to promote a decision-making culture based on Big Data, and, more generally, to accelerate digital development and reinforce the customer relations management strategy (Cloud CRM).

Operational Systems

The Carrefour group's Real Estate Department has developed specific information systems to respond to analysis and reporting needs, in particular using the leasing and real estate management application "Altaïx" and the data visualisation application "Qlikview".

These reporting tools assist with steering activities concerning:

- Lease Management (tenant relations), using various business metrics (vacancies, unpaid rent, lease status, tracking of movements, lease expiration, mapping of certain indicators with targeted step plans);
- Property Management (management of common charges) through indicators such as budgetary monitoring, benchmarking of expenses and monitoring of supplier invoices.

Other Applications and Information Systems

The Carmila Group uses applications and operational systems for financial and accounting management. These systems are based on a reporting and consolidation tool that aids in preparing consolidated financial statements and measuring the Carmila Group's performance. To that end, the Carmila Group uses applications such as "PeopleSoft", "GED Factures" and "Exabanque".

The other main applications and systems used by the Carmila Group are "Eurecia" and "Hypervision" for human resources management, "Altaïx" and "Global AG" for assistance with various property management tasks, and "GED" and "AD Environnement" for archiving and communications.

Continuity of Information System Service

Significant security measures are in place to protect the security of the systems, applications and data of the Carmila Group and its clients. Utmost attention is paid to the security of systems and the protection of personal data against risks of destruction, theft and fraudulent or malicious use.

5.2 Risk factors

Investors should consider all of the information set forth in this document, including the following risk factors. These risks are, as of the date of this document, those which the Group considers would be likely to have a material adverse effect on the Group, its business, financial position, results or outlook, should they occur. Investors' attention is drawn to the fact that the list of risks presented below is not exhaustive and that other risks which are either unknown or whose occurrence is not considered, as of the date of this document, likely to have a material adverse effect on the Group, its business, financial position, results or prospects may or could exist or occur.

5.2.1 Risks relating to the Group's business sector

The Group is exposed to risks relating to an adverse change in certain macro economic factors in the countries in which it operates.

As of the date of this document, the Group's commercial real estate assets comprise 206 shopping centres and retail parks adjoining Carrefour group hypermarkets in France, Spain and Italy. A description of the Group's property portfolio is in Section 2 of this document.

The Group's business development activities and asset valuations could be significantly affected by a changing political environment or by unfavourable changes in the principal macroeconomic factors in the countries where it operates, and in particular:

- employment and growth rates;
- inflation, purchasing power and consumer spending;
- decreases in the indices used as the basis for rent adjustments (in particular, the French commercial lease index – *indice des loyers commerciaux*, or "ILC");
- increased interest rates and access to financing by potential real estate buyers; and
- rates and changes in real estate taxation.

Unfavourable changes in the foregoing economic factors are particularly likely:

- to have an unfavourable impact on the rental income generated by the real estate assets that the Group owns or may own in the future, firstly, since a decline or slower growth in the ILC index to which the Group's properties are indexed could have an adverse impact on these rents, and secondly, a fall in consumer spending could negatively affect the rents received under leases with variable rent clauses indexed to tenants' revenues;
- to have a substantial drop in occupancy rates, which would depress net rental income due both to the decrease in rent and the increase in charges that would no longer be passed on;
- to have a substantial impact on tenants' ability to pay their rent which would impact the Group's rent collection rates and charges related to distressed tenants, particularly during difficult economic periods;
- to affect the value of the property portfolio that the Group owns or may own in the future, which depends on many factors, such as supply and demand, which themselves depend on general economic conditions;
- to affect the Group's capacity to increase or even maintain the level of its rents when renewing leases, which depends on the levels of its tenants' current and expected revenue, the changes in the supply and demand and the market (which are influenced by the general economic climate) and the changes in the law which apply to commercial leases;
- to reduce the demand for new commercial space and therefore the need to revitalise and extend the Group's shopping centres; or
- to reduce the Group's capacity to finance possible acquisitions of real estate assets or new development projects which the Group may wish to develop in the future, in particular because of higher interest rates or difficulties in obtaining credit from financial institutions or the capital markets.

A downturn in the commercial real estate market could have an adverse impact on the valuation of the Group's assets and its rental income.

The value of the Group's commercial real estate portfolio and its rental market are exposed to a downturn in the property market:

- unfavourable market conditions could lead to a decrease in the appraisal value of the Group's assets, since appraisals take into account, among other factors, the values of comparable real estate transactions. A generalised fall in the market prices paid in such transactions would affect the value of the Group's assets; and
- unfavourable market conditions could lead to a decrease in rents, which would negatively affect rent levels in the Group's new and renewed leases and would also make it more difficult to obtain the maximum legal rent increases from its existing tenants on the basis of movements in the ILC in particular if the rent payable under continuing leases, as a result of this increase, is greater than that of new or renewed leases.

In addition, an extended downturn in the commercial real estate market could reduce liquidity and make potential asset disposals difficult. The Group might be unable to meet its debt repayment obligations or to sell its commercial real estate assets under satisfactory financial terms and time limits, if this were necessary. In particular no assurances can be given about whether the Group would be able to sell its commercial real estate assets under terms at least equivalent to those under which it acquired them.

The Group's property portfolio is concentrated in France, Spain and Italy.

On 31 December 2017, around 74% of the Group's real estate assets are located in France in terms of appraisal value. The concentration of the Group's assets in France means that a significant downturn in economic conditions in France would have a greater impact on the Group's results and financial position than those of a real estate company whose property portfolio is more widely spread over Europe or internationally. In particular, a fall in market rents in France would result in a fall in the Group's rental income in the medium-term.

The Group also owns and operates shopping centres in two other continental European countries, Spain and northern Italy, in addition to its main market in France. These two countries may have different risk profiles from those of the French market, in particular in terms of their respective economic conditions and regulatory frameworks. Sub-optimal management of these risks could have an adverse impact on the Group's strategy, results, financial position and prospects.

On the date of this document, growth remains limited in France and Italy and growth forecasts in France and Italy are prudent (1.9% and 1.4% for 2018 respectively)[1]. Although the position in Spain is more favourable (2.4% growth for 2018) the Group cannot guarantee that these favourable trends will be confirmed and/or continue in the long-term. The negative consequences of an economic downturn in France, Spain and Italy, in particular a decrease in purchasing power and consumer confidence, could consumers to delay or reduce expenditure on the products and services offered in the shopping centres operated by the Group. This could lead to a fall in the variable portion of rents, a restriction on recruiting new retail brands and an increase in unpaid rents for the Group.

The Group is exposed to interest rate risks and in particular interest rate increases.

An increase in interest rates could have an adverse impact on the Group's financial position, income or outlook, for several reasons:

- an increase in interest rates could result in a fall in the appraisal value of the Group's portfolio by affecting the discount rates applied to rents when determining the present value of rental income, which is based on the difference between the appraisal value and market value, including transfer taxes. The appraisal procedure and methodologies used are described in Section 2 of this document;
- if interest rates increase from current levels or borrowing terms become less favourable, when its existing loans and hedge agreements expire, the Group could be forced to enter into new loans or hedge agreements with higher financial costs than its current ones; and
- lastly, an increase in interest rates could impact the Group's growth strategy because higher financing costs could reduce its capacity to finance acquisitions or development projects and therefore to implement its strategy.

Conversely, a fall in interest rates could increase the price of real estate and therefore the cost of acquiring real estate assets, which could have an adverse impact on the Group's income, financial position, investment strategy and outlook.

The Group operates in a highly competitive environment.

The Group's business activities in France, Spain and Italy compete with multiple players, not only in its property investment business but also in its rental business. Competitors in its real estate investment business include listed and unlisted real estate companies, including both French competitors (such as Unibail-Rodamco, Klépierre and Altarea) and European competitors (such as Eurocommercial Properties, Wereldhave, IGD and Hammerson); large institutional investors, such as banks and insurance companies; real estate entities of retail groups (such as Immochan, Galimmo, Mercialys and Immo Mousquetaires); and independent operators.

The Group's rental businesses are subject to significant competitive pressure. Competition may come from other shopping centres, retail parks, or other commercial spaces operated by competitors and located in large catchment areas that sometimes overlap with those of the Group's shopping centres, from e-commerce or the appeal of certain retail brands located in competing shopping centres. In particular, the development of new shopping centres by competitors near to the Group's existing shopping centres and renovations or expansions in shopping centres which compete with the Group's sites in the same catchment area could have an adverse impact on the Group's capacity to lease commercial space at attractive terms and therefore on the level of rents and expected income.

In addition the growth in e-commerce could reduce the footfall in shopping centres and tenant's revenues and therefore have an adverse impact on the Group's results, financial position, the Group's outlook and/or value of its real estate portfolio In addition, competitive pressure could threaten certain expansion projects as the Group may not be able to pre-rent the new lots under attractive conditions thus impacting the profitability and viability of these projects.

Finally, the Group's tenants are subject to strong competitive pressure on their respective business segments. A deterioration in their business activity and financial position due to competition could impact their capacity to pay rent; the level of variable rents which the Group receives for leases comprising a variable rents clause indexed to the revenues realised, or their decisions concerning renewing their leases at term.

Given the competition in the commercial real estate market, the Group might be unable to complete the proposed acquisition that it would like to undertake, which could slow its growth and the implementation of its strategy, and could have an adverse effect on its business, potential growth and future results.

These different factors are likely to have a material adverse effect on the revenues of the Group's shopping centres, their prospects for development and their results, as well as the rental income and results they generate for the Group and therefore on its financial position and outlook.

(1) Source: INSEE (French national statistics office) and IMF, World Economic Outlook, January 2018.

The Group may not be able to anticipate, identify or follow the rate of change in the commercial real estate market or invest in the services and technologies that would be commercially successful.

The commercial real estate sector is evolving structurally and facing potentially significant changes, including technological advances and the resulting changes in consumer preferences and behaviour. The development of the Internet, and digital technology generally, creates new opportunities but also carries risks, to the extent the Group could prove unable to adapt quickly enough to meet brands' and consumers' expectations, and therefore might not seize the opportunities in this rapidly evolving market.

In order to keep up with these changes, the Group allocates a percentage of its capital expenditures to the services and technologies which it considers will have strong added value or will be well-received by retail brands and consumers (see Section 1 of this document). However, the rapid changes in these technologies and the expectations of retail brands and consumers, means that the Group cannot guarantee that it would be able to anticipate and identify the services and products which satisfy its customers' expectations or adapt its offer to new technologies and trends. In addition, the Group might commit significant investment to update and digitalise its service offering but still fail to achieve the expected commercial benefits. In this context the Group may fail to differentiate itself from its competitors, which could ultimately have a material adverse effect on its business, results, financial position and outlook.

5.2.2 Risks relating to the Group's activities

The Group's investment policy and the success of its development strategy rely on its partnership with the Carrefour group.

The Group's strategy relies on a strategic partnership with the Carrefour group. Since inception, the Carmila Group has conducted a significant renovation and expansion program in coordination with Carrefour Property entities, which are subsidiaries of the Carrefour group that own Carrefour hypermarket and supermarket buildings in France, Spain and Italy, as well as, in most cases, the car parks for these buildings. The Carmila Group entered into a "renovation and development" partnership agreement (the "**Renovation and Development Agreement**") with the Carrefour group, the purpose of which is to implement a strategy to enhance the appeal and optimise the value of the commercial sites that are co-owned by the Carrefour group (hypermarkets and car parks) and the Carmila Group (shopping centres). The Renovation and Development Agreement provides for joint approval and financing by the Carmila Group and the Carrefour group of projects to renovate and expand the Group's shopping centres. See Section 5.1 "Organisation of the Group and relationship with the Carrefour group".

If the Carrefour group were to decide (in particular following a strategic disagreement or otherwise) not to finance all or some of certain shopping centre renovation and development projects, or if the Renovation and Development Agreement were terminated or not renewed, the Group might be unable on its own to finance and carry out the projects necessary to maintain the value and appeal of its shopping centres, or to continue to implement its growth strategy in a market in which opportunities for acquiring new shopping centres are currently relatively limited. This could have a material adverse effect on the Group's business, results, financial condition and growth prospects.

The level of footfall in the Group's shopping centres relies on the presence and appeal of the Carrefour group's hypermarkets.

As a company which is dedicated to the management and increasing the value of shopping centres and retail parks adjoining Carrefour group stores, the Group benefits from the presence and image of the Carrefour group's hypermarkets within the shopping centres it operates. The presence of these hypermarkets under the Carrefour group brand is a major factor in the attractiveness of the adjoining shopping centres and contributes significantly to their footfall, which benefits all of the Group's tenant retailers.

A loss of brand strength on the part of Carrefour or the closing of certain hypermarkets would likely have a material adverse effect on footfall at the Group's shopping centres and on the business of its tenant retailers and, in turn, on the total rental income from certain shopping centres and therefore on the Group's business, results of operations, financial condition and growth prospects.

The Group is exposed to a drop in footfall in its shopping centres.

The Group depends on visitor traffic to its tenant retailers' stores in its shopping centres. This traffic is affected by outside events beyond the Group's control and the operational quality of its sites.

While the Group intends to continue to offer a high-quality experience and clean sites to satisfy both its tenants' and customers' expectations, this requires regular expenditures and investments. Any prolonged and significant dissatisfaction by its customers could affect the Group's reputation and appeal for the retail brands currently present or lead to lower footfall at its sites, and thus have a material adverse effect on the Group's business, financial position, results and outlook.

The Group's real estate assets in France, Spain and Italy, which receive a significant number of visitors, are exposed to the risk of a terrorist attack, which could lead to a decrease in footfall, increased costs associated with strengthening security at the Group's sites and cause potential damage to the Group's image. Even an attempted terrorist attack or an attack in a shopping centre that did not belong to the Group could also have a material adverse effect on the Group's business, results and financial position. The shopping centres could also be affected by natural disasters such as floods and fires, which could render sites inaccessible or require significant reconstruction. Such events, especially if the Group's insurance policies did not cover all the related damage, could have a material adverse effect on the Group's business, results, financial position and outlook.

The Group is exposed to risks related to renovation, restructuring and expansion projects at its shopping centres.

In connection with its strategy to create value and develop its property portfolio, the Group conducts renovation, restructuring and expansion projects at its shopping centres (see Section 1, "The value creation model" in this document).

These projects are subject to a number of risks, including the following:

- the administrative authorisations requested by the Group or its partners that are required for renovations and expansions may be delayed or refused altogether;
- the Group may not obtain financing under satisfactory terms for its projects;
- the Group's projects could require third-party consents, such as from other property owners, anchor retailers, creditors or its development partners, and these consents might not be granted;
- initial project costs, such as the cost of conducting studies, generally cannot be deferred or cancelled in the event of a delay or cancellation of projects;
- rental income may be lower than initially budgeted or expected. Pre-let leases signed with retail brands might not be honoured on their initial terms and the Group could encounter difficulties in letting space which has not been leased in the pre-letting phase; and
- the cost of renovating the assets could turn out to be higher than the initial valuation. the renovation phase might be longer than estimated and technical difficulties or execution delays could occur due to the complexity of certain projects.

These risks could lead to delays or cancellations of investments or their completion at a higher cost than initially budgeted or lower profitability than initially hoped (or losses). Any or all of these events could slow the Group's growth and the implementation of its strategy and could have a material adverse effect on its results, business, financial condition and outlook.

The Group is exposed to the risks associated with acquiring shopping centres.

The Group's policy is to target shopping centres adjoining Carrefour group hypermarkets in France, Spain and Italy. This policy carries risks, including the following:

- the Group might overestimate the potential return on the assets and consequently acquire them at too high a price, given the financing used to acquire them, or be unable to acquire them on satisfactory terms notably during a competitive bid processes or in periods of high economic volatility or uncertainty;
- the Group could discover undisclosed issues with respect to the acquired assets, such as subleases, tenant violations of applicable regulations (in particular environmental regulations) or non-compliance with construction plans that are not covered by the warranties included in the relevant acquisition agreement;
- to the extent that an acquisition could be financed by the sale of other assets, unfavourable market conditions or time-frames could delay or compromise the Group's ability to complete the acquisition and therefore the anticipated benefits could be below the Group's expectations or occur later than anticipated in the business plan at the time of the acquisition; and
- the profitability of these acquisitions might rely on the completion of subsequent restructuring and/or expansion projects after the assets are acquired, and these expansion projects may be blocked or delayed for various reasons (see Section 5.2.2 "Risks relating to the Group's businesses – The Group is exposed to risks in carrying out renovation, restructuring and expansion projects at its shopping centres" of this document).

More generally, the Group cannot guarantee that opportunities to acquire such assets on satisfactory terms will arise. In addition the cost of these acquisitions could require significant financial resources, especially external financing which the Group cannot guarantee it will be able to obtain on satisfactory terms. This could slow the rate at which the Group acquires new assets on the market, as well as their integration into the Group, and more generally, could diminish benefits expected at the operational level and adversely impact the Group's portfolio development strategy.

Lastly the Group does not rule out investing in new geographical markets in Europe where it is currently not directly present today, but where the Carrefour group operates, which could expose it to different risks from those confronted today.

In the event that anticipated synergies and value creation are not achieved, or are achieved later than expected, there could be a material adverse effect on the Group's business, results of operations, financial condition and outlook.

The Group is exposed to a fall in the occupancy rate of its shopping centres.

The financial occupancy rate is the ratio between the amount of rent invoiced during a given period and the amount of rents that the Group would receive if all of its portfolio were leased; with the assumed rent for vacant lots determined on the basis of rental values used in determining the appraisal values. The financial occupancy rate for the Group's shopping centres was 94.7%[1] on 31 December 2017.

The occupancy rate for the Group's assets could fall which could have a material adverse effect on its results and prospects, for several reasons:

- if the market conditions were less favourable especially in France (see Section 5.3.1 "Risks relating to the Group's business sector – The Group's property portfolio is concentrated in France, Spain and Italy" in this document);

(1) Including strategic vacancies. 96.4% excluding strategic vacancies. The strategic vacancy is defined to isolate lots that are impacted by ongoing restructuring or expansions in the portfolio. In order to be defined as a strategic vacancy, premises must be subject to restructuring or expansions with confirmed capital expenditure.

- if the Group were to become less effective at letting its vacant lots due to an inability to keep up with the rapidly changing environment in the commercial real estate market and changing demand from clients;
- if leases were not renewed when they expired, if the Group were unable to re-lease its assets rapidly (resulting in a loss rental income on vacant premises in addition to the fixed charges which would be paid by the Group) or were unable to re-lease them on satisfactory terms;
- when leases are renewed, if the Group faced an unfavourable market for lessors or with regulatory changes imposing new restrictions or constraints on rent reviews; or
- in connection with projects to expand or to acquire new assets, if the pre-letting agreements signed with retailers were not honoured on the terms and within the time periods that were initially agreed.

Appraisals of the Group's portfolio may not reflect the actual amount that the Group would receive if it sold the properties, and the valuation of its assets is likely to vary from one period to the next.

In accordance with IAS 40, Carmila has opted to recognise its real estate assets at fair value. The Carmila Group used this method of recognition to prepare its consolidated financial statements shown in Section 7.1 of this document. The change in fair value of these real estate assets is recorded in the income statement.

The Group's portfolio of assets is valued by independent appraisers. The procedure used is described in Section 2.5 of this document.

The valuations determined by the independent appraisers rely on several assumptions that may not prove to be correct and may vary significantly, in particular in the event of poor performance by the shopping centres. These valuations depend on changes in the commercial real estate market, interest rates and the economic environment, including supply and demand. Consequently the valuation of the Group's assets may not match their realised value in the event of a disposal. The value of the property portfolio is sensitive to increases and decreases in the criteria used for by independent appraisers.

The Group might be unable to maintain its relationships with large retailers or establish new relationships with other major brands on satisfactory terms.

The commercial real estate assets held by the Group are intended to be leased to local, national and international retail brands.

The Group's shopping centres are often supported by one or more anchor retailers with strong potential to attract customers (such as H&M, Primark, Fnac, Orange, Sephora etc.). The presence of large anchor retailers with strong potential to attract customers may have a significant impact on traffic and footfall at the shopping centres and therefore on the results from all the tenants at those sites, due to the sales-generating role played by these large retailers in certain shopping centres.

A decrease in the attractiveness of these retailers, or a slowdown or cessation of their business (especially in an unfavourable economic environment), the non-renewal or termination of their leases, a delay in re-leasing their premises, or the failure of the shopping centres to adapt to changes in the industry could result in decreased footfall at the shopping centres. This reduction in the footfall could lead to a fall in the sales of the other retail brands and therefore have a material adverse effect on the total rental return from certain centres and consequently on the valuation of the Group's assets, business, results, and prospects.

The commercial real estate industry in which the Groups operates is characterised by a rapidly changing environment as well as changing customer demand, requiring the Group to adapt the design of its centres and the choice of retailer tenants to consumers' expectations and, more generally, to anticipate and react effectively to changes in the commercial real estate market. The Group may therefore encounter difficulties in searching for attractive retailer tenants with regards to the level and the structure of the rents it proposes especially when commercialising new real estate assets, and this could have a material adverse effect on the Group's business, financial position, results and outlook.

The Group's marketing and leasing initiatives could be unsuccessful or unprofitable.

The success of the Carmila Group's strategy relies in part on its proprietary "Smart Mall" concept, which uses location-based digital marketing solutions. The Carmila Group has also developed an innovative approach to letting its leases, in particular through teams specialising in pop-up shops, partnerships with young promising retail brands or the creation of original concepts in collaboration with Carrefour group's hypermarkets (see Section 1 of this document).

If the Group's marketing and leasing efforts did not succeed in attracting retail brands and consumers at a reasonable cost this could have a material adverse effect on the Group's business, financial position, results and outlook.

The Group is also exposed to the risk of its tenants' insolvency.

The Group's ability to collect rent depends on the creditworthiness of its tenants. While a tenant's ability to pay is taken into account before entering into a lease, tenants may nevertheless stop paying their rent on time or stop paying altogether, especially in difficult economic conditions which could have a material adverse effect on the Group's businesses and therefore on its results, financial position and outlook.

The Carmila Group relies on the Carrefour group for necessary support functions, which are provided under agreements with Carrefour group entities.

The Carmila Group relies on Carrefour group entities for several necessary support functions, in particular for property management, legal and IT services. In addition, Messrs Jacques Ehrmann, Chairman and Chief Executive Officer, and Yves Cadélano, Deputy CEO, who continue to perform their operational functions for the Carrefour group, have also been made available by the Carrefour group to perform their operational functions for the Carmila Group. For a description of the main service contracts between Carmila and its subsidiaries on the one hand, and the Carrefour group entities on the other, see Section 5.1 "Organisation of the Group and relationship with the Carrefour group" of this document.

The implementation of these agreements and the Group's resulting dependency on the Carrefour group as a result, give rise to a number of risks, including the following:

- the expiration or termination of one or more of these agreements could disrupt the Group's operations or generate potential disruptions related to difficulties in obtaining substitute services, if it is not able to perform these functions internally, or could require it to incur costs for replacement (and potentially more expensive) service providers or to create these services internally;
- the renegotiation of financial terms when these agreements expire could prove unfavourable to the Group; and
- the services provided by the Carrefour group are performed by employees who do not work exclusively for the Group.

The Group is exposed to risks relating to information systems.

The Carmila Group uses a number of information tools and communications and information systems that play an essential role in the conduct of its business, such as for the invoicing of rent and for financial and accounting management. Any failure, interruption or compromise of the information systems or loss of data could lead to failures or interruptions in the Group's business, generating significant costs to recover and verify the data as well as the potential loss of business.

The Group's information systems may also be the subject of attacks by cybercriminals with the theft or embezzlement of confidential data, extortion of funds or the temporary suspension of the Group's businesses (denial of service). The consequences could be financial (termination of negotiations, penalties, etc.), reputational (disclosure of operational data or non-public financial data) or legal (liability to the legal entities or individuals with respect to whom the Carmila Group holds confidential or identifying information).

Any failure, interruption or compromise of the information systems is likely to have a material adverse effect on the Group's image, reputation and business, its results, financial position and outlook.

The Group might be unable to retain the members of its management team as well as to attract and retain qualified employees.

The Group depends on the commitment and expertise of its senior corporate executives. The Group's management is composed of experienced executives and employees chosen for their proven skill and expertise in managing shopping centres. The Group's management team has significant experience in the industry, and the Group's success depends in part on the contributions of this team. The loss of any member of the Group's management could adversely impact its ability to develop and implement an effective business plan, and the Group might be unable to find suitable replacements. The loss of the Group's key employees could also lead to losses of technical or specific skills, which could slow or alter certain businesses or projects. In this context, the Group would have to recruit new qualified employees to develop its businesses and, if necessary, train them to familiarise them with the Group's specific issues and constraints. Any inability by the Group to retain highly qualified personnel or to attract new employees and to train them could reduce the effectiveness of its organisation and its ability to execute its business plan and growth strategy.

5.2.3 Risks relating to the Group's financial position and its financing policy

The Group's indebtedness could affect its ability to pay itsdebts and conduct its business.

The Carmila Group currently has a significant amount of debt. At 31 December 2017 the Carmila Group's gross debt totalled €2,075.1 million (see Section 3.4.4 "The Group's financial and cash position" of this document for a description of the main financing agreements). At this same date, the Carmila Group had total cash of €329.4 million, for net debt of €1,745.7 million.

The Carmila Group's indebtedness could have significant consequences, in particular:

- increased difficulty in meeting the obligations concerning its debt and its other liabilities;
- the allocation of a substantial portion of its cash flow from operations to repay its debt, which will reduce available cash for financing growth and capital expenditures, as well as other needs;
- greater vulnerability to a slowdown in its business, in the economy or in industry conditions;
- a competitive disadvantage compared with competitors carrying less debt;
- limited flexibility in planning and adapting to changes in its business and industry;
- limited capacity to carry out strategic acquisitions or expansion projects; and
- limitations on, among other things, its ability and the ability of its subsidiaries to borrow additional funds or to raise equity in the future and an increase in costs relating to these additional financings.

The Group's ability to repay its debt will depend on its future performance, which will be affected by economic conditions and by the financial, commercial, legislative and other factors. A number of these factors are outside the Group's control. If the Group did not succeed in repaying its debt and to meet its other obligations and commitments, it could be forced to refinance is debt or to dispose of certain assets in order to obtain the necessary funds. The Group cannot guarantee that such refinancing or asset disposals would be completed in a timely way or on satisfactory terms or that such financings would be authorised under the terms of its financing agreements.

The Carmila Group is subject to restrictive covenants under its financing agreements, which could impair its ability to conduct its business.

The restrictive covenants under the Carmila Group's financing agreements could impair its ability to conduct its business. If the Group failed to comply with these covenants, including as a result of events outside its control such as prevailing economic conditions or financial, commercial, regulatory or other factors, this could lead to an event of default, which could have a material adverse effect on its financial position and results. A violation of one of its covenants or restrictions by the Group could lead to an event of default under the financing agreements.

The Carmila Group's credit agreements provide for negative covenants restricting, in particular, the Group's ability to:

- conduct mergers, spinoffs or reorganisations that involve terminating the Group's existence;
- substantially modify the general nature of its business;
- grant sureties or guarantees;
- carry out certain asset disposals; and
- incur additional indebtedness.

Moreover, the credit agreements contain the following financial covenants:

- Interest Coverage: the ratio of EBITDA (excluding fair value adjustments) to net cost of financial indebtedness must be greater than 2.00 on any calculation date (31 December and 30 June of each year, tested by reference to the Carmila Group's most recent year-end or half-year consolidated financial statements, as the case may be). At 31 December 2017, this ratio was 4.7;
- Loan-to-Value: the ratio of consolidated net financial debt to fair value of investment properties must not exceed 55% on any calculation date (31 December and 30 June of each year, tested by reference to the Carmila Group's most recent year-end or half-year consolidated financial statements, as the case may be). This threshold is calculated with a denominator equal to the fair value of investment properties including transfer taxes (and including the Group's share of equity-accounted companies) for one of the Credit Agreements, and excluding transfer taxes for the other Credit Agreement. At 31 December 2017, this ratio was 30.1% with a denominator that includes transfer taxes, and 31.8% with a denominator that excludes transfer taxes.

The Credit Agreements also provide for a maximum threshold of secured debt as compared with the total amount of the fair value of the Carmila Group's investment properties, which must at all times equal a minimum amount of €1 billion throughout the term of the loan. Moreover, the Credit Agreements provide that the debt will be accelerated (i) if the Carrefour group reduces its direct and indirect stake in the Carmila Group's share capital and voting rights to less than 20%, or (ii) if a third party (other than the Carrefour group) comes to hold, directly or indirectly, more than 40% of the share capital and/or voting rights of the Carmila Group and the Carrefour group holds less than 33.33%.

The agreements relating to the two notes issued in 2015 and 2016 contain clauses that restrict the Group's ability to incur additional indebtedness and grant security interests. The holders of the notes may also accelerate the debt if (i) a third party other than the Carrefour group comes to hold, directly or indirectly, more than 50% of the share capital and/or voting rights of the Carmila Group, and (ii) such change of control causes the Carmila Group's debt to be downgraded to non-investment grade (BB+ or below) and the Carmila Group is unable to obtain an investment grade rating (BBB- or above) within 180 days following the downgrade.

The restrictions imposed in the credit agreements and in the agreements relating to the notes could affect the Group's ability to conduct its business and limit its ability to adapt to market conditions or to seize new potential opportunities that arise in its industry. For example, these restrictions could significantly limit its ability to finance its transactions or its working capital needs, to carry out strategic acquisitions or investments, or to restructure its organisation. In addition, its ability to comply with these (covenants) and restrictions could be affected by events outside its control.

If an event of default were to occur under one of its financing agreements and is not cured, or the condition is not waived, the lending banks under the credit agreements or the holders of the notes could terminate their commitments under the agreements and accelerate the outstanding debt. The situation could in turn lead to cross-defaults under any other financing agreements. These events could result in the Group's default or the commencement of liquidation procedure.

The Group is subject to risks relating to a downgrade in its debt ratings.

The Carmila Group's existing debt is periodically rated by Standard & Poor's and could be rated by other rating agencies. As of the date this document and since May 2015, the Carmila Group's long-term debt has been rated BBB with a stable outlook by Standard and Poor's, which confirmed this rating when Carmila and Cardety merged on 12 June 2017 (hereafter "the Merger"). This rating is based on the Carmila Group's capacity for repayment, its liquidity, certain financial ratios, its operational profile and its financial condition, as well as other factors that are considered significant for its industry and, more generally, for its economic outlook.

Any downgrading of the Carmila Group's debt could increase the cost of refinancing its existing financing agreements and could have a negative effect on the Group's ability to finance acquisitions or to develop projects on acceptable terms. Any increase in finance costs could negatively impact the Group's operational results and the return on its development projects. To the extent that financing becomes unavailable on satisfactory terms, the Group's capacity to grow its business through acquisitions and development would be reduced.

The Group's ability to raise funds could be limited.

In the future, the Carmila may need to raise additional capital through public, private or other sources of financing in order to finance its growth strategy, its acquisitions or other needs. Moreover, the Group is required to distribute a significant portion of its profits to its shareholders to qualify for the SIIC regime in France (see Section 5.2.4 of this document, "Regulatory, legal and financial risks - the Group is exposed to risks in France relating to restrictions under the tax regime applicable to Listed Real Estate Investment Companies (Sociétés d'Investissement Immobilier Cotées, or "SIIC"), to a potential change in the rules under this regime, or to the loss of its status under the regime"). As a result, the Group relies to a large extent on indebtedness to finance its growth. This means of financing may not be available on satisfactory terms, in particular in the event of a crisis in the capital markets or debt markets, events affecting the real estate sector, an increase in interest rates, a downgrading of the Group's debt rating, restrictions imposed by covenants in its financing agreements, or any changes in the Group's business, financial condition or shareholder structure that could have an effect on investors' or lenders' perception of its creditworthiness or the attractiveness of an investment in the debt or shares of the Group. Any inability to raise necessary capital could limit the Group's ability to acquire new assets and to finance renovation and expansion of its shopping centres key components of its strategy or to react to competitive pressures, and could thus have a material adverse effect on its business, its financial condition, its results of operations and its outlook.

5.2.4 Regulatory, legal and tax risks

The Group's business is subject to numerous regulations that could change in the future.

As the owner and manager of commercial real estate assets the Group must comply with multiple regulations in force in all countries where it operates notably town planning rules, rules for allocating building permits and operating permits, the health and safety rules which apply to premises with receive the public, environmental legislation, the law on commercial leases, employment legislation, company and tax law.

Changes in the regulatory or legislative framework or the loss of benefits related to a status or authorisation could force the Group to adapt or to downsize its businesses, its assets or its strategy, and could lead to additional constraints or costs that could have a material adverse effect on the value of its real estate assets, on its business and on its results, either through an increase in its expenses or by a slowdown or stoppage in the development of certain investments or leasing activities.

If one or more tenants in one of its shopping centres did not comply with applicable regulations, the Group could also be penalised by the closure of a store, leading to a loss in rent or by the loss of a site's commercial attractiveness, for example.

In addition, the Group cannot guarantee, in particular with respect to its recently acquired shopping centres, that all its tenants comply with all regulations applicable to them, including with respect to public health, the environment, safety, urban planning and authorisations for commercial operations. The consequences of their failure to comply with such regulations could include penalties for the Group as owner of the relevant shopping centre in which they operate, which could have a material adverse effect on its image, results, financial condition and future prospects.

The Group is subject to regulations on commercial leases in conducting its business.

The Group is subject to regulations on commercial leases in conducting its business. In France, contractual provisions on the length of the lease, termination, invalidity, renewal and rent indexation may be considered matters of public policy. In particular, certain legal provisions in France limit the conditions under which property owners may increase rent to align it with market rates or to maximise rental income. Moreover, in France, rent under certain types of leases may be revised only every three years, evictions for non-payment of rent may be subject to significant delays, and the validity of leases that include floors on indexation may be challenged. Finally, the French Law No. 2014-626 of 18 June 2014 on artisanal businesses, commerce and very small enterprises (known as the "**Pinel Law**") and Decree No. 2014-1317 of 3 November 2014 modified certain rules applicable to commercial leases. The Carmila Group is also subject to regulations on commercial leases in Spain and in Italy. In Italy, certain leases entered into by the Carmila Group are subject to the real estate leasing regime, which provides, in particular, that adjustments under a lease's annual indexation clause may not exceed 75% of the variation in the quarterly consumer price index known as ISTAT.

Any change in regulations applicable to commercial leases, particularly with respect to their duration, indexation or caps on rent or on the calculation of indemnification owed to evicted tenants could have a material adverse effect on the value of the Group's asset portfolio, its results, financial position and future outlook.

The Group is subject to regulations on urban planning, safety and shopping centre operation.

The Group's business is subject to urban planning rules, in particular the regime on authorisations for commercial operation. In addition to administrative sanctions (which may include formal notice by the relevant authorities instructing the recipient to bring the premises into compliance with the authorisation and a decision by such authorities to close retail space that is being operated illegally, with monetary penalties until compliance or closure, as the case may be, is carried out) criminal penalties may also be ordered. The Group is also subject to applicable urban planning rules in Spain and in Italy for its real estate assets in those countries.

In addition, as establishments that are open to the public, the Carmila Group's shopping centres are subject to fire safety regulations. An authorisation to open an establishment may be granted only with the approval of a safety commission following a site inspection. In addition, the relevant safety commissions may conduct regular inspections to verify compliance with security standards, resulting in a formal report. If there are violations, the site may be closed by national or local authorities. The Carmila Group's shopping centres are regularly inspected. If an anomaly is noted, a grace period is generally granted to enable compliance with legal and regulatory requirements; however, if the violation continues, the relevant local authorities may close the shopping centre.

Any changes in urban planning regulations or in the safety requirements imposed on establishments that are open to the public that lead to an increase in restrictions or constraints on the development of these shopping centres could limit the Group's options and its future growth prospects. Any deregulation in the commercial urban planning sector, such as a wider grant of commercial operation authorisations or a reduction in safety requirements, could reduce the value of the Group's real estate assets.

In connection with its expansion projects, the Carmila Group is also subject to regulations relating to construction permits and safety standards. Stricter standards for construction, safety, the issuance of construction permits or the issuance of commercial operation authorisations could also have an adverse impact on the Group's results and future outlook, by increasing operating, maintenance and improvement costs, as well as the administrative costs of shopping centres.

The Group is subject to environmental and public health regulations and is subject to related liability risk.

As an owner and manager of shopping centres, the Carmila Group must comply with local environmental and health regulations in all countries where it operates. Failure to comply with these local environmental and health regulations, or the need to comply with new regulations in these areas, could give rise to fines or increased expenses or impede the development of the Group's business, and could have repercussions on the Group's results and financial position or subject it to civil liability.

Moreover, all of the Group's real estate assets are potentially exposed to natural disasters, such as floods, climate change, health or ecological crises, which may not be fully or partially covered by its insurance policies, and which therefore could have a material adverse effect on its real estate assets in question and financial position.

The Group is subject to regulations relating to the security and use of personal data.

The Carmila Group collects and uses personal data concerning the customers of the shopping centres under its management as well as of the Carrefour group's customers, in particular those holding the PASS loyalty card, which consent to the processing of their personal data by the Carmila Group and the Carrefour group by means of a joint "opt in" form. The processing of this data is subject to European and French regulations on processing personal data and especially, from 25 May 2018, the General Data Protection Regulation (GDPR) (2016/679/EU).

The Group cannot guarantee that the relevant authorities or a customer will not seek to challenge the terms for processing personal data. Furthermore, the Group cannot guarantee that there will not be a failure in its security system, which could lead to fraudulent use of consumers' personal data or of confidential information concerning its tenants.

The Group cannot guarantee that it will not be held liable for actions committed by subcontractors managing a portion of the processing of personal data or in connection with the transmission of this data to partners (retailer tenants or the Carrefour group) or with the use of the shared data by its partners, in accordance with applicable regulations, in particular for purposes of commercial solicitations.

The Group could be held liable if such events were to occur, and thus have a material adverse effect on the Group's reputation, business, results or financial condition. The GDPR, scheduled to come into effect on 25 May 2018, provides for, in case of violation, administrative fines which for the most serious violations can be as high as €20 million or 4% of the total annual worldwide revenues for the previous financial year.

In addition, if for regulatory reasons the Group were no longer able to use the personal data of the customers of shopping centres under its management of the Carrefour group's end customers, such restrictions could slow and/or limit the development of its digital strategy, which is designed to address consumer needs and is part of its business strategy. The occurrence of such an event could have a material adverse effect on the Group's business, results, financial condition and outlook.

The Group might be unable to protect the intellectual property necessary to conduct its business.

The Carmila Group relies on intellectual property laws (in particular with respect to trade names, trademarks, databases and copyrights) as well as on laws relating to business secrets and unfair competition, to protect its rights to its products and services. However, trademark applications do not always result in registration, and registered trademarks may be ineffective in responding to competition or may be invalidated in the event of a later objection. Moreover, the measures that the Carmila Group takes to protect its intellectual property rights could prove inadequate, which could lead to violations and infringements of its intellectual property rights with respect to its products and services. The Group's business secrets could be made known to its competitors, and the Group might be unable to effectively protect its rights to its confidential information. Furthermore, other companies could assert rights to the Group's intellectual property or could contest the Group's ownership of those rights.

The Carmila Group has invested significant resources to raise employee awareness of the need to comply with the Carmila Group's trademarks and other intellectual property rights, as well as to protect its business secrets. However, third parties could object to the Group's use of copyrights, trademarks or other intellectual property rights that are important for its business. The resolution or settlement of a dispute to enforce its rights against third-party claims, whether well founded or not, could prove costly and require resources intended for other uses. The Group could lose these disputes or could be forced to settle them due to the technical complexity of the issues involved, the inherent uncertainties in intellectual property cases and the significant costs associated with defending such claims.

Such events could have a material adverse effect on the Group's business, by limiting its ability to provide its products and services or by causing the Group to incur significant expense to defend its rights.

The Group is exposed to risks in France relating to the restrictions under the tax regime applicable to Listed Real Estate Investment Companies (Sociétés d'Investissement Immobilier Cotées, or "SIIC"), to a potential change in the rules under that regime, or to the loss of its status under the regime.

Carmila qualifies for the SIIC tax regime provided for in Article 208 C of the French General Tax Code and, in that regard, is exempt from corporate income tax on its profits from leasing property or subletting certain properties, on certain capital gains and on dividends received from its subsidiaries, where applicable, that are themselves also subject to the SIIC regime. This regime also covers the results of the Group's French subsidiaries that have opted for it.

The benefits of the SIIC regime are subject to compliance with certain obligations and conditions, including (i) the obligation to redistribute a significant portion of the Company's profits (95% of profits from rental income, 60% of capital gains, and 100% of dividends from subsidiaries subject to the SIIC regime (up to a limit of the SIIC result and of distributable profits)) and (ii) that one or more shareholders, individually or acting in concert, cannot hold 60% or more of Carmila's share capital or voting rights. As a result of the Merger, Carmila S.A.S.' distribution obligations (deferral of the distribution of around €50.7 million) must be respected by the Company insofar as its future distributable profits permit this.

In the event of a failure to comply with the obligations and conditions imposed by the SIIC regime in France, the Group could lose their benefits under the regime, which would have the consequence, in particular, of the relevant entities becoming subject to the regular corporate income tax for the relevant fiscal years. In addition, an obligation would be imposed to add back into their taxable income, for the fiscal year in which they exit the regime, the share of distributable profits existing as of the close of the fiscal year in which they exit the regime and arising from amounts previously exempted. Moreover, they would be required to pay certain specific additional taxes in the event of an exit from the SIIC regime within ten years of opting into the regime.

In addition, Carmila could face additional income tax expense (20% of the amount distributed) if it pays exempt dividends to a shareholder (other than an individual) holding, directly or indirectly, at least 10% of Carmila's dividend rights at the time of the payment and not subject to corporate income tax or an equivalent tax. Carmila's bylaws expressly provide that the shareholder in question will bear the burden of these taxes, but Carmila could encounter difficulties in recovering the amount due, especially from an insolvent shareholder, if withholding the tax at source on the dividend was not possible.

Substantial modifications to the SIIC tax regime applicable to the Group in France, or the loss of the benefits of this regime, could have a material adverse effect on the Group's business, results, financial position and outlook.

5.2.5 Market risks

Interest rate risk

The Carmila Group is subject to the risk of changes in interest rates on its variable-rate debt. At 31 December 2017, the Carmila Group's consolidated gross financial debt was €2,075.1 million, of which €465.1 million was variable-rate and €1,610 million was fixed-rate or capped following hedging transactions and a consolidated net debt of €1,745.7 million.

The Carmila Group's hedging policy involves the use of derivative instruments (swaps and caps). For more details please refer to the Note 7.2.8 of the Consolidated financial statements in Section 7.1 "Consolidated financial statements" of this document and Section 3.7 "Carmila's financial and cash position" of this document.

Liquidity risk

At 31 December 2017, the Carmila Group's consolidated gross financial debt was €2,075.1 million, and its consolidated net debt was €1,745.7 million. The Carmila Group also has two credit lines that have not been drawn in an aggregate amount of €1,009.0 million and a commercial paper program with a maximum amount of €600 million. The payment schedule for the Carmila Group's debt is included in Note 7.2.4 to the Carmila Group's consolidated financial statements included in Section 7.1, "Consolidated Financial Statements" of this document. The Group's principal debt maturities relate to the repayment of its notes, totalling €1.2 billion in aggregate with €600 million due in September 2023 and in September 2024.

The Carmila Group's Credit Agreements contain restrictive covenants, including change of control and financial ratio covenants, in particular a requirement to maintain a ratio of EBITDA (excluding fair value adjustments) to net cost of financial indebtedness of at least 2.00 on any calculation date (31 December and 30 June of each year, tested by reference to the Carmila Group's most recent year-end or half-year consolidated financial statements, as the case may be). These clauses are described in Section 3.7 "Carmila's financial and cash position" of this document. Failure to comply with these covenants or ratios could enable the Carmila Group's creditors to accelerate the amounts due under the Credit Agreements. In this case, the Group might be unable to repay those amounts or could be forced to resort to refinancing solutions on less favourable terms. Moreover, such a situation would make it difficult to raise new financing or could lead to a significant increase in the cost of new financing, which would be an obstacle to its growth strategy and to financing its investments. For more details please refer to Note 7 of the Consolidated financial statements in Section 7.1 "Consolidated financial statements" and Section 3.7 "Carmila's financial and cash position" of this document.

5.3 Insurance

The Group's insurance policy is implemented via services provided by the Carrefour group; it involves identifying insurable risks through a regular review of existing and emerging risks. The Carmila Group's entities are covered by insurance policies put in place by the Carrefour group, with the customary levels of coverage for this type of business. The Group benefits from these insurance policies as entities that are specifically covered by these policies.

These insurance programs are negotiated centrally, with a renewal on 1 January of each year.

The insurance policies are as follows:

- "Property Damage and Operating Losses" for the purpose of protecting the assets, in particular against fire, explosion, lightning, natural events, theft, and resulting operating losses;
- "Civil Liability" covering the financial consequences of physical, property and/or financial damage, caused to third parties, in the event that the Carmila Group is held liable;
- "Construction", such as "Construction All Risks" and/or "Building Defects", in order to cover its construction, extension and/or renovation sites, both during work and after delivery.

Other policies cover the Carmila Group's other insurable risks in as appropriate to the nature of the activities, the risks and the size of the Carmila Group.

As soon as it completes an acquisition, the Carmila Group requests coverage for the acquisition under these insurance policies and benefits from transversal protections or, if applicable, in addition to the guarantees provided by the insurance policy in question (DIC/DIL: Difference in Conditions/ Difference in Limits), ensuring good control of existing coverage and guarantees.

5.4 Risk management and internal control

Carmila applies the general principles of internal control and risk management defined in the AMF's reference framework which was published in 20 January 2007 and updated on 22 July 2010.

It should be recalled that Carmila has concluded several service agreements with the Carrefour group for the support functions required for running its business. These services mainly concern accounting, tax, legal, real estate, administrative and insurance processes. The Carrefour group's internal control and risk management systems have also been developed from the AMF's framework of reference.

The risk management and internal control systems have been designed to control risks, contribute to achieving the Company's goals and make operations more efficient.

Like any system of control, the internal control provides a reasonable assurance but not an absolute guarantee that the entity's goals will be achieved. The limits inherent in internal control mean that it cannot prevent mistaken judgements, bad decisions or external events which result in technical or human failure or which may prevent the achievement of operational goals.

5.4.1 The risk management system

5.4.1.1 The purpose and organisation of Risk Management

The risk management system is intended to cover the financial risks, operational risks, liquidity risks and environmental risks described in Section 5.2 "Risk Factors", of this document.

The risk management which exists inside the Carmila Group is based on identifying, analysing and handling the major risks liable to damage people, the environment, assets, the Company's objectives and its reputation. The system is, in particular, aimed at:

- the creation and preservation of Carmila's value, assets and reputation;
- safeguarding Carmila's decisions and processes to promote the achievement of its objectives;
- encouraging actions which are consistent with Carmila's values; and
- engaging employees around a common vision of the main risks.

Carmila's approach is to integrate risk management into daily business management. Risk management is therefore a common task for all employees. The processing and implementation of the risk management principles is the direct responsibility of the General Secretary who is a member of the Executive Committee and who is responsible for steering and supervising risk management.

5.4.1.2 The identification and monitoring of risks

The Audit Committee monitors risk management on a regular basis and examines risk mapping in particular and the associated action plans.

In addition, within the scope of the Services Agreement with the Carrefour group, all the functions which are subcontracted by Carmila are subject to the internal control and risk management system set up by the Carrefour group, notably through its Risk & Compliance Department. Carmila also performs a quality control of the subcontracted functions and regularly updates its analysis of the risks inherent in the subcontracted functions.

The safety of property and people is one of the essential aspects of the risk management system in order to:

- ensure suitable protection for customers, employees, service providers and the Group's sites;
- guarantee the regulatory compliance of the sites; and
- protect and improve the value of the business's image and reputation.

Carmila relies on Carrefour's Insurance Department to subscribe to and centrally manage insurance policies as well as claims.

5.4.2 Internal control system

The Carmila Group's internal control system brings together the most suitable means, behaviour, procedures and actions adapted for Carmila Group's own characteristics and its risk management (see Section 5.2 Risk factors). The purpose of this system is to:

- contribute to the internal control of its business, the effectiveness of its operations and the efficient use of its resources;
- take appropriate action against the major risks facing the Carmila Group of a financial, operational or compliance nature which could prevent the Group from achieving its objectives.

In particular, the internal control system aims to ensure[(1)]:

- the achievement of the Group's economic and financial objectives in compliance with the laws and regulations;
- the proper application of instructions and strategies set out by the Group's Executive Management with respect to internal control;
- the proper functioning of internal processes, in particular, those relating to the safeguarding of assets; and
- the reliability of financial information.

5.4.2.1 Organisation and scope of intervention

Carmila has implemented an internal control system which has been formalised in different procedures, a code of professional conduct, and a definition of the powers, responsibilities and objectives at each level of the organisation, in order to maintain an effective division of tasks of execution and control. The implementation of the internal control system is based on an appropriate organisation with a clear definition of responsibilities, having adequate resources and competencies and using information systems, tools and appropriate practices.

The continuous supervision of internal control procedures is organised at the Carmila Group level so as to prevent or detect problems in a timely manner. The reference used for internal control procedures is the Committee of Sponsoring Organizations of the Treadway Commission or "COSO".

The internal control function is attached to the General Secretary and relies on the internal control of a Carrefour subsidiary, Carrefour Property for the subcontracted activities.

Carmila's internal control systems, as described in this document are applied, without exception, to all of the Group's businesses and companies.

5.4.2.2 The Internal Control actors: definitions of responsibilities and powers

Management Bodies

The Executive Management is responsible for the internal control and risk management systems. It is therefore responsible for designing, and implementing internal control and risk management systems which are adapted to the Group, its business and organisation.

The Executive Management continuously monitors the internal control and risk management systems in order to preserve their integrity and to improve them by adapting them to changes in the organisation and environment[(2)].

It initiates any actions which are required to correct identified malfunctions and to remain at an acceptable level of risk. It ensures that these actions are properly implemented within the stipulated time frames.

The Board of Directors examines the essential characteristics of the internal control and management risk management systems and thereby acquires an overall understanding of the procedures used to prepare and process financial and accounting information, through the work led by the Audit Committee. The Board of Directors ensures that the major risks for the Group which have been identified are reflected in its strategies and objectives, and that they are taken into account when managing the Company[(3)].

Audit Committee

The Carmila Group's Board of Directors has set up an Audit Committee of four members as described in Section 6.1 on Corporate governance.

As part of its mission to monitor the effectiveness of the internal control and risk management system, the Audit Committee is responsible for:

- ensuring that the internal control and risk management systems are effectively monitored;
- conducting regular monitoring and making any recommendations to improve these systems;
- examining the risks, the level of risk and the procedures to set up as well as significant off balance sheet commitments;
- assessing the functions or weaknesses which it is informed of; and
- presenting a summary of its works on internal control to the Board of Directors.

(1) Purpose specified in the reference framework for the AMF's internal control risk mechanisms (Section II-3 A).
(2) Reference framework for the AMF's internal control and risk management mechanisms (Section II-5 a).
(3) Reference framework for the AMF's internal control and risk management mechanisms (Section II-5 b).

Operational monitoring and surveillance committees

The Group's General Secretary is responsible for ensuring that Carmila's internal control system functions correctly, including the functions which are subcontracted to Carrefour. He, in particular, relies on the reports from the following operational committees to do this:

- Real Estate Investment Committee;
- Acquisitions Committee;
- Monthly activities review;
- Committees for unpaid rents and disputes;
- Ethics Committee;
- Data Security Committee (France).

Carrefour Property's Organisation and Internal Control Department is also responsible for steering the internal control and following up the action plans for the subcontracted functions in each country.

On a day-to-day basis, managers ensure the continuous supervision of the effective implementation of the internal control procedures.

5.4.2.3 Functions subcontracted to the Carrefour group

Carmila Group has entered into a services agreement with the Carrefour group covering accounting, administrative, IT, legal and tax services.

Information system

The Carmila Group's information systems are intended answer its needs and satisfy its requirements with respect to:

- security and confidentiality;
- reliability and integrity;
- availability; and
- traceability of information, in order to preserve the ability to perform and systematic audit of access or actions.

The Carrefour group provides information system services to the Carmila Group. Carrefour Property's Information Services Department assists the Carmila Group in planning its information system strategy, supervises the implementation of its IT projects and manages the resources and budget dedicated to information systems. The IT Department is involved in the design and articulation of the Carmila Group's projects and is involved with the preparatory phase so it can:

- identify the risks inherent in the project and in particular relating to data protection; and
- define the security requirements and the security actions to be integrated into the project.

It is also responsible for the security of information systems and their maintenance.

Carrefour Property France has appointed a Data Security Contact whose main task is to adapt and deploy the security policy defined by the Carrefour group and make the teams aware of best practices.

The follow-up and trade-offs involving action plans are performed at Data Security Committee meetings which meets at least three times a year.

Legal

Within the framework of the Service Agreement, Carrefour Property monitors the regulatory constraints which apply to the Carmila Group's portfolio, especially administrative authorisations, real estate rights and lease rights.

Carrefour's teams also ensure the application of, and compliance with, the laws in force for all of the Carmila Group's activities and companies. They assist all the operational teams to implement specific contracts and with all commercial leases signed with retail brands and the associated legal documentation.

Carrefour's Legal Department also monitors disputes and litigation supported by outside experts, where necessary.

Finally, it is responsible for the legal management of the Carmila Group's contracts, companies and governance bodies as well as their related legal obligations.

Human resources

Carmila's human resources management also draws on the services which are shared with Carrefour for the day-to-day management of human capital to ensure the respect of, and compliance with, Carmila's objectives and policies.

Carmila's human resource policy promotes the development of its employees through training and individual career management. Carmila also encourages an integrated working environment which respects ethnic diversity and gender equality as detailed in the ethics charter section (see Section 5.4.2.5 "Publication of and compliance with Carmila's ethical values").

Compliance with the Group's policy by all the personnel is assessed annually, to ensure compliance with managerial and ethical behaviour. In part, this assessment enables performance to be measured, which is a component in variable compensation.

5.4.2.4 Documentation and dissemination of the internal control system

Carmila's own internal control system and procedures are set down in "profession books" which group all the job descriptions, and procedures, and are available as collaborative tools (Internet, email, etc.) to ensure that the information can be accessed and shared rapidly. These "profession books" play a crucial role in the internal control process. They aim to smooth and standardise the information disseminated so procedures are secure and durable across all of the Carmila Group's professions and teams.

In addition new employees receive the ethical principles and are given a booklet on information security during an induction day whose goal is to make new arrivals aware of the Group's internal procedures.

This information is also disseminated to the Carrefour group's employees in the functions subcontracted under the Service Agreement.

5.4.2.5 Publication of and compliance with Carmila's ethical values

Carmila has established a code of professional conduct consistent with the values and directives of the Carrefour group. An Ethics Committee has been established to guarantee the fundamental principles defined in the Carrefour group's Professional Code of Conduct which is articulated around:

- individual and collective integrity;
- the confidentiality of information;
- whistleblowing;
- the respect for diversity;
- the Group's social and environmental responsibility;
- behaviour at work;
- transparency in business relationships.

This Ethics committee is a joint committee between Carrefour Property and Carmila. It is composed of six members taken equally from the Executive Boards of both companies. It meets at least twice a year in order to:

- ensure the ethical principles are published and that the conditions are in place to ensure employees are familiar with them, understand them, take ownership of them and comply with them;
- discuss and implement an action plan on the main ethical issues affecting each country or business with foresight and broad view of the issues;
- organise a whistle-blowing procedure and ensuring that it operates effectively;
- advise directors on any issue relating to the application of or compliance with the Group's ethical principles;
- ensure that whistle-blowing is treated independently in full compliance with the law;
- monitor and regularly assess the effectiveness of the system on the basis of indicators and regular reporting in particular.

A practical guide to the ethical principles is also handed to all the Group's employees. Each employee is expected to be familiar with this guide, comply with it and make sure it is complied with in all circumstances. This guide is also disseminated to all the employees of the Carrefour group including the teams who work for Carmila in the context of the service agreements between the two companies. The practical guide to ethical principles is given to each new employee on arrival.

5.4.2.6 The fight against corruption and money-laundering

Carmila is integrated into the whistle-blowing system implemented by the Carrefour group to flag breaches of ethical principles, particularly concerning corruption and conflicts of interest. The confidentiality of the information is guaranteed at all stages of the whistleblowing process.

Carmila's anti-corruption and money laundering system is based on the Carrefour group's directives incorporating the law of 9 December 2016 on transparency, the fight against corruption and the modernisation of economic life (the Sapin II law) and the Order of 1 December 2016 which strengthens French anti-money laundering and terrorist financing legislation.

An anti-corruption and influence-peddling policy has been defined and presented to the human resources representative bodies in France. This document will soon the incorporated into the internal rules.

The risks of influence-peddling and corruption have been mapped. On this basis, a training programme has been developed for the French employees most exposed to these risks. This training programme uses illustrated communication tools with targeted examples for the populations concerned.

Each employee involved in the purchase process must also annually sign a certificate of independence aimed at limiting and managing conflicts of interest.

5.4.2.7 Protection of personal data

Carmila has acted in anticipation of the General Regulation on Data Protection (2016/679/EU) ("GRPD") which will be applicable from 25 May 2018. The Bensoussan law firm therefore performed a diagnostic during 2017 to measure the level of compliance with the GRDP, to propose a data protection and freedom of information organisation, identify corrective measures and establish a compliance plan.

The plan was established in collaboration with Carrefour group. A Data Protection and Freedom of Information contact person was designated and steering committees established.

5.4.2.8 Stock Market Ethics and Insider Trading

A Stock Market Ethics Code has been adopted by the Carmila Group and disseminated to all holders of sensitive and/or privileged information (Board of Directors, Executive Management, and key employees) in order to combat and prevent the risk of insider trading. This Ethics Code sets out the sensitive periods preceding the publication of quarterly and annual revenues and half yearly and annual results during which the Carmila Group generally refrains from any contact with the financial community.

The purpose of the Group's financial communication policy is to ensure that relevant, exact and genuine information is published appropriately so that the same information is available to everyone at the same time.

5.4.3 Critical activities for operational internal control

The control activities are aimed at ensuring the proper implementation of internal control procedures so that the risks associated with the Group's important operations are managed.

5.4.3.1 Capital expenditure authorisations for investment properties

The purpose of the Renovation and Development agreement between the Carmila Group and the Carrefour group is to create a partnership between the two groups to implement a strategy in France, Spain and Italy to strengthen the appeal and optimise the value of the assets. For a description of the Renovation and Development Agreement see Section 5.1.5.3 "Principal agreement with Carrefour group entities of this document".

Therefore, within this framework, capital expenditure projects are subject to a validation procedure which firstly aims to ensure that they conform to the Group's strategic priorities and profitability criteria, and secondly to coordinate the expansion processes between the two groups and align both both partners' interests. This validation procedure is based on technical, tax, legal, financial and environmental studies.

Because of the limits on the Executive Management's powers defined by the Board of Directors, capital investment proposals must receive the prior recommendation of the Strategic and Investment Committee and approval from the Board of Directors for projects over €15 million.

In addition, the Carrefour group's Investment Committee validates any real estate capital expenditures in which Carrefour's interest totals more than €3 million.

5.4.3.2 Management of renovation and development projects

Under the terms of the Renovation and Development Agreement agreed with the Carrefour group, both parties undertake to pay equally (50/50) for renovation and development works.

In addition, CPF Asset Management, a subsidiary of Carrefour Property France, acts as project manager under project management delegation agreements signed for each project.

The validation procedure for these projects is described above (see Section 5.4.3.1 "Capital expenditure authorisations for investment properties").

5.4.3.3 Lease management

Carmila has contracted with Carrefour group subsidiaries to perform lease management and property management for all its countries, France, Spain and Italy. Daily management is thus delegated to a team complying with the management procedures and rules set by the Carrefour group, in particular those for invoice follow-up and tenant rent collections. This process is also based on the dedicated lease and property management IT tools and applications developed by the Carrefour group.

5.4.3.4 Letting activities

Letting is performed by dedicated in-house teams. A compliance guide detailing the procedures to follow is available for new and existing employees.

Regular monitoring of the sales and marketing initiatives undertaken is led between the sales and operational departments which also enables the Group's performance to be measured in terms of indicators based on revenues, footfall and vacancy rates. An annual sales and letting plan is drawn up for each site, with the validation of the Asset Management Director and is regularly updated in accordance with changes on the site. This action plan enables the whole rental grid to be reviewed to identify priority lots, with, in order of priority, vacant lots, renewals and terminations. It is incorporated into the annual budget validated by the Company's Board of Directors which then uses it to monitor the Company's business during the year.

5.4.3.5 Maintenance and safety of assets

Carrefour Property's teams regularly monitor the upkeep, maintenance and safety of assets under the lease management and property management contracts. This monitoring is reflected in particular by the implementation of a system which describes the safety compliance procedures on each of the Group's sites.

When new acquisitions are made, Carmila's and Carrefour Property's teams will include the new assets in Carrefour group's insurance policy.

5.4.3.6 Crisis management

Carmila and Carrefour group have set up a joint crisis management procedure to ensure that the actions and communications in response to a major crisis affecting one of their sites are consistent. A hotline which is common to both groups is available to all their employees which enables coordinated action and the consistent dissemination of information to all the players concerned.

5.4.4 The preparation and processing of accounting and financial informations

5.4.4.1 Organisation of the financial function

Internal accounting and financial control is mainly aimed to ensure:

- that the accounting information published complies with accounting policies;
- that the instructions and guidelines set by the Executive Management are applied;
- that fraud and accounting and financing regularities are prevented and detected;
- the presentation and reliability of the financial information published.

The risks of producing accounting and financial information may be connected to the accounting translation of two categories of transactions:

- current transactions, for which the control systems must be positioned as close as possible to the decentralised operations;
- sensitive transactions which may have a significant impact on the financial statements.

Carmila's Financial Department is responsible for identifying the risks which affect the preparation of financial and accounting information and for taking the necessary measures to adapt the internal control system.

Carmila relies on the Carrefour group under the service agreements covering accounting, tax and legal. The Company therefore relies on the centralised teams with an organisational model of shared specialised service centres (CSP) which standardise and document procedures and allow adequate separation between the execution and control functions.

However the consolidation of the Carmila Group's financial statements is internalised inside the Group.

The property portfolio is valued when preparing the accounting and financial information using real estate appraisals performed by independent experts using recognised methods.

5.4.4.2 Operating process

The Financial Department is responsible for gathering operational, financial and accounting information in order to prepare the activity reports and the annual, half yearly, quarterly and monthly regulatory information reports, where appropriate. It therefore coordinates and supervises the actions of service providers in order to prepare these reports.

The financial statements are prepared within the stipulated deadlines, in accordance with the applicable legislation and accounting standards.

The Group's accounting policies are defined in a document which is regularly updated and disseminated to all those involved in the process(1).

Consolidated financial statements are prepared in accordance with a detailed schedule and instructions to comply with the accounting deadlines and standards.

The Group's Financial Department performs the following main controls when consolidating the accounts:

- the analysis and justification of the changes in consolidation scope in order to verify the correct accounting method;
- the analysis and justification of consolidation adjustments.

The annual financial statements are audited by the Statutory Auditors. However, the half yearly IFRS financial information is subject to a limited examination. The Financial Department coordinates the work with the Statutory Auditors The Financial and accounting information is reviewed and checked by the Statutory Auditors and presented to the Group's Audit Committee and then to the Board of Directors.

The Financial Department verifies the completeness and the consistency of the Company's financial and accounting information, in particular by:

- controlling each stage of its production;
- monitoring internal reporting and analysing the differences with the budget approved by the Board of Directors.

Furthermore, regarding internal control, the General Secretary is in particular responsible for:

- participating in communication activities *vis-a-vis* investors and the financial markets (press releases, website management etc.);
- supervising delegated functions;
- expediting internal audits assignments inside the Company;
- ensuring that the Company complies with its regulatory obligations particularly concerning tax and stock exchange law;
- informing the Audit Committee of the result of its internal audit assignments.

5.4.4.3 Financial communication

The information collected and then published follows a process which guarantees the reliability and authenticity of the data. The purpose of financial communication is to inform continuously. Its purpose is to convey a clear, coherent message to enable investors to acquire an exact and precise understanding of the Company's value and its strategy. Therefore the information is reviewed for consistency and cross-checked jointly with the Statutory Auditors before it is published.

Different channels are used to publish the financial information to the public:

- Registration Document;
- half yearly press releases;
- half-yearly financial reports;
- shareholders' meeting;
- quarterly press releases on the Group's business and revenues; and
- regulated information.

5.4.5 Monitoring financial risks connected with the effects of climate change

Article L. 225(100)1 I 4° of the French Commercial Code as amended by the Order no. 2017-1162 of 12 July 2017, covering measures to simplify and clarify corporate information obligations, stipulates that the Group must report "on the financial risks connected to the effects of climate change and the measures which the Company is taking to reduce them by implementing a low carbon strategy in all the parts of its business".

Sections 5.2 and 4 of this document on the risk factors and the societal, social and environmental information include all information required by law and can be summarised as follows:

- climate change may financially impact the Carmila Group's business through, for example, increases in risk premiums, changes in building methods or even the age of the sites;
- the Carmila Group is implementing initiatives to reduce energy consumption and thus minimise the carbon footprint of its sites, through the use of energy-efficient equipment, optimised insulation and the construction of bio-climatic buildings;
- the Group ensures compliance with construction and renovation standards during its development projects, in particular via the analysis of its flood risks prevention plan before any construction project;
- a computer database, implemented by an external service provider, enables diagnostics and monitoring of classified installations across all sites.

(1) *Reference framework for the AMF's internal control and risk management mechanisms (Section IV 3.1.3 and 3.1.4).*

5.5 Arbitration and judicial proceedings

In the ordinary course of its business, the Carmila Group is involved in administrative and judicial proceedings and is subject to administrative audits from time to time. The Carmila Group recognises provisions in its financial statements when, on the closing date, it has is subject to a current, legal or implied obligation as a result of a past event for which it is probable that an outflow will be necessary to settle the obligation, the amount of which can be reliably estimated. A description of the provisions for litigations at 31 December 2017 is included in Note 8.9 of Section 7.1 "Consolidated Financial Statements" of this document.

At the date of this document, to the Company's knowledge, there are no governmental, judicial or arbitral disputes or proceedings (including any proceedings, to Carmila's knowledge, that are pending or threatened) that could have or recently have had a material impact on the results or financial condition of Carmila and/or the Carmila Group.

5.6 Significant agreements

As of the date of this document, no agreement (other than agreements entered into in the ordinary course of business) containing provisions entailing an obligation or significant commitment on the part of any of the entities of the Carmila Group for the Group as a whole has been entered into by Carmila or any entity of the Carmila Group, with the exception of the agreements described in Section 5.1.5.3"Principal Agreements with Carrefour group Entities", in Section 3.7 "Carmila's financial and cash position" and under the paragraph "Related Party Transactions" included in Section 7.1 "Consolidated Financial Statements 2017" of this document.

5.7 Research and development, patents and licenses

5.7.1 Research and development

The Carmila Group does not conduct research and development activities. However, it is constantly seeking innovative solutions as part of its digitalisation strategy. The Carmila Group has created "Carmilab", an internal incubator programme dedicated to innovation and digital technology. Using digital tools (such as social networks, the digital customer experience and databases) developed in collaboration with the Carrefour group's teams, Carmilab has facilitated trials for 50 multi-channel projects in numerous areas: CRM and data, relational, local and cross-channel marketing, new concepts and new businesses.

The Group does not hold any patents and therefore considers that it has no significant dependence on any trademarks, patents or licenses for the conduct of its business or its profitability.

5.7.2 Intellectual property

The Group's intellectual property rights consist mainly of rights to distinctive signs such as trademarks or domain names, in particular the semi-figurative brand of the European Union "Carmila", the figurative "M logo" brand and the semi-figurative "Cité Europe" brands, and domain names including, for example, the name "Carmila". These intellectual property rights are registered or are being registered in the countries where they are used by the Group, in order to protect them in a manner appropriate to the activities concerned.

These rights are mainly held by Carmila and, for certain distinctive brands, used only in connection with the activity of a shopping centre, by the entity of the Group managing that shopping centre.

6 GOVERNANCE AND CAPITAL

6.1 Corporate governance

At their respective Extraordinary general meetings of 12 June 2017, the shareholders of Cardety and Carmila S.A.S. approved the proposed merger of their companies, involving the merger by absorption of Carmila by Cardety (hereinafter the "Merger"). The entity thus created was renamed "Carmila".

At the time of the transaction, an E Document was created and filed with the AMF on 5 May 2017 under no. E.17-040. It is available on the Company's website at www. carmila.com

The structure and size of the Company has therefore evolved, which has resulted in the modification of its governance, as described below.

6.1.1 Compliance with the Corporate Governance Code

The operating rules of the corporate governance bodies are governed by the relevant legal provisions, the Company's bylaws and the Internal Regulations established by the Board of Directors.

In particular, the Internal Regulations specify the procedures for meetings of the Board of Directors, the powers of the Board of Directors supplemental to the legal and statutory provisions applicable to the Company and, additionally, cover the creation, roles and prerogatives of the various Committees of the Board of Directors.

Furthermore, taking account of the structure and size of the Company following the Merger, at its meeting of 12 June 2017 the Board of Directors decided that the Company would adopt the AFEP-MEDEF Corporate Governance Code as its code of reference in matters of corporate governance, in place of the Middlenext Governance Code. This AFEP-MEDEF Code may be consulted at the Company's registered office and on the MEDEF and AFEP websites at www.medef.com and www.afep.com, respectively.

The Board of Directors ensures that the Internal Regulations are submitted for regular review so that they may be adapted to incorporate changes in corporate governance rules and best practice. As such, at its meeting of 12 June 2017, the Board of Directors modified its Internal Regulations to reflect governance changes and the change in its code of reference.

The Company's practices are compliant with all applicable recommendations set out in the AFEP-MEDEF Code.

6.1.2 The composition of the Board of Directors and conditions for preparing and organising its work

6.1.2.1 Composition of the Board of Directors and changes during 2017

Composition of the Board of Directors prior to the Merger, namely between 1 January and 12 June 2017

At the beginning of the first half of 2017, the Board of Directors had to contain at least three and at most eighteen members, in accordance with the Bylaws in force at that time. The Board of Directors comprised seven directors.

Between 1 January and 12 June 2017 (date of the Merger), the Board of Directors was comprised as follows:

	Independent director	First appointed on	Term of office ending
Francis Mauger Chairman of the Board of Directors	No	18 June 2012	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2016
Frédéric Bôl Director	No	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017
Marie-Noëlle Brouaux Director	No	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017
Jacques Ehrmann Director	No	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017
Séverine Farjon Director	Yes	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017
Laurent Fléchet Director	No	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017
Valérie Guillen Director	Yes	18 April 2016	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017

Composition of the Board of Directors upon completion of the Merger, at 12 June 2017

The Company's Shareholders' meeting of 12 June 2017 approved the reorganisation of the Board of Directors with the following new directors: Mr Jérôme Bédier, Mr Nadra Moussalem, Mr Laurent Luccioni, Mr Olivier Lecomte, Mrs Amal Del Monaco (permanent representative of Axa Reim France), Mrs Nathalie Robin (permanent representative of Cardif Assurance Vie), Mr Emmanuel Chabas (permanent representative of Prédica) and Mr Yann Briand (permanent representative of Sogecap).

Furthermore, the Shareholders' meeting of 12 June 2017 also decided to appoint Mr Frédéric Bôl, Mr Laurent Fléchet and Mr Pedro Antonio Arias as observers.

Upon conclusion of that Shareholders' meeting, the newly configured Board of Directors met and decided on the composition of the Committees of the Board of Directors. It also appointed Mr Jacques Ehrmann as Chairman and CEO and Mr Géry Robert-Ambroix and Mr Yves Cadélano as Deputy CEOs.

The Board of Directors also decided, on 12 June 2017, to appoint Mr Olivier Lecomte as Lead independent director of the Board for his term office as director, namely until the Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019.

The duration of a director's term of office is four years, however, it should be noted that in order that the Board of Directors may be renewed each year on a rolling basis, in accordance with the recommendations of the AFEP-MEDEF Code, the Shareholders' meeting may designate one or several Directors for a different duration not exceeding four years.

Consequently, the Board of Directors will be renewed each year by periodic rotation, starting from the Annual Shareholders' meeting called to approve the financial statements for the year ended 31 December 2017, taking into account the end date of the term of office of each director comprising the Board of Directors.

The Company's Board of Directors, on 12 June 2017, comprised 14 directors (eight men and six women), including eight independent directors and three observers.

	First appointed on	Term of office expires on
Jacques Ehrmann Chairman and CEO	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Jérôme Bédier Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
Marie-Noëlle Brouaux Director	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2018
Anne Carron Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
Séverine Farjon Independent director	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2018
Valérie Guillen Independent director	18 April 2016	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017
Olivier Lecomte Lead independent director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
Laurent Luccioni Independent director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
Francis Mauger Director	18 June 2012	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2018
Nadra Moussalem Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
Axa Reim France **(rep. by Amal Del Monaco)** Independent director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Cardif Assurance Vie **(rep. by Nathalie Robin)** Independent director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Prédica **(rep. by Emmanuel Chabas)** Independent director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Sogecap **(represented by Yann Briand)** Independent director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Pedro Antonio Arias Observer	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Frédéric Bôl Observer	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Laurent Fléchet Observer	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020

The Board of Directors has ensured that members selected for appointment as directors have a suitable balance in terms of diversity of skills and professional experience and in terms of gender and age representation, in line with the proportions specified by the applicable legal requirements. Thus, at 12 June 2017, 6 out of 14 Board members were women, with at least 40% of directors from each gender, in accordance with the legal requirements.

Change in composition of the Board of Directors following the Merger, namely since 12 June 2017

Further to the decisions of the Board of Directors taken on 4 September and 3 October 2017, ratified by the Shareholders' meeting of 27 November 2017,

- Laurent Vallée was co-opted as director to replace Mr Jérôme Bédier, who resigned, for the remainder of the latter's term of office, namely until the Ordinary general meeting called to approve the financial statements for the year ending 31 December 2019;
- Mrs Marie Cheval was co-opted as director to replace Mrs Anne Carron, who resigned, for the remainder of the latter's term of office, namely until the Ordinary general meeting called to approve the financial statements for the year ending 31 December 2019; and
- Mrs Raphaëlle Pezant was co-opted as director to replace Mrs Marie-Noëlle Brouaux, who resigned, for the remainder of the latter's term of office, namely until the Ordinary general meeting called to approve the financial statements for the year ending December 2018.

The diversity of the composition of the Board of Directors has been maintained by these new appointments.

The table below shows the composition of the Company's Board of Directors as of 31 December 2017:

Surname and first name	Gender	Nationality	Age	Independent Member	Date of first appointment	Start date of current term of office	End date of term of office (AGM called to approve the financial statements for the year ended)	Number of shares held	Presence in committees
Ehrmann Jacques	M	France	57 years	No	20/05/2015	12/06/2017	31/12/2020	50,939	SIC CNC(1)
Vallée Laurent	M	France	46 years	No	04/09/2017	04/09/2017	31/12/2019	1,000	AC(3) SIC(3)
Pezant Raphaëlle	F	France	40 years	No	03/10/2017	03/10/2017	31/12/2018	1,000	CNC(4)
Cheval Marie	F	France	43 years	No	03/10/2017	03/10/2017	31/12/2019	1,000	CNC(4)
Farjon Séverine	F	France	41 years	Yes	20/05/2015	12/06/2017	31/12/2018	1,001	CNC (Chairman) AC(1) (Chairman)
Guillen Valérie	F	France	53 years	Yes	18/04/2016	18/04/2016	31/12/2017	1,000	AC
Lecomte Olivier	M	France	52 years	Yes	12/06/2017	12/06/2017	31/12/2019	1,000	AC(2) (Chairman) CNC(2)
Luccioni Laurent	M	France	45 years	Yes	12/06/2017	12/06/2017	31/12/2019	6,000	-
Mauger Francis	M	France	67 years	No	18/06/2012	12/06/2017	31/12/2018	1,000	SIC
Moussalem Nadra	M	France	40 years	No	12/06/2017	12/06/2017	31/12/2019	1,000	SIC(2)
Axa Reim France (rep. by Amal Del Monaco)	F	Spain	43 years	Yes	12/06/2017	12/06/2017	31/12/2020	5,835,926	CNC(2)
Cardif Assurance Vie (rep. by Nathalie Robin)	F	France	54 years	Yes	12/06/2017	12/06/2017	31/12/2020	11,671,852	SIC(2) (Chairman)
Prédica (rep. by Emmanuel Chabas)	M	France	40 years	Yes	12/06/2017	12/06/2017	31/12/2020	12,168,946	SIC(2)
Sogecap (rep. by Yann Briand)	M	France	42 years	Yes	12/06/2017	12/06/2017	31/12/2020	6,775,498	AC(2)
Pedro Antonio Arias	M	France	47 years		12/06/2017		31/12/2020		
Frédéric Bôl	M	France	57 years		12/06/2017		31/12/2020		
Laurent Fléchet	M	France	52 years		12/06/2017		31/12/2020		

AC = Audit Committee.
CNC = Compensation and Nominating Committee.
SIC = Strategic and Investment Committee.
(1) Until 12 June 2017.
(2) As from 12 June 2017.
(3) As from 4 September 2017.
(4) As from 3 October 2017.

Under the Company's Internal Regulations, acceptance of a position as director involves an undertaking to comply with the ethics rules set out in the AFEP-MEDEF Code and, specifically, not to take on more than four (4) other positions as director in listed companies, including foreign ones, outside the Group.

Each director must (i) prior to his appointment, provide the Chairman of the Board with a complete and detailed list of Director positions as director and executive or other posts held with any business entity, (ii) immediately inform the Chairman of the Board of any modification to the aforesaid list that may take place during his term of office.

The Board of Directors has not been asked by an executive corporate officer to approve a new corporate office in a listed company.

The main terms of office and positions held by the aforesaid directors, during the last five years, are as follows:

Jacques EHRMANN

MAIN POSITION IN THE COMPANY

Chairman and CEO and member of the Strategic and Investment Committee of Carmila

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and position held at 31 December 2017:

- Member of the Management Board of Frojal (SA)
- Director of Edmond de Rothschild SA
- Chairman of Tamlet (SAS)
- Joint Manager of Jakerevo (SCI) and Testa (SC)
- Member of the Management Committee and member of the Nominating Committee of Adialéa (SAS)
- Director, member of the Human Resources Committee and member of the Strategic Committee of Atacadao SA (listed company Brazil)
- Director of CarrefourS.A. (listed company Turkey)

Offices and positions held and expired over the past five years:

- Chairman of Carmila S.A.S.
- Member of the Supervisory Board of Frojal (SA)
- Chairman and CEO of Mercialys (SA)
- Chief Executive Officer of GreenYellow (SAS)
- Director of Big C (Thailand)
- Member of the Supervisory Board of Editions Lefebvre Sarrut (SA)
- Chairman of the Board of Directors and Director of the companies Intexa (SA – a listed company) and Proxipierre (SPPICAV)
- Chairman of the Board of Directors of Plouescadis (SA)
- Chairman of Hard Immo (SAS)
- Chairman of L'Immobilière groupe Casino (SAS)
- Director of the companies DTC Finance BV, DTC Development 1 DTC Development 2 and DTC Development 3 (Netherlands)
- Non-Partner Manager of the companies: GreenYellow Participations (EURL), GreenYellow Participations 2 (EURL), GreenYellow Arles (SNC), Holding d'Exploitation de Centrales Photovoltaïques 3C (SAS), KS ParticipationMétropole (EURL), Société de Participations dans des Centrales PV 3 (EURL), Société de Participations dans des Centrales PV 3C (EURL), Société de Participations dans des Centrales PV 4 (EURL), GreenYellow Participations 3b (EURL), GreenYellow Participations 10 (EURL), GreenYellow Participations 6 (EURL), GreenYellow Participations 7 (EURL), GreenYellow Participations 8 (EURL), GreenYellow Participations 11 (EURL), GreenYellow Participation Énergie (SARL), Alpha (SARL), Azel (SCI), Casino Développement (SNC), Hyper 19 (SNC) and SNC Maud
- Permanent representative of Mercialys (SA), Chairman of Mercialys Gestion (SAS) and Mery 2 (SAS)
- Permanent representative of Casino Guichard-Perrachon (SA – listed company), Chairman of IGC Promotion (SAS) and Théiadis (SAS)
- Permanent representative of L'Immobilière groupe Casino (SAS), Chairman of the companies: Onagan Promotion (SAS), SAS Cathédrale, SAS des Grands Crus, SAS de Saint Sulpice, SAS des Salins, Opalodis (SAS) and Uranie (SAS)
- Permanent representative of L'Immobilière groupe Casino (SAS), manager of the companies: Agout (SNC), Chafar 2 (SCCV), Chouans (SCCV), Clovis (SCCV), Dentelle (SNC), Fructidor SNC, Géante Périaz (SNC), Pays Chaunois (SCCV), Plaine de Lamolle (SCCV), Seconde Périaz (SCCV), SCI Stoupale and SCI Zac du Roubaud Saint-Jean
- Permanent representative of GreenYellow (SAS), Chairman of the companies: Holding d'Exploitation de Centrales Photovoltaïques 3b (SAS), Holding d'Exploitation de Centrales Photovoltaïques 4 (SAS), Holding d'Exploitation de Centrales Photovoltaïques 5 (SAS), Holding d'Exploitation de Centrales Photovoltaïques 6 (SAS) and Lycées Pyrénées Orientales (SAS)
- Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 4 (SAS), Manager of the companies: GreenYellow Albi (SNC), GreenYellow Bordeaux (SNC), GreenYellow Castres (SNC), GreenYellow Montauban (SNC), GreenYellow Rodez (SNC) and GreenYellow Saint-André de Cubzac (SNC)
- Permanent representative of Holding d'Exploitation de Centrales Photovoltaïques 5 (SAS), Manager of the companies: GreenYellow Avignon Cap Sud (SNC), GreenYellow Marseille Delprat (SNC), GreenYellow Sauvian (SNC) and GreenYellow Valence 2 (SNC)
- Permanent representative of Ksilicium (SAS)
- Chairman of GreenYellow Holding (SAS)
- Permanent representative of Ksilicium Développement (SAS), Chairman of the companies: Ksilicium Finance Metropole (SAS) and Ksilicium Finance Réunion (SAS)
- Permanent representative of Plouescadis (SAS), Chairman of the companies: Alcudia Promotion (SAS), IGC Promotion (SAS), Onagan Promotion (SAS), SAS Cathédrale, SAS de la Grande Colline, SAS de la Moitié, SAS de Malaz, SAS de Saint Sulpice, SAS des Grands Crus, SAS des Salins and SAS du Canal du Midi
- Permanent representative of Plouescadis (SAS), Manager of the companies: Agout (SNC), Bobsleigh (SCCV), Canerousse SNC, Chantecouriol (SNC), Chatam (SCI), Chouans (SCCV), Dentelle (SNC), Géante Périaz (SNC), Les Grandes Chaumes (SCCV), Parc des Salins (SNC), Plaine de Lamolle (SCCV), SCCV de Cavernes, SCCV du Chapeau Rouge, SCI Immoleard, SCI Les Halles des Bords de Loire, SCI Zac du Roubaud Saint-Jean, Seconde Périaz (SCCV), SNC de Périaz, SNC Fairway, SNC Joutes de la Peyrade, Semnoz A (SNC), Semnoz B (SNC), Semnoz C (SNC), SNC Les Cabanes Tchanquées, Soderip Promotion (SNC), Rhodanienne (SNC), Vendolonne (SNC), Alcudia Amilly (SCCV), Alcudia Annemasse (SCCV), Alcudia Arbent (SCCV), Alcudia Basso Combo (SCCV), Alcudia Boé (SCCV), Alcudia Chalon (SCCV), Alcudia Clermont Ferrand (SCCV), Alcudia Cubzac (SCCV), Alcudia Davezieux (SCCV), Alcudia Fenouillet (SCCV), Alcudia Firminy (SCCV), Alcudia Fréjus (SCCV), Alcudia Lannion (SCCV), Alcudia Lons Le Saunier (SCCV), Alcudia Loubet (SCCV), Alcudia Montélimar (SCCV), Alcudia Nîmes (SCCV), Alcudia Salon (SCCV), Alcudia Salvaza (SCCV), Alcudia Torcy (SNC), Alcudia Villenave d'Ornon (SCCV), SNC Alcudia Grans, SNC Alcudia Auxerre, SNC Alcudia Les Clairions, SNC Alcudia Tarbes Laloubère, SNC Alcudia Troyes Barberey and SNC Alcudia Villefranche
- Permanent representative of SAS de la Grande Colline, Joint Manager of SCI PDP
- Permanent representative of SNC Maud, Manager of the companies: Adour Immo (SNC) and Menesterol Immo (SNC)
- Permanent representative of Asinco (SAS), member of the Board of Directors of FIGEAC (SA);

- Permanent representative of SCI Proximmo and of AEW Immocommercial (SPPICAV)
- Lead Director of Servicios Cativen (Venezuela)
- Member of the Supervisory Board of Viveo Group (SA)
- Corporate Officer at Viveo (EURL)
- Director of SAS Santoline
- Board member and Chairman of the Audit Committee of Atacadao SA (Brazil)

Laurent VALLÉE

MAIN POSITION IN THE COMPANY

Director, member of the Audit Committee and of the Strategic and Investment Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Secretary General of Carrefour
- Delegate General of the Carrefour Foundation
- Director of Carrefour China Fondation for food safety (HK)

Offices and positions held and expired over the past five years:

None

Raphaëlle PEZANT

MAIN POSITION IN THE COMPANY

Director and member of the Compensation and Nominating Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

None

Offices and positions held and expired over the past five years:

None

Marie CHEVAL

MAIN POSITION IN THE COMPANY

Director and member of the Compensation and Nominating Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Chairwoman of Carrefour Omnicanal
- Chairwoman of Digital Media Shopper
- Director of Laurent Perrier

Offices and positions held and expired over the past five years:

- Director and Chairwoman of the Audit Committee of FNAC Darty (listed company – France)
- Director and Chief Executive Officer of Boursorama
- Director of Sogecap
- Director of Visa Europe
- Chairwoman of the Supervisory Board of OnVista Bank GmBH
- Member of the Supervisory Board of OnVista (Holding) AG
- Chairwoman of the Board of Directors of SelfBank
- Chairwoman of the Board of Directors of Talos Holding

Séverine FARJON

MAIN POSITION IN THE COMPANY

Director and member of the Compensation and Nominating Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Chief Executive Officer of RAISE REIM

Offices and positions held and expired over the past five years:

None

Valérie GUILLEN

MAIN POSITION IN THE COMPANY

Director and member of the Audit Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Director and member of the Audit Committee of Terreis (SIIC)
- Chairwoman of SGP Emerige Capital

Offices and positions held and expired over the past five years:

None

Olivier LECOMTE

MAIN POSITION IN THE COMPANY

Director, Chairman of the Audit Committee and member of the Compensation and Nominating Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Professor at l'École Centrale de Paris
- Member of the Supervisory Board of the Robert Debré hospital
- Member of the Steering Committee of SIRIC, SOCRATE/ Institut Gustave Roussy
- Member of the AP-HP Digital Committee
- Consultant

Offices and positions held and expired over the past five years:

- Director of the Paris & Co association
- Director of Carmila S.A.S.

Laurent LUCCIONI

MAIN POSITION IN THE COMPANY

Director

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Director of Lar Espana Real Estate Socimi SA (listed company – Spain)
- Member of the Supervisory Board of Echo Investment SA (listed company – Poland)

Offices and positions held and expired over the past five years:

- Director of Carmila S.A.S.

Francis MAUGER

MAIN POSITION IN THE COMPANY

Director and member of the Strategic and Investment Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Director, member of the Human Resources Committee and member of the Strategic Committee of Atacadao SA (listed company – Brazil)

Offices and positions held and expired over the past five years:

- Chairman of Carrefour Property France
- Member of the Management Committee of Carrefour Property France
- Chairman of CRFP 8
- Chairman of Carrefour Property Italia
- Director of Carrefour Property España
- Chairman of the Board of Directors of Cardety

Nadra MOUSSALEM

MAIN POSITION IN THE COMPANY

Director and member of the Strategic and Investment Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Chairman of Colony NorthStar SAS
- Chairman of Continental Property Investments
- Chairman of Data IV Services – within Data 4 Group as corporate representative
- Chairman of Data IV France – within Data 4 Group as corporate representative
- Chairman of DC 115 SAS
- Chairman of Holding Sports & Événements
- Chairman of Colfilm SAS
- Chairman of Collllkirch France
- Chief Executive Officer of ColSpa
- Manager at ColEvreux SCI
- Manager at Colnîmes SARL
- Manager at ColNozay EURL
- Manager at ColNozay SCI
- Permanent representative of Colony NorthStar SAS on the chairmanship of Colkart Investment Europe
- Permanent representative of Colony NorthStar in the partnership of ColAubergenville SCI
- Representative of Colony NorthStar SAS on the chairmanship of CFI NNN France Portfolio SAS
- Permanent representative of Colony NorthStar SAS on the chairmanship of Colquattro French Portfolio SAS
- Permanent representative of Colony NorthStar SAS in the partnership of ColEden SCI
- Representative of Colony NorthStar SAS on the chairmanship of Colbravo SAS
- Permanent representative of Colony NorthStar in the partnership of CFI NNN PIAZZA SCI
- Chairman of Data 4 Italy – within Data 4 Group as corporate representative
- Chairman of Data 4 Services Italy – within Data 4 Group as corporate representative
- Executive of Colyzeo Investment Management (UK)
- Executive of Colyzeo Investment Advisors Limited (UK)
- Manager of Financière et Foncière Alma Messine
- Manager of Continental Property Investments
- Manager of Reoc Issy
- Manager of Adductor France SARL
- Manager of Adductor International SARL
- Manager of Add Holding
- Manager of Rivesaltes Roissy SNC
- Manager of IDF Industries SARL
- Manager of Adductor CPI Arenas
- Chairman of Property Holding
- Manager of Foncière Phoenix Mac Donald
- Manager of Villeneuve Sénart SNC
- Manager of Marbeau CPI
- Manager of Villa 5 CPI
- Manager of Pythagore Invest
- Manager of Colin SNC
- Manager of Latoison Duval SNC
- Manager of Hayet SNC
- Manager of IDF Industries SNC
- Manager of W9/Saint Quentin
- Manager of Sesame Investissements
- Manager of Binet SNC
- Manager of Lint SNC
- Manager of Lafayette 06
- Manager of Champs CPI
- Manager of IDF Industries Marne SNC
- Manager of Herblay CPI
- Sole Director of Global Confector SLU (Spain)
- Sole Director of Global Graeca SLU (Spain)
- Sole Director of Colprincesa Management SL (Spain)
- Sole Director of CPI Developments Spain 2009 SLU (Spain)

Offices and positions held and expired over the past five years:

- Director of Carmila S.A.S.
- Director of Data4 UK Limited (UK)
- Director of Data 4 UK Services Limited (UK)
- Director of Sisters Soparfi SA (Luxembourg)
- Manager of SC George V 301
- Manager of SC George V 302
- Manager of Cedar Trust (Luxembourg)
- Manager of CT Real Estate (Luxembourg)
- Manager of Data Genpar Sarl (Luxembourg)
- Director of Distribuidora Internacional de Alimentacion (D.I.A.) (Spain)
- Chairman and CEO of Edenred (SA) (listed company – France)
- Director of ACCOR (SA) (listed company – France)
- Director of Carrefour (SA) (listed company – France)
- Chairman of Colkart SAS
- Permanent representative of Colony NorthStar SAS on the chairmanship of Colkart Investment Europe

Amal DEL MONACO, representative of AXA REIM FRANCE

MAIN POSITION IN THE COMPANY

Director and member of the Compensation and Nominating Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Deputy Chief Executive Officer of Axa Reim France (SA)
- Chairman of the Board of Directors of Vendôme Logistique (SPPICAV – SA)
- Chairman of the Board of Directors of Vendôme Immobilier Commercial (SPPICAV – SA)
- Chairman of the Board of Directors of Agipopci (SPPICAV – SA)
- Member of the Supervisory Board of Axa Selectiv'Immoservice (SPPICAV – SAS)
- Permanent representative of Axa France Vie du Logement Français (SA with Supervisory and Management Boards)
- Director of Marsheg 1 BV (Netherlands)
- Director of Marsheg 2 BV (Netherlands)
- Director of Etten Leur Logistics Investments BV Sàrl (Netherlands)
- Director of Coindupres BV (Netherlands)
- Director of Laflou BV (Netherlands)
- Director of Battlebelotte BV (Netherlands)
- Director of Cordelière 1 BV (Netherlands)
- Director of Cordelière 2 BV (Netherlands)
- Director of Cordelière 3 BV (Netherlands)
- Director of Tour du Sommeil BV (Netherlands)
- Director of SIR OP BV (Netherlands)
- Director of Lao BV (Netherlands)
- Director of 22 Bishopsgate B.V. (Netherlands)
- Director of Top 22 Bishopsgate B.V. (Netherlands)
- Director of 22 Bishopsgate General Partner Limited (UK)
- Director of Baylog Holding Limited (UK)
- Director of Dagenham BV (Netherlands)
- Director of Élysées Neuf BV (Netherlands)
- Director of Paktkohlestahlden BV (Netherlands)
- Director of Krasnapolsky II BV (Netherlands)
- Director of Hamba BV (Netherlands)
- Director of Lama RE 1 BV (Netherlands)
- Director of Lama RE 2 BV (Netherlands)
- Director of Lama RE 3 BV (Netherlands)
- Director of Lama RE 4 BV (Netherlands)
- Director of Lama RE 5 BV (Netherlands)
- Director of Frasia Property (GP) Limited (UK)
- Director of Frasia Holdings SA (Luxembourg)
- Director of Onlyou SL (Spain)
- Director of Lindisfarne SL (Spain)
- Director of Olaen SL (Spain)
- Director of Riglos SL (Spain)
- Director of Zumaran SL (Spain)
- Director of Ouestia Holding SA (Luxembourg)
- Director of Ouestia Property GP Limited (UK)
- Chairman of the Board of Directors of Oteli France (SPPICAV – SA)
- Director of Grace Hotel Investment Sàrl (Luxembourg)

Offices and positions held and expired over the past five years:

- Director of Carmila S.A.S.
- Director of Asgard Real Estate Private Equity Sarl (SARL Lux)

Nathalie ROBIN, representative of CARDIF ASSURANCE VIE

MAIN POSITION IN THE COMPANY

Director and Chairwoman of the Strategic and Investment Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Director, member of the Investment Committee and of the Compensation Committee at Foncière Développement
- Member of the Supervisory Board, member of the Investment Committee and of the Audit – Committee at Foncière des Murs – *listed company*
- Member of the Strategic Committee of Foncière des Murs Management
- Member of the Supervisory Board of Immeo
- Member of the Supervisory Board of BNP Paribas REIM France
- Member of the Supervisory Board of Opéra Rendement
- Member of the Supervisory Board of France Investipierre
- Member of the Supervisory Board of Capimmo
- Member of the Supervisory Board of Dauchez
- Director of AEW Immocommercial
- Member of the Supervisory Board at CFH
- Member of the Supervisory Board at Placement Ciloger 3
- Non-voting director at BNP Paribas REPM France
- Member of the Supervisory Board at FLI
- Member of the Icade Santé Oversight Committee
- Director of BNP Paribas Diversipierre
- Member of the Supervisory Board at Preim Healthcare
- Member of the Supervisory Board at Accès Valeur Pierre
- Director, member of the Investment Board and of the Audit Committee of Frey
- Member of the Supervisory Board of Hémisphère
- Member of the Supervisory Board of Plein Air Property Fund
- Member of the Board of PWH
- Director of Powerhouse Habitat

Offices and positions held and expired over the past five years:

- Director of Carmila S.A.S.
- Director, member of the Investment Committee and of the Compensation Committee of Foncière Développement Logements (listed company – France)

Emmanuel CHABAS, representative of PRÉDICA

MAIN POSITION IN THE COMPANY

Director, member of the Strategic and Investment Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Member of the Supervisory Board of Foncière des Murs
- Member of the Supervisory Board of Immeo
- Member of the Board of Directors of Camp Invest OPPCI
- Member of the Board of Directors of Iris Invest OPPCI
- Member of the Board, Chairman and Executive Officer of Foncière Hypersud
- Director of OPPCI B2 Hotel Invest
- Member of the Supervisory Board of SCPI Unipierre Assurance
- Director of Météore Italy SRL
- Director of Météore Greece SA
- Director of Météore Alcala
- Director of Siltel SA
- Manager of SCI IMEFA 1, SCI IMEFA 2, SCI IMEFA 3, SCI IMEFA 4, SCI IMEFA 5, SCI IMEFA 6, SCI IMEFA 8, SCI IMEFA 9, SCI IMEFA 10, SCI IMEFA 11, SCI IMEFA 12, SCI IMEFA 13, SCI IMEFA 16, SCI IMEFA 17, SCI IMEFA 18, SCI IMEFA 20, SCI IMEFA 22, SCI IMEFA 25, SCI IMEFA 32, SCI IMEFA 33, SCI IMEFA 34, SCI IMEFA 35, SCI IMEFA 36, SCI IMEFA 37, SCI IMEFA 38, SCI IMEFA 39, SCI IMEFA 42, SCI IMEFA 43, SCI IMEFA 44, SCI IMEFA 45, SCI IMEFA 47, SCI IMEFA 48, SCI IMEFA 49, SCI IMEFA 50, SCI IMEFA 51, SCI IMEFA 52, SCI IMEFA 53, SCI IMEFA 54, SCI IMEFA 57, SCI IMEFA 58, SCI IMEFA 60, SCI IMEFA 61, SCI IMEFA 62, SCI IMEFA 63, SCI IMEFA 64, SCI IMEFA 66, SCI IMEFA 67, SCI IMEFA 68, SCI IMEFA 69, SCI IMEFA 72, SCI IMEFA 73, SCI IMEFA 74, SCI IMEFA 76, SCI IMEFA 77, SCI IMEFA 78, SCI IMEFA 79, SCI IMEFA 80, SCI IMEFA 81, SCI IMEFA 82, SCI IMEFA 83, SCI IMEFA 84, SCI IMEFA 85, SCI IMEFA 89, SCI IMEFA 91, SCI IMEFA 92, SCI MEFA 96, SCI IMEFA 97, SCI IMEFA 98, SCI IMEFA 99, SCI IMEFA 100, SCI IMEFA 101, SCI IMEFA 102, SCI IMEFA 103, SCI IMEFA 104, SCI IMEFA 105, SCI IMEFA 107, SCI IMEFA 108, SCI IMEFA 109, SCI IMEFA 110, SCI IMEFA 112, SCI IMEFA 113, SCI IMEFA 115, SCI IMEFA 116, SCI IMEFA 117, SCI IMEFA 118, SCI IMEFA 120, SCI IMEFA 121, SCI IMEFA 122, SCI IMEFA 123, SCI IMEFA 126, SCI IMEFA 128, SCI IMEFA 129, SCI IMEFA 131, SCI IMEFA 132, SCI IMEFA 140, SCI IMEFA 148, SCI IMEFA 149, SCI IMEFA 150, SCI IMEFA 155, SCI Lyon Tony Garnier, SCI Villeurbanne La Soie Ilot H, SCI IMEFA 158, SCI IMEFA 159, SCI IMEFA 161, SCI IMEFA 162, SCI IMEFA 163, SCI IMEFA 164, SCI IMEFA 165, SCI HDP Bureaux, SCI HDP Hotel, SCI HDP La Halle, SCI IMEFA 169, SCI IMEFA 170, SCI IMEFA 171, SCI IMEFA 172, SCI IMEFA 173, SCI IMEFA 174, SCI IMEFA 175, SCI IMEFA 176, SCI IMEFA 177, SCI IMEFA 178, SCI IMEFA 179, SCI IMEFA 180, SCI IMEFA 181, SCI IMEFA 182, SCI IMEFA 183, SCI IMEFA 184, SCI IMEFA 185, SCI IMEFA 186, SCI IMEFA 187, SCI IMEFA188, SCI IMEFA 189, SCI IMEFA 190, SCI Dahlia, SCI Fédérale Pereire Victoire, SCI Federlog, SCI Feder Londres, SCI Fédérale Villiers, SCI Grenier Vellefaux, SCI Medibureaux, SCI Medic Habitation, SCI Vicq d'Azir Vellefaux, SCI Vicq Neuilly, SCI Federpierre, SCI Longchamp Montevideo, SCI Federpierre Michal, SCI Ferderpierre Caulaincourt, SCI Ferderpierre Université, SCI Ferderpierre Capucines, SCI 1-3 Place Valhubert, SCI VIllage Victor Hugo
- Chairman of Resico
- Chairman of CA Residence Seniors
- Chairman of the Partnership Committee of Iris Holding France
- Member of the Strategic Committee of Foncière des Murs Management
- Chairman of the Partnership Committee and Member of the Board of Directors of SCI Holding Dahlia
- Member of the Board of Directors of Iris Holding
- Chairman of SAS Holding Euromarseille
- Manager of SCI DS Campus
- Manager of SCI New Vélizy
- Member of the Board of Directors of Alta Blue
- Chairman of SAS Francimmo HoteL
- Manager of SCI Montparnasse Cotentin
- Permanent representative of Prédica of OPCI CAA Commerces 2
- Permanent representative of Prédica on the Board of Directors of Hypersud
- Permanent representative of Prédica on the Board of Directors of OPCI Prédica Bureaux
- Chairman of SAS 59-61 Rue Lafayette
- Director and Chairman of the Board of Directors of OPCI Prédica Commerces
- Chairman of SAS 81-91 Rue Falguière
- Director and Chairman of the Board of Directors of OPCI Messidor
- Director and Chairman of the Board of Directors of OPCI SAS CAA Kart
- Member of the Strategic Committee of Heart of La Défense
- Representative of Prédica on the Advisory Committee of the Ardian Fund
- Permanent representative on the Supervisory Board of SAS Preim Healthcare
- Representative of Prédica de SCI Frey Retail Villebon
- Member of the Supervisory Board of Icade Santé Oversight Committee
- Director of OPCI Lapillus 1
- Member of the Real Estate Committee of FFA
- Member of the Supervisory Board of Patrimoine et Commerce

Offices and positions held and expired over the past five years:

- Director of Carmila S.A.S.
- Director of Foncière Développement Logement (listed company – France)

Yann BRIAND, representative of SOGECAP

MAIN POSITION IN THE COMPANY

Director and member of the Audit Committee

PRINCIPAL OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2017:

- Director, Chairman of the Nominations and Remuneration Committee and member of the Investment Committee of Frey
- Director of Oteli France
- Director of BG 1 SA

Offices and positions held and expired over the past five years:

- Director of Carmila S.A.S.

Information about the members of the Board of Directors:

Jacques Ehrmann is a graduate of HEC Paris business school. He began his career as Secretary General of Hôtels Méridien in 1989 and subsequently joined Euro Disney (1995-1997) and thereafter Club Méditerranée (1997-2002), in senior Management roles.

In 2003 he joined groupe Casino as Managing Director of the real estate and property development business where, in 2005, he managed the start up of Mercialys and served as Chairman and CEO for seven years.

In mid-2013, Jacques Ehrmann joined the Carrefour group Executive Board as Executive Director of the Carrefour group in charge of Assets, Development and New Ventures. In April 2014, he also took on the role of Chairman and CEO of Carmila, a company specialised in revitalising shopping centres adjacent to Carrefour hypermarkets. In February 2015, he headed the Carrefour group's Mergers & Acquisitions Department.

On 2 October 2017, Jacques Ehrmann took on the role of Executive Director of Assets, International Development and Innovation. He remains Chairman and CEO of Carmila.

Yann Briand holds a Master's degree in Urban Planning and Management (Paris IV) and a degree in Corporate Real Estate (Paris I). Since 1999, he has worked at Arthur Andersen, General Electric, Catella and Société Générale in investments, expert advice and consulting. Since 2014, he has been Real Estate Director of Sogecap in charge of investment activities and asset management.

Emmanuel Chabas holds a degree from the ESSEC. He began his career in internal controls management and internal audit at BNP Paribas in 2001. He then joined BNP Paribas Cardif in 2006 as manager of real estate acquisitions. Since September 2015, he has been Manager of Real Estate Investments at Crédit Agricole Assurances.

Marie Cheval is a graduate of the Paris Institute of Political Studies *(Sciences Po)* and a former student of the École nationale d'administration (National School of Business). Marie Cheval joined the French Inspectorate-General of Finance in 1999. Between 2002 and 2011 she carried out a variety of roles within Groupe La Poste: Director of Financial Services Strategy for La Poste and subsequently for La Banque Postale; Commercial and Marketing Director (2006-2009) then Director of Operations for La Banque Postale (2009-2011). In 2011, Marie Cheval joined the Société Générale Group as Director of Global Transactions and Payment Services. In 2013 she became Managing Director of Boursorama.

Marie Cheval joined the Carrefour group on 2 October 2017 and was appointed Executive Director of Customers, Services and Digital Transformation. In particular, she is responsible for digital transformation, customer marketing, digital retail, data, financial services and trade services, across the Group and throughout France. The following departments report to her directly: Services, Group Data and Customers, Group Strategic Marketing, E-commerce and Customer Data France, Digital Transformation France and General Banking Management France.

Amal Del Monaco is the Deputy CEO of AXA REIM France and a member of the Executive Committee of AXA IM – Real Assets. She is responsible for management mandates for the account of AXA insurance companies. Amal Del Monaco joined AXA IM – Real Assets in 1997, where she worked in different capacities, and has been part of the funds management team since 2001. In 2007, she took charge of AXA France funds management. A graduate of the University of Granada in 1996, she earned an MBA in International Affairs from the Institut Supérieur de Gestion in 1998. She is also a member of the Royal Institute of Chartered Surveyors and a part of the Cercle des Femmes de l'Immobilier.

Séverine Farjon, a graduate of the Institut d'Etudes Politiques in Paris and SFAF *(Société Française d'Analyse Financière),* began her career in the financial analysis sector at Fortis Securities before joining the Natixis Group, where she participated in several capital transactions for listed property companies. From 2007 to 2009, she took on the responsibility of Orco's Investor Relations. In 2011, she joined Cofitem-Cofimur, which became, in 2013, Foncière de Paris, where she handled financial transactions and shareholder relations. Since January 2017, she has been involved in the creation of RAISE REIM, a management company specialising in the management of OPCI.

Valérie Guillen graduated from the Université de Paris IX-Dauphine with a Masters in corporate finance, and began her career in treasury management at Groupe Vivendi before joining finance management at Générale de Santé. She then worked at Massena from 2001 to 2007 where she was responsible for the management of real estate funds and was chairman of the SIIC Foncière Massena, which she grew and then sold to Groupe Crédit Mutuel. In 2007 she joined La Française, where she managed institutional real estate fund development until 2015. In 2016 she joined Promoteur Emerige to form a portfolio management company for Emerige Capital, of which she was Chairman and where she developed the business of third party account management.

Olivier Lecomte graduated from the École Centrale Paris. He began his career as an investment banker in London and Paris, first at Société Générale and then at Demachy, Worms & Cie. He then joined the Unibail-Rodamco Group, where he occupied, successively from 1994 to 2002, the posts of Director of Development, Chairman of Espace Expansion and then co-CEO of the Shopping Centre Division and the Convention and Exhibition Centre Division. From 2010 to 2014, he presided over the Laboratoire Paris-Région Innovation (Paris Lab). He is the co-founder of a biotechnology start-up (Theravectys, based on research from the Institut Pasteur), of Paris & Co, member of the Supervisory Committee and of the Unit overseeing serious adverse reactions at CHU Robert-Debré, member of the Steering Committee at the Centre for Cancer Research Integrity (SIRIC) of the Institut Gustave Roussy and member of the digital advisory group for the *Directeur général d'Assistance Publique Hôpitaux de Paris,* as well as, since 2003, professor at the École Centrale Paris.

Laurent Luccioni is delegate and a portfolio manager at PIMCO in London, where he supervises the European commercial real estate team. Before joining PIMCO in 2013, he was the European Chairman and CEO of MGPA, the real estate and private equity consulting arm of Macquarie. In addition, he has worked with Cherokee Investment Partners. He has 19 years of experience in the field of investing and financial services and holds an MBA from the Kellogg School of Management of Northwestern University and a PhD in civil and environmental engineering from the University of California Berkeley.

Francis Mauger is a graduate of the École hôtelière de Lausanne. He began his career in the hotel and catering sector, including at Accor and Sodexho before joining the Casino group in 1988, where he held various management positions for 20 years. He was Director of the expansion of the Paris Restaurant Division from 1988 to 1990 before becoming Director of Group Development in 1991. In 1998, he became General Manager of South America, and in 2003, General Manager of Latin America. He joined the Carrefour group in 2010 as Carrefour Property's Network Manager. He was appointed Real Estate Director of the Carrefour group in 2011. Since May 2012, Francis Mauger has been the Executive Vice President of the Development and Real Estate Group.

Nadra Moussalem is a graduate of the École Centrale de Lyon with a Master in Information and Information Technology. Nadra Moussalem, Europe CEO of Colony NorthStar, is responsible for the identification, valuation, execution and monitoring of the Fund's European investments. Prior to joining Colony NorthStar in 2000, he worked in the Financial Engineering Department of Axa Conseil in Paris.

A graduate of HEC Paris business school, *Raphaëlle Pezant* began her career in Human Resources at LVMH in New York. She then progressed into Compensation and Benefits consultancy, working first with Andersen in New York and subsequently with Towers Perrin in Paris. From 2007 to 2012, she was Director of Compensation and Benefits at Exane BNP Paribas.

She joined the Carrefour group in 2012: first as Group Director of Compensation, then, from 2014 onwards, as Group Director of Compensation, Benefits and International Mobility.

Nathalie Robin holds a DESS in real estate law (Paris II). From 1989 to 2001, she was the Real Estate Director at Natio Vie (Groupe BNP). Since 2001, she has been a Real Estate Director of BNP Paribas Cardif.

Laurent Vallée is a graduate of the ESSEC business school and of the Institute of Political Studies and was a former student at the École nationale d'administration (National School of Business). He began his career in the French Council of State where he worked as Government Commissioner and was a Constitutional Adviser to the Secretary General of State. Between 2008 and 2010, he worked as a lawyer at Clifford Chance prior to his appointment, in April 2010, as Director of Civil Affairs for the French Ministry of Justice. Following a period working as Secretary General of the Canal + Group between 2013 and 2015, from March 2015 he was Secretary General of the Constitutional Council.

On 30 August 2017, he joined the Carrefour group as its Secretary General. He is in charge of the Legal Department, the Sustainable Development Department, the Public Affairs Department, the Audit Department and the Carrefour Foundation.

6.1.2.2 Ethics rules applicable to Directors and to General Management

Assessment of independence criteria for Directors

According to the AFEP-MEDEF Code, a director is independent when he or she has no relationship of any kind whatsoever with the Company, its group or its management that could compromise his/her exercise of independent judgement. Thus, the term "independent director" is understood to mean not only someone who is a non-executive director, namely someone who does not hold any management role in the Company or its group, but also someone who has no particular links of interest with the Company or its group (a significant shareholder, employee, etc.).

To classify a director as independent, the Board of Directors uses the criteria in the AFEP-MEDEF Code, specifically:

- not being or having been, in the last five years:
  - an employee or executive corporate officer of the Company,
  - an employee, executive corporate officer or director of a company that is consolidated by the Company,
  - an employee, executive corporate officer or director of the parent company of the Company or of a company consolidated by the latter;
- not being an executive corporate officer of a company in which the Company holds, directly or indirectly, a position as director or in which an employee, who is designated as a director or an executive corporate officer of the Company (either currently or in the last five years), holds a position as a director;
- not being a client, supplier, investment banker or corporate banker:
  - of material importance to the Company or its group,
  - or for which the Company or its group represents a material portion of business;
- not having any close family connection with a corporate officer;
- not having been a Statutory Auditor of the company within the last five years;
- not being a director of the Company for more than twelve years.

The assessment of the significance of the business relationship involves several criteria: the longevity and history of the contractual relationship between the Group and the Group in which a director of the Company has a position as director or executive role, the application of regular market conditions in the contractual relationship, the absence of economic dependency or exclusivity, the proportion of income generated by the business relationship between the Group concerned and the Carmila Group, which must be insubstantial.

Under the Internal Regulations of the Board of Directors, each director expresses himself freely and undertakes, in all circumstances, to keep an independent stance in his analyses, judgement, decision-making and actions and to reject any pressure, direct or indirect, that may be brought to bear on him by others, specific shareholder groups, creditors, suppliers or, more generally, by any third party. He undertakes not to seek out or accept from the Company, or from companies associated with it, either directly or indirectly, any benefits that may be construed as compromising his independence.

On the recommendation of the Nominating Committee, on 4 April 2018 the Board of Directors carried out an annual review of directors qualifying as independent.

On the recommendation of the Compensation and Nominating Committee, the Board of Directors held that none of the directors who qualified as independent at the time of the Merger engaged in any significant business relationship with the Group, either directly or indirectly, that might create a conflict of interest, either from the point of view of the Group or that of the director concerned.

In accordance with the criteria set out in the AFEP-MEDEF Code, on the recommendation of the Compensation and Nominating Committee, the Company's Board of Directors determined that Mrs Nathalie Robin (permanent representative of Cardif Assurance Vie), Mr Yann Briand (permanent representative of Sogecap), Mr Emmanuel Chabas (permanent representative of Prédica), Mrs Amal Del Monaco (permanent representative of Axa Reim France), as well as the corporate entities that they represent, in addition to directors Laurent Luccioni, Mr Olivier Lecomte, Mrs Séverine Farjon and Mrs Valérie Guillen, are independent Board members.

Thus, eight (8) out of a total of fourteen (14) members of the Board of Directors, more than half of the Board, are classified as independent, according to the criteria adopted by the Company.

Conflicts of interest at the level of the administrative and executive management bodies

To the Company's knowledge, and except for those relationships described in Section 5.1.5.3 "Principal agreements with Carrefour group entities" in this document, at the date of this Registered Document, there is no potential conflict of interest between the duties of the Company, the members of the Board of Directors and the Company's executive management and their private interests. Under the Internal Regulations, directors are obliged to inform the Board of Directors as soon as they become aware of any conflict of interest situation with the Company or its subsidiaries, and must abstain from voting on any corresponding deliberations.

To the Company's knowledge, there is no shareholders' pact or agreement by which any member of the Board of Directors or of the Company's executive management has been appointed as a member of the Board of Directors or of executive management.

It is stated that the composition of the Company's Board of Directors on the date of the Merger had been agreed between the Company and Carmila S.A.S. under the terms of the draft merger agreement.

As of the date of this document, no restriction has been approved by members of the Board of Directors or of the Company's executive management concerning the sale of their interests in the Company's share capital, with the exception of the rules relating to the prevention of insider trading and Internal Regulations imposing stock retention obligations on members of the Board of Directors and executive management.

Statement concerning the members of the Board of Directors and of general management

To the Company's knowledge, as of the date of this Registered Document, there are no family ties existing between members of the Board of Directors and the Company's executive management.

To the Company's knowledge, during the last five years: (i) none of the aforementioned persons has been convicted of or been found liable of fraud, (ii) none of the aforementioned persons has been associated with a bankruptcy, receivership or judicial liquidation, (iii) none of the aforementioned persons has been found guilty of a criminal offence or been subject to official public sanction by statutory or regulatory authorities or by a professional association (with the exception of Cardif Insurance Vie which was sanctioned by the Bank of France Prudential Supervisory Authority's Sanctions Committee on 7 April 2014 for escheated life insurance policies) and (iv) none of the aforementioned persons has been barred by a court from acting as a member of an administrative, management or supervisory body of a company issuing securities or from participating in the management or conduct of the affairs of a company issuing securities.

6.1.2.3 The Committees of the Board of Directors

The Board of Directors of the Company may create Committees to examine particular matters chosen by the Board or by its Chairman.

At its meeting of 12 June 2017, and subsequent to the Merger, the Company's Board of Directors adopted new Internal Regulations and decided to introduce changes to the existing Committees: the Strategic and Investment Committee, the Audit Committee and the Compensation and Nominating Committee. The composition of these Committees was reviewed, to ensure compliance with the AFEP-MEDEF Code recommendations and also to take into account the new composition of the Board of Directors. The prerogatives and rules of procedure were restated.

These specialist Committees are exclusively comprised, as previously, of directors appointed by the Board of Directors. The Chairmanship of each Committee is carried out by one of its independent members.

The Committees report regularly on their work to the Board of Directors, and submit their observations, opinions, proposals and recommendations thereto.

The composition, prerogatives and rules of procedure of the Committees, as set forth in Article 1.7 of the Internal Regulations, are described here below.

Audit Committee

Role

The role of the Audit Committee is to advise and assist the Board of Directors with respect to those matters falling within its competence pursuant to the Internal Regulations of the Board of Directors. It assists the Board of Directors in its review of the accuracy and fairness of the Company's individual and consolidated financial statements and ensures the quality of internal controls and of the information given to shareholders and to the financial markets.

Composition

As of the date of this Registered Document, the Audit Committee is composed of four members chosen from among the directors, at least three of whom are independent directors, and appointed, following proposal by the Compensation and Nominating Committee, by the Board for the duration of their term of office. The Audit Committee does not include any senior executive corporate officers.

The Chairman of the Audit Committee is appointed by the Board, on the proposal of the Compensation and Nominating Committee taking his specific expertise into consideration. The Board must carry out a specific review of this appointment.

The Company's Audit Committee is comprised of the following persons:

- Mr Olivier Lecomte, independent director, (Committee Chairman);
- Mr Yann Briand, independent director, permanent representative of Sogecap;
- Mrs Valérie Guillen, independent director; and
- Mr Laurent Vallée.

Duties

As part of its role in supervising matters relating to the preparation and control of accounting and financial information and monitoring the effectiveness of risk monitoring and operational internal controls, the Audit Committee is in charge of:

- reviewing the accounting methods and the asset valuation procedures of the Company and its Subsidiaries, and monitoring the preparation of financial information by ensuring the relevance and consistency of the accounting methods;
- reviewing the Company's draft individual and draft consolidated financial statements before their presentation to the Board;
- leading the selection process for the Company's Statutory Auditors in accordance with applicable legal and regulatory provisions, and submitting its proposal or opinion, as the case may be, to the Board;
- implementing a pre-approval and monitoring process for audit assignments other than the financial statement audit carried out by the Statutory Auditors, as well as the rules with respect to the delegation of authority to the Company's management, and ensuring that the provision of such services (other than the financial statement audit), does not compromise their independence;
- reviewing the regulated agreements mentioned in the provisions of Article L. 225-38 of the French Commercial Code, with the exception of those previously reviewed by the Strategic and Investment Committee in accordance with the Board's Internal Regulations;
- issuing an opinion on:
  - the creation or substantial modification of the general framework and financial conditions for activities relating to lease management, asset management, shopping centre management, marketing or speciality leasing of real estate assets held by the Company and its Subsidiaries in cases where such activities are part of an agreement with a Reference Shareholder and/or any Affiliate of such Reference Shareholder and the early termination or the renewal of such agreements. It should be noted that the conclusion or amendment of these agreements need not be submitted to the Board, provided that they comply with the general framework and financial conditions approved by the Board. The directors representing the Reference Shareholder will not vote on these decisions, and
  - the conclusion, significant amendment, early termination or renewal of agreements between (a) the Company and/or one of its Subsidiaries and (b) a Reference Shareholder and/or any Affiliate of such Reference Shareholder, specifically: (i) any agreement relating to the provision of administrative or accounting services for an amount exceeding a given amount specified in the Board's Internal Regulations, (ii) any agreement relating to the grant of loans, advances, guarantees, pledges, undertakings, security interests or liens in favour of a Reference Shareholder and/or any Affiliate of this Reference Shareholder and (iii) any other agreement for a total amount exceeding a given amount specified in the Board's Internal Regulations, other than agreements concluded or transactions carried out pursuant to the Renovation and Development Agreement dated 16 April 2014 with Carrefour, and agreements entered into in the normal course of business. The directors representing the Reference Shareholder (other than the Chairman, except when the agreement in question relates to the exercise of his duties or his compensation) will not vote on these decisions;
- monitoring and managing the verification and clarity of the information to be provided to shareholders and the markets;
- monitoring the effectiveness of internal control systems, internal audits and risk management with respect to the preparation and processing of financial and accounting information;
- examining risks, levels of risks, and procedures to prevent risks, as well as material off-balance sheet commitments and assessing the significance of deficiencies or failings indicated to the Committee, as the case may be, and informing the Board; and
- regularly reviewing the status of significant litigation.

When reviewing the financial statements, the Audit Committee also examines significant transactions which could present a potential conflict of interest. The examination of the financial statements by the Audit Committee takes place alongside the presentation by the Company's Statutory Auditors of the main elements of audit findings (in particular, audit adjustments and significant irregularities in the internal control system identified during their review in connection with the preparation and processing of accounting and financial information) and on the accounting methods used. The review of the financial statements is also carried out in at the same time as management's presentation of the Company's risk exposure, its off-balance sheet commitments and the accounting methods used.

For a description of the activities of the Audit Committee in 2017, see page 140.

The Statutory Auditors will bring to the attention of the Audit Committee any information required by law, in particular that required pursuant to Article L. 823-16 of the French Commercial Code.

The Chairman and CEO always abstained from joining meetings of the Audit Committee but, when necessary, has been invited to join part of these meetings at the request of the Committee's Chair.

Strategic and Investment Committee

Role

The role of the Strategic and Investment Committee is to review and advise on the Company's investment strategy and to monitor investment opportunities, ensuring a consistent approach to all investments and divestitures contemplated by the Company.

Composition

As of the date of this Registered Document, the Strategic and Investment Committee consists of six members chosen from among the directors and appointed by the Board for the duration of their term of office. The Board appoints the Chairman of the Strategic and Investment Committee.

The Company's Strategic and Investment Committee comprises the following persons:

- Mrs Nathalie Robin, independent director, permanent representative of Cardif Assurance Vie (Committee Chairman);
- Mr Nadra Moussalem;
- Mr Emmanuel Chabas, independent director, permanent representative of Prédica;
- Mr Laurent Vallée;
- Mr Jacques Ehrmann; and
- Mr Francis Mauger.

Duties

The Strategic and Investment Committee, prior to any decision of the Chief Executive Officer (or the Deputy CEOs, as the case may be) and/or of the Board of Directors, as applicable, is tasked with:

- reviewing the Company's investment strategy and that of its Subsidiaries and monitoring investment opportunities;
- reviewing, and issuing an opinion on, the annual investment budget;
- issuing an opinion on any investment or divestment transaction for an amount exceeding €15 million;
- examining and issuing an opinion on decisions relating to any proposed investment or divestment requiring the prior authorisation of the Board; and
- examining and issuing an opinion regarding the conclusion, substantial modification, early termination or renewal of the Renovation and Development Agreement dated 16 April 2014 concluded with Carrefour, and regarding any asset transfer agreement exceeding a given amount specified in the Internal Regulations, concluded between (a) the Company and/or one of its Subsidiaries, on the one hand, and (b) a Reference Shareholder (understood to mean any entity that directly or indirectly holds significant influence over the Company and/or any Affiliate of that Reference Shareholder, on the other hand).

For a description of the activities of the Strategic and Investment Committee in 2017, see page 140.

The directors representing the Reference Shareholder will only take part in the deliberations of the Strategic and Investment Committee in an advisory capacity.

Compensation and Nominating Committee

Role

The role of the Compensation and Nominating Committee is to advise and facilitate the work of the Board of Directors with respect to those matters falling within its competence, in accordance with the Board of Directors' Internal Regulations. In particular, this Committee makes proposals concerning the nomination of independent directors and the compensation policy of the Carmila Group, including that related to its senior executives, and it also evaluates the functioning of the Board of Directors.

Composition

As of the date of this Registered Document, the Compensation and Nominating Committee is composed of five members chosen from among the directors, at least three of whom are independent directors, including its Chairman, appointed by the Board for their term of office.

The Compensation and Nominating Committee will not include any executive corporate officers. The Chairman of the Compensation and Nominating Committee is appointed by the Board.

The Company's Compensation and Nominating Committee is comprised of the following persons:

- Mrs Séverine Farjon, independent director (Committee Chairman);
- Mr Olivier Lecomte, independent director;
- Mrs Amal Del Monaco, independent director, permanent representative of Axa Reim France;
- Mrs Marie Cheval; and
- Mrs Raphaëlle Pezant.

Duties

The Compensation and Nominating Committee, whose main task is to assist the Board of Directors with the determination and regular assessment of all compensation and benefits of executive corporate officers or of senior executives of the Company, and with the composition of the Company's supervisory bodies, is in charge of:

- proposing independent director candidates, organising the selection of future independent directors and carrying out its own review of potential candidates before taking any action, as well as issuing an opinion on the candidates proposed by other directors;
- proposing candidates to be members of the Committees of the Board of Directors and executive corporate officers;
- issuing proposals for the staff incentive policy of the Company and its Subsidiaries and on stock option plans and the granting of free shares;
- submitting proposals to the Board as to the terms of protection of executive corporate officers (civil liability insurance of corporate officers); and
- periodically assessing the activities of the Board.

Concerning the selection of new directors, the Compensation and Nominating Committee is in charge of submitting proposals to the Board after having examined all elements in detail, in particular in light of the composition and changes in the shareholding structure of the Company, to ensure the balanced composition of the Board: representation of the significant shareholders of the Company (it should be noted that representatives of the Reference Shareholder cannot be described as independent directors), balanced representation of men and women, nationality, international experience, expertise, etc. It reviews the situation of each director each year, on a case by case basis, in light of the independence criteria of the AFEP-MEDEF Code to which it refers.

The Compensation and Nominating Committee may consider that even though a director may meet the criteria stated above, he may not be deemed independent given his specific situation or that of the Company, with regard to its shareholding structure or for any other reason. Conversely, the Compensation and Nominating Committee may consider that a director that fails to meet the required criteria can nevertheless be deemed independent.

It also issues a recommendation on the overall amount and terms of breakdown of directors' fees allocated to directors.

The Compensation and Nominating Committee is informed of the compensation policy with regard to senior executives reporting directly to the CEO. To this end, the Compensation and Nominating Committee will receive the assistance of the executive corporate officers.

For a description of the activities of the Compensation and Nominating Committee in 2017, see page 141.

6.1.2.4 Functioning of the Board of Directors and its work in 2017

Conditions for the preparation and organisation of the Board's work

The operating rules of the corporate governance bodies are governed by the relevant legal provisions, the Company's bylaws and the Internal Regulations established by the Board of Directors.

In particular, the Internal Regulations specify the procedures for meetings of the Board of Directors, the powers of the Board of Directors supplemental to the legal and statutory provisions applicable to the Company and, additionally, they cover the creation of the roles and assignments of the various Committees of the Board of Directors.

The Internal Regulations of the Board of Directors

Since the Merger, some changes have been made to the Internal Regulations of the Company's Board of Directors. The description below reflects the main stipulations of the Internal Regulations, as amended by the Board of Directors at its meeting of 12 June 2017.

(1) Participation in the meetings of the Board of Directors by videoconference or other means of telecommunication

With the exception of meetings called to take certain decisions where such methods are prohibited under the French Commercial Code, Board meetings may be held by video-conference and/or by conference call. However, the selected method must enable the identification of the participating directors and must ensure their effective participation in the meeting. In particular, the method selected must, at a minimum, permit the transmission of the voices of the participants and satisfy technical standards allowing for the continuous, real-time transmission of deliberations among participants. Each participant must be able to take part and hear what is said.

Directors participating in Board meetings by video-conference or by conference call shall be deemed present for the purposes of calculating the quorum and any required majority.

(2) Prior authorisations by the Board of Directors

Pursuant to the Board's Internal Regulations and without prejudice to the applicable laws and regulations, none of the following decisions (or the principal elements of such decisions) may be validly taken without prior approval by the Board though a simple majority of the votes of the directors present or represented at the relevant meeting:

(i) any transaction or agreement likely to affect the business strategy of the Company and its Subsidiaries, the scope of their activity or their tax treatment;

(ii) any transaction that affects the share capital of the Company or of one of its Subsidiaries, immediately or in the future, (desuch as a merger, spin-off, partial contribution of assets, capital increase, capital reduction, issue of securities giving access to the share capital of the Company or one of its Subsidiaries, etc.), unless it concerns an intra-Group transaction;

(iii) the approval of the annual budget of the Company and its Subsidiaries (including the income statement, balance sheet, annual financing plan and annual investment plan (CAPEX));

(iv) any transaction or commitment with a value of greater than €15 million, in particular:

- any proposed transfer (in the form of a contribution, exchange, acquisition or sale) of real estate or tangible assets or rights, debt claims, leasehold rights or intangible assets by the Company or one of its Subsidiaries (the €15 million threshold calculated on the basis of asset value excluding transfer taxes and duties),
- any proposed total or partial transfer (in the form of a subscription, contribution, exchange, acquisition or sale) of securities or intangible assets of any group or company, in law or in fact, by the Company or one of its Subsidiaries,
- any proposed investment (CAPEX) on the part of the Company and/or the Subsidiaries relating to its or their real estate assets (including expansion and renovation plans), and
- any proposed transaction and any settlement with respect to the Company or one of its Subsidiaries in connection with litigation or other disputes.

The prior authorisation mentioned in this paragraph (iv) does not apply to intra-Group transactions;

(v) any proposal involving the granting by the Company or one of its Subsidiaries of a loan, cash advance or advance on a current account to a person or entity that is not a Subsidiary exceeding a total combined annual threshold for the Company and its Subsidiaries of €5 million for all loans and advances granted;

(vi) the incurrence of all financial debt by the Company and its Subsidiaries, including by issuing debt securities (except for intra-group advances granted by the Company to the Subsidiaries), any refinancing or any extension, renewal or modification of existing financial indebtedness, in each case, for an amount greater than or equal to €200 million per transaction, with the Chief Executive Officer reporting transactions below this threshold to the Board;

(vii) the granting of guarantees, pledges, undertakings, security interests or liens by the Company or its Subsidiaries (i) to third parties for an annual amount greater than or equal to €500,000 per undertaking and in excess of a total combined annual amount of €5 million for the Company and its Subsidiaries, and (ii) to Subsidiaries for an annual amount greater than or equal to €10 million per undertaking and in excess of a total combined annual amount of €100 million for the Company and its Subsidiaries;

(viii) the creation or substantial modification of the general framework and financing conditions for services relating to lease management, asset management, shopping centre management, marketing or speciality leasing of real estate assets held by the Company and its Subsidiaries in cases where such activities are part of an agreement with a Reference Shareholder (defined as any entity having a significant direct or indirect influence on the Company) and/or any Affiliate of such Reference Shareholder and the early termination or the renewal of such agreements (the conclusion or amendment of these agreements need not be submitted to the Board, provided that they comply with the general framework and financial conditions approved by the Board, such that they constitute contracts entered into under the general framework previously approved by the Board). The directors of the Reference Shareholder (other than the Chairman) will not vote on these decisions; and

(ix) the conclusion, significant amendment, early termination or renewal of any agreement mentioned below between (a) the Company and/or one of its Subsidiaries and (b) a Reference Shareholder and/or any Affiliate of such Reference Shareholder:

a. the Renovation and Development Agreement,

b. any agreement relating to the provision of administrative or accounting services for an amount, per contract, exceeding the sum of €200,000, excluding tax, per year,

c. any agreement relating to the grant of loans, advances, guarantees, pledges, undertakings, security interests or liens in favour of a Reference Shareholder and/or any Affiliate of such Reference Shareholder,

d. any agreement relating to the transfer (in the form of a contribution, exchange, acquisition or sale) of real property or tangible assets, securities or intangible assets in an amount individually exceeding €2 million (excluding taxes and duties), or

e. any other agreement in respect of which the total amount to be paid exceeds €2 million, excluding tax, per year, other than (a) agreements concluded or transactions carried out pursuant to the Renovation and Development Agreement and/or the above-mentioned agreements and (b) agreements entered into in the normal course of business (the normal course of business being deemed to include maintenance, renovation and development work related to real estate assets held by the Company and its Subsidiaries). The directors representing the Reference Shareholder (other than the Chairman, except when the agreement in question relates to the exercise of his duties or his compensation) will not vote on these decisions.

For the purpose of the foregoing:

(i) ***"Affiliate"*** means, with regard to a person or entity, any entity which directly or indirectly, through one or several entities, controls such person, is controlled by such person, or is under the same control as such person;

(ii) ***"Control"*** means, with regard to a person or entity, directly or indirectly holding at least fifty per cent (50%) of the capital and voting rights such person or entity; and

(iii) ***"Subsidiary"*** means, at any time, any entity directly or indirectly controlled by the Company.

(3) The Lead Director

The Board of Directors may appoint a Lead Director from among the independent directors to assist the Chairman in his/her duties regarding the proper functioning of the Company's supervisory bodies. In this respect, he/she will examine, in particular, conflicts or potential conflicts of interest that may be related to the directors or the Chairman of the Board and relevant to the Company's interests.

Olivier Lecomte was appointed Lead Director by the Board of Directors on 12 June 2017.

(4) Evaluation of the Board of Directors

In accordance with the Internal Rules of the Board of Directors, the Board regularly reviews its composition, organisation and functioning. In particular, it evaluates the balance of its composition and that of the Committees, reflects on the diversity of these bodies, and periodically considers whether its structure and activities adequately respond to the tasks for which it is responsible.

To that end, once a year, the Board of Directors devotes time on its agenda to a discussion of its functioning.

The evaluation of the Board of Directors, in respect of the financial year 2017, was discussed by the Compensation and Nominating Committee, and subsequently by the Board of Directors.

Work of the Board of Directors and of its Committees in 2017

Work of the Board of Directors in 2017

The Board of Directors met eleven times during 2017. The attendance rate, from the date of the Merger up to 31 December 2017, was 86%. The main activities of the Board of Directors concerned:

- *financial management:*
  - approval of the individual and consolidated financial statements for the year ended 31 December 2016,
  - approval of the Management Report to the Board of Directors on the financial statements for the year ended 31 December 2016 and of the Chairman's Report,
  - implementation of the new share buyback programme approved by the General Meeting of 12 June 2017,
  - approval of the half-yearly financial statements at 30 June 2017 and of the corresponding Financial Report, and
  - approval of the 2018 budget;
- *General Meeting:*
  - authorisation of regulated agreements entered into or ongoing during the financial year ended 31 December 2016,
  - convening of the General Meeting called to approve the financial statements for the financial year ended 31 December 2016,
  - convening of the General Meeting of 12 June 2017, called to approve the Merger by absorption of Carmila S.A.S. by the Company, the change of statutory provisions and the appointment of new directors, and
  - convening of the General Meeting called to approve the distribution of a sum drawn from the "Share issue, merger and transfer premium" account;
- *governance of the Company:*
  - setting directors' fees to be distributed during the financial year 2016,
  - annual review of directors' independence,
  - review of senior executives' compensation and breakdown of directors' fees,
  - appointment of a new Chairman and CEO and of new Deputy CEOs,
  - appointment of a Lead Director,
  - reconstitution of the Committees of the Board of Directors,
  - co-option of Directors and reconfiguration of the Committees of the Board of Directors following such co-option,
  - decision to change the Code of Corporate Governance to which the Company refers, and
  - decision to modify the Company's Internal Regulations given regulatory and statutory changes and the Merger;
- *strategy and growth:*
  - implementation of the delegation of authority granted by the General Meeting allowing the Board of Directors to increase the Company's share capital,
  - approval of the proposed merger by absorption of Carmila S.A.S. and of the transaction calendar,
  - reporting the final execution of the merger by absorption of Carmila and the Company's capital increase,
  - validation of restructuring of bank financing,
  - validation of acquisition and asset expansion projects, and
  - preliminary analysis of the Company's acquisition strategy in its own market.

Work of the Audit Committee in 2017

The Audit Committee met four times during the financial year 2017, and the attendance rate was 83%. The Committee meetings mainly concerned:

- review of the draft individual and consolidated financial statements for the year ended 31 December 2016, and the half yearly results at 30 June 2017, as well as the corresponding Financial Reports and press releases;
- presentation of the Company's risk exposure and its off-balance sheet commitments;
- review of regulated agreements entered into or ongoing during the financial year 2016;
- review of the Chairman's Report on internal control procedures and risk management;
- review of the business plan;
- review of the procedures to authorise "services, other than the financial statements audit", carried out by the Statutory Auditors;
- review of the 2018 budget; and
- review of the risk mapping and the internal control audit.

In addition, the Chairman of the Committee reported to the Board of Directors on the work discussed at these meetings by the Audit Committee.

Work of the Strategic and Investment Committee in 2017

The Strategic and Investment Committee met four times during the financial year 2017, and the attendance rate was 96%.

The Committee met to discuss the following main topics:

- validation of the conditions governing the agreement concerning the merger by absorption of Carmila S.A.S. by the Company;
- validation of the Company's extension, restructuring and asset acquisition projects;
- review of the Company's acquisition strategy.

The Chairman of the Committee reported to the Board of Directors on the work discussed at each meeting of the Strategic and Investment Committee.

Work of the Compensation and Nominating Committee in 2017

The Compensation and Nominating Committee met three times during the financial year 2017. The attendance rate was 93%. The main subjects discussed were as follows:

- annual review of qualification of directors as independent;
- review of the Chairman's Report on corporate governance;
- review of senior executives' compensation;
- proposed breakdown of directors' fees for the financial year ended 31 December 2016;
- forward-looking reflection on the composition of the Board of Directors;
- review of the new corporate governance structure within the framework of the merger and review of the independence criteria for directors.

The Chairman of the Committee reported to the Board of Directors on the work discussed at each meeting of the Compensation and Nominating Committee.

6.1.3 Executive Management

In accordance with Article 14 of the Company's by-laws, the Company's executive management methods are determined by the Board of Directors.

At its meeting of 12 June 2017, the Board of Directors decided not to maintain the separation of the duties of the Chairman of the Board of Directors from those of the Chief Executive Officer, as had been the case up until that time, in order to give priority to the efficiency of the decision making-process within the Company and to strengthen the social cohesion. The Board of Directors decided that Jacques Ehrmann would carry out the duties of Chairman of the Board of Directors and those of Chief Executive Officer of the Company, and would do so for a four year term of office to expire on conclusion of the Company's Ordinary general meeting called to approve the financial statements for the year ending 31 December 2020. Jacques Ehrmann had previously been a director of the Company and Chairman of Carmila S.A.S.

At its meeting of 12 June 2017, the Board of Directors also decided to appoint Yves Cadélano and Géry Robert-Ambroix as Deputy Chief Executive Officers of the Company, and would do so for a four year term of office to expire on conclusion of the Company's Ordinary general meeting called to approve the financial statements for the year ending 31 December 2020. These two individuals had previously performed the same roles at Carmila S.A.S.

Pursuant to the Internal Regulations and without prejudice to the applicable laws and regulations, those decisions (including their main enforcement features) that may not be taken validly by the Chairman and CEO and/or the Deputy CEOs without the prior approval of the Board of Directors obtained through a simple majority of the votes of the directors present or represented at the relevant meeting, are set out in page 138.

6.2 Compensation and benefits granted to corporate officers

6.2.1 Compensation and benefits granted to members of the Board of Directors

In accordance with the Internal Regulations of the Board of Directors, directors' fees paid to each Director and Observer member or to each Committee member, up to a limit approved by the Company's Shareholders' meeting, are established by the Board of Directors, upon recommendation by the Compensation and Nominating Committee, by taking into account their actual presence at Board meetings and the time devoted to the work of the Board of Directors and therefore include a significant variable portion.

Directors participating in Board Committees receive additional directors' fees, which will also be determined on the basis of their participation at Board Committee meetings.

Directors' fees are adjusted according to the level of responsibility incurred by directors and the time they must devote to their duties. This amount is established in light of data available for comparable companies.

The roles of the Chairmen of the Audit Committee and of the Compensation and Nominating Committee carry additional entitlement to directors' fees, depending on their actual presence at the respective meetings.

The Shareholders' meeting of 12 June 2017 fixed the annual lump sum in respect of directors' fees at €570,000, applicable to all directors in office during the financial year 2017, for the current financial year and for the years to follow, and shall remain at this level until a decision is taken to amend it.

Annual Directors' fees are allocated according to the following guidelines:

- *for the Board of Directors:* fixed compensation of €5,000 is paid to each director in addition to variable compensation of €10,000 according to actual presence at Board meetings and the time devoted to Board duties; the designated Lead Director will be paid additional compensation of €10,000;
- *for Committee members:* fixed compensation of €5,000 is paid to each director in addition to variable compensation of €10,000 according to actual presence at Committee meetings and time devoted to the work of the Committee the Chairman of the Audit Committee and the Chairman of the Compensation and Nominating Committee will each be paid additional annual compensation of €10,000;
- *for non-voting Board members:* a distribution, based on the overall amount of directors' fees allocated by the General shareholders' meeting, of an annual fixed amount of €5,000 and a variable amount of €10,000, for each member's effective participation in a Board meeting.

At its meeting of 14 February 2018, the Board of Directors, on the recommendation of the Compensation and Nominating Committee, decided to pay directors and observers a total amount of €271,828.73 in 2018, corresponding to directors' fees for the financial year 2017, prorated according to the duration of their terms of office in 2017. It should be noted that the following Directors have waived their directors' fees: Msses Marie-Noëlle Brouaux, Anne Carron, Marie Cheval, Raphaëlle Pezant, Messrs Francis Mauger, Jérôme Bédier, Laurent Vallée, Laurent Luccioni, Frédéric Bôl and the company Axa Reim France represented by Amal Del Monaco. Thus, Messrs Jacques Ehrmann, Nadra Moussalem, Olivier Lecomte, Laurent Flêchet, Pedro Antonio Arias, Msses Séverine Farjon, Valérie Guillen, and the companies Cardif Assurance Vie represented by Mrs Nathalie Robin, Sogecap represented by Mr Yann Briand and Prédica represented by Mr Emmanuel Chabas received directors' fees in respect of the financial year 2017.

The table below sets out the amount of directors' fees and other compensation received by directors in respect of the financial years 2016 and 2017:

(gross amount in euros)	Amounts paid in respect of financial year 2017,	Amounts paid in respect of financial year 2016
Mr Pedro Antonio Arias		
Directors' Fees	8,705.36	NA
Other compensation	NA	NA
Mr Jérôme Bédier		
Directors' Fees	Waiver	NA
Other compensation	NA	NA
Mr Frédéric Bôl		
Directors' Fees	Waiver	Waiver
Other compensation	NA	NA
Mrs Marie-Noëlle Brouaux		
Directors' Fees	Waiver	Waiver
Other compensation	NA	NA
Mrs Anne Carron		
Directors' Fees	Waiver	Waiver
Other compensation	NA	NA
Mrs Marie Cheval		
Directors' Fees	Waiver	NA
Other compensation	NA	NA
Mr Jacques Ehrmann		
Directors' Fees	33,919.17	Waiver
Other compensation	NA	NA
Mrs Séverine Farjon		
Directors' Fees	45,476.19	13,500
Other compensation	NA	NA
Mr Laurent Fléchet		
Directors' Fees	10,090.91(1) 14,658.01(2)	13,500
Other compensation	NA	NA
Mrs Valérie Guillen		
Directors' Fees	29,090.91	6,500
Other compensation	NA	NA
Mr Olivier Lecomte		
Directors' Fees	39,866.07	NA
Other compensation	NA	NA
Mr Laurent Luccioni		
Directors' Fees	Waiver	NA
Other compensation	NA	NA
Mr Francis Mauger		
Directors' Fees	Waiver	Waiver
Other compensation	NA	NA
Mr Nadra Moussalem		
Directors' Fees	17,187.50	NA
Other compensation	NA	NA
Mrs Raphaëlle Pezant		
Directors' Fees	Waiver	NA
Other compensation	NA	NA
Mr Laurent Vallée		
Directors' Fees	Waiver	NA
Other compensation	NA	NA
Axa Reim France (rep. by Mrs Amal Del Monaco)		
Directors' Fees	Waiver	NA
Other compensation	NA	NA
Cardif Assurance Vie (rep. by Mrs Nathalie Robin)		
Directors' Fees	17,187.50	NA
Other compensation	NA	NA
Prédica (rep. by Mr Emmanuel Chabas)		
Directors' Fees	15,187.50	NA
Other compensation	NA	NA
Sogecap (rep. by Mr Yann Briand)		
Directors' Fees	12,187.50	NA
Other compensation	NA	NA

(1) In respect of his term of office as director.
(2) In respect of non-voting Board membership.

6.2.2 Compensation and benefits granted to executive corporate officers

Guidelines for the compensation of corporate officers are decided by the Board of Directors, at the recommendation of the Compensation and Nominating Committee. The Company has published, on its website, the potential or given compensation of executive corporate officers, following the Board meeting at which they were approved.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of variable and exceptional compensation to the Chairman and CEO, in respect of the financial year 2017, as shown in Section 6.2.2.2 (3) page 148. of this Registered Document, is conditional upon shareholder approval at the next Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017.

6.2.2.1 Prior to the Merger, compensation and benefits in kind granted to the Chairman of the Board of Directors and to the Chief Executive Officer and the Deputy Chief Executive Officer (i.e. between 1 January and 12 June 2017)

(1) In respect of his position with the Company

It should be noted that neither Francis Mauger, Chairman of the Board of Directors of the Company until 12 June 2017, nor Thomas Hainez, Chief Executive Officer of the Company until 12 June 2017, nor Anne-Marie Aurières-Perrin, Deputy Chief Executive Officer of the Company until 12 June 2017, received compensation in respect of their terms of office as directors in the Company during the first half of 2017, either on behalf of (i) the Company, or (ii) companies controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the Company, or (iii) companies controlled, within the meaning of the same article, by the company or companies that control the Company.

(2) In respect of salaried positions within the Company

It should be noted that neither Francis Mauger, Chairman of the Board of Directors of the company until 12 June 2017, nor Thomas Hainez, Chief Executive Officer of the company until 12 June 2017, hold a contract of employment with the Company in combination with position with the Company. Consequently, no indemnity or benefit due or likely to become due in respect of termination of contract, a change of their duties or in relation to a non-compete clause, is anticipated.

Since 1 July 2016, Anne-Marie Aurières-Perrin, Deputy Chief Executive Officer of the Company until 12 June 2017, was compensated for her position with the Company as Director of Property Marketing and Operations. In this respect, her employment contact was subject to prior approval by the Board of Directors, at the recommendation of the Compensation and Nominating Committee, pursuant to the procedures for related party agreements governed by Articles L. 225-38 et seq. of the French Commercial Code.

Ms Anne-Marie Aurières-Perrin did not benefit from any supplemental pension plan with defined benefits as provided in Article L. 137-11 of the French Social Security Code.

At 31 December 2017, the Company had not set aside any provisions for pensions, retirement commitments or other similar benefits for executive corporate officers in respect of their duties.

(3) Structure of annual fixed and variable compensation received by the senior executive corporate officer(s)

As indicated previously, of the Company's senior executive corporate officers, only Anne-Marie Aurières-Perrin, Deputy CEO until 12 June 2017, benefits from compensation in respect of a salaried position within the Company.

The Deputy CEO receives annual compensation comprising fixed and variable portions and a company car (see table (3) below).

For the financial year 2017, more specifically until 12 June 2017, the end date of her term of office, Anne-Marie Aurières-Perrin received in 2017 and, in respect of her salaried position as the Company's Director of Property Marketing and Operations, fixed compensation of €80,589.60 gross on a *prorata temporis* basis and a variable remuneration of €90,798 *prorata temporis* and benefits in kind for €961.20 *prorata temporis*.

(4) Summary of compensation of each executive corporate officer over the last two financial years

	2016		2017(1)	
Anne-Marie Aurières-Perrin *Deputy CEO*	**Amounts due**	**Amounts paid**	**Amounts due(1)**	**Amounts paid(1)**
Fixed compensation *(gross pre-tax base)*	€104,468	€104,468	€80,590	€80,590
Annual variable compensation(2)	€53,365	€53,365	€90,798	€90,798
Directors' fees	NA	NA	NA	NA
Benefits in kind (company car)	€1,059	€1,059	€961	€961
Contractual seniority bonus *(pegged to the collective bargaining agreement for the real estate sector)*	€406	€406	€313	€313
PERCO (Group pension plan)	NA	NA	NA	NA
Business agreement	NA	NA	NA	NA
TOTAL	**€159,298**	**€159,298**	**€172,662**	**€172,662**

(1) From 1 January to 12 June 2017.
(2) Including incentive compensation.

	2016		2017(1)	
Thomas Hainez *CEO*	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	NA	NA	NA	NA
Annual variable compensation	NA	NA	NA	NA
Directors' fees	NA	NA	NA	NA
Benefits in kind	NA	NA	NA	NA
Contractual seniority bonus *(pegged to the collective bargaining agreement for the real estate sector)*	NA	NA	NA	NA
PERCO (Group pension plan)	NA	NA	NA	NA
Business agreement	NA	NA	NA	NA
TOTAL	**NA**	**NA**	**NA**	**NA**

(1) From 1 January to 12 June 2017.

	2016		2017(1)	
Francis Mauger *Chairman of the Board of Directors*	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	NA	NA	NA	NA
Annual variable compensation	NA	NA	NA	NA
Directors' Fees	€7,500(2) €3,750(3)	Waived Waived	€7,500(2) €7,750(3)	Waived Waived
Benefits in kind	NA	NA	NA	NA
Contractual seniority bonus *(pegged to the collective bargaining agreement for the real estate sector)*	NA	NA	NA	NA
PERCO (Group pension plan)	NA	NA	NA	NA
Business agreement	NA	NA	NA	NA
TOTAL	**€11,250**	**NA**	**€15,250**	**NA**

(1) From 1st January to 12 June 2017.
(2) As a member of the Board of Directors.
(3) As a member of the Investment Committee.

(5) Summary of executive corporate officers' indemnities and/or benefits from 1 January to 12 June 2017

	Employment contract		Supplemental pension plan		Retirement bonus	
Executive Corporate Officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Anne-Marie Aurières-Perrin *Deputy CEO*	√			√		√
Thomas Hainez *CEO*		√		√		√
Francis Mauger *Chairman of the Board of Directors*		√		√		√

6.2.2.2 Compensation granted to the new Chairman and CEO and to the Deputy CEOs since the Merger (i.e. from 12 June to 31 December 2017)

(1) Guidelines for executive corporate officers' compensation

(a) Jacques Ehrmann, Chairman and Chief Executive Officer

On completion of the Merger, at its meeting of 12 June 2017, the Board of Directors appointed Jacques Ehrmann as Chairman of the Board of Directors and Chief Executive Officer of the Company. Jacques Ehrmann does not have a contract of employment with the Company.

Jacques Ehrmann is Executive Director of the Carrefour group in charge of Assets, Development and New Ventures, pursuant to an employment contract with Carrefour.

One half of the fixed compensation received by Jacques Ehrmann is paid by the Company in respect of his role as Chairman and CEO of the Company, and the other half by Carrefour in respect of his salaried position within Carrefour.

Jacques Ehrmann will not receive a severance package, any indemnity under a non-compete clause or any supplemental retirement benefits in respect of the termination of his term of office with the Company.

Jacques Ehrmann holds 50,939 shares in the Company as of the date of this Registered Document.

(b) Yves Cadélano, Deputy CEO

Yves Cadélano was appointed Deputy CEO of the Company at the meeting of the Board of Directors held on 12 June 2017.

Yves Cadélano is Real Estate Director of the Carrefour group. In this respect, he is responsible for Carrefour Property France, Carrefour Property Espagne and Carrefour Property Italie. He is also Deputy CEO of Almia Management and oversees Carmila Espagne and Carmila Italie.

Yves Cadélano does not receive any compensation in respect of his services as Deputy CEO of the Company.

Yves Cadélano will not receive a severance package, any indemnity under a non-compete clause or any supplemental retirement benefits in respect of the termination of his term of office with the Company.

Yves Cadélano holds 13,363 shares in the Company as of the date of this Registered Document.

(c) Géry Robert-Ambroix, Deputy CEO

Géry Robert-Ambroix was appointed by the Board of Directors on 12 June 2017 as Deputy CEO of the Company.

Géry Robert-Ambroix is also the Company's Director of asset valuation and investment, under an employment contract with Almia Management, a subsidiary of the Company.

Géry Robert-Ambroix does not receive any compensation in respect of his services as Deputy CEO of the Company.

Géry Robert-Ambroix will not receive a severance package, any indemnity under a non-compete clause or any supplemental retirement in respect of the termination of his term of office with the Company.

However, Géry Robert-Ambroix is party to a non-compete clause in respect of his salaried position as the Company's Director of asset valuation and investment and also benefits from a pension plan for employees of the Carmila Group under the terms of his contract of employment with the company Almia Management, a Company subsidiary.

Géry Robert-Ambroix holds 32,019 shares in the Company as of the date of this Registered Document.

(2) Structure of annual fixed and variable compensation received by the executive corporate officers

(a) Jacques Ehrmann

The fixed compensation payable by the Company to Jacques Ehrmann in respect of the financial year 2017 amounts to €353,000 annually, and therefore to €196,326 prorata temporis for the period since 12 June 2017.

The annual variable compensation received by Jacques Ehrmann for his services to the Company is determined on the basis of performance criteria relating only to the Carmila Group. The variable portion of Jacques Ehrmann's compensation will be 85% of his gross fixed compensation received from the Company if 100% of the performance criteria are achieved and up to 170% of his gross fixed compensation received from the Company if 200% of the performance criteria are achieved, with the variable portion adjusted on a linear basis depending on the percentage of performance criteria met.

For the same financial year, the performance criteria used to determine the variable compensation received from the Company were the following: (i) 50% based on general quantitative criteria (consolidated recurring earnings, consolidated EBITDA (excluding acquisitions), average return on investment for expansion projects and financial occupancy rate); (ii) 20% based on individual quantitative criteria (change in vacancy rates, rent collection rates, lease renewals, revenues generated by specific activities and acquisition volume); and (iii) 30% based on qualitative criteria (governance, auditing and internal control, CSR, innovation, financial communication).

Variable compensation received by Jacques Ehrmann in respect of his salaried position at Carrefour is payable by Carrefour and is determined according to the performance criteria established within the Carrefour group; it may reach a maximum 200% of the fixed compensation he receives from Carrefour.

The fixed and variable compensation amounts payable by the Company to Jacques Ehrmann in respect of his services to the Company are billed by Carrefour to the Company, according to the guidelines set out above.

At its meeting of 14 February 2018 the Board of Directors noted, on the recommendation of the Compensation and Nominating Committee, that the performance criteria for the variable compensation of Jacques Ehrmann had been met, specifically, at 175% with respect to the general quantitative criteria, at 167% with respect to the individual quantitative criteria and at 131% with respect to the individual qualitative criteria, corresponding to an attainment rate of 160% overall.

Jacques Ehrmann's annual variable compensation for the financial year 2017 amounts to €480,680 on a full-year basis, and therefore to €267,337 *prorata temporis* since his appointment on 12 June 2017.

(b) Yves Cadélano

One half of the fixed compensation of Yves Cadélano under his contract of employment with Carrefour Management is paid by the Company in respect of his operational role within the Company, and the other half is paid by the Carrefour group in respect of his services for Carrefour Property France.

The portion of fixed compensation payable by the Company to Yves Cadélano in respect of his operational role is €175,000 per annum for the financial year 2017, this amounts to €97,329 on a prorata temporis basis for the period since 12 June 2017.

Variable compensation received by Yves Cadélano for his operational role with the Company is determined on the basis of performance criteria relating only to the Carmila Group.

The variable portion of Yves Cadélano's compensation will be 40% of his gross fixed compensation received from the Company if 100% of the performance criteria are achieved and up to 80% of his gross fixed compensation received from the Company if 200% of the performance criteria are achieved, with the variable portion adjusted on a linear basis depending on the percentage of performance criteria met.

For the same financial year, the performance criteria used to determine the variable compensation received from the Company were the following: (i) 40% based on general quantitative criteria (consolidated recurring earnings, consolidated EBITDA (excluding acquisitions), average return on investment for expansion projects and financial occupancy rate); (ii) 30% based on individual quantitative criteria (change in vacancy rates, rent collection rates, lease renewals, revenues generated by specific activities and acquisition volume); and (iii) 30% based on qualitative criteria (governance, auditing and internal control, CSR, innovation, financial communication).

Variable compensation received by Yves Cadélano in respect of his operational role as Director of Carrefour France is payable by Carrefour Property France and is determined according to the performance criteria established within the Carrefour group; it may amount to a maximum 80% of the fixed compensation he receives from Carrefour Property France.

At its meeting of 14 February 2018 the Board of Directors noted, on the recommendation of the Compensation and Nominating Committee, that the performance criteria for the variable compensation of Yves Cadélano had been met, specifically, at 175% with respect to the general quantitative criteria, at 167% with respect to the individual quantitative criteria and at 131% with respect to the individual qualitative criteria, corresponding to an attainment rate of 160% overall.

Yves Cadélano's annual variable compensation for the financial year 2017 amounts to €111,580 on a full-year basis, and therefore to €62,057 prorata temporis since his appointment on 12 June 2017.

The fixed and variable compensation amounts payable by the Company to Yves Cadélano in respect of his operational role with the Company are billed by the Carrefour group to the Company, according to the guidelines set out above.

(c) Géry Robert-Ambroix

The portion of fixed compensation payable by the Company to Géry Robert-Ambroix in respect of his operational role is €350,000 per annum; for the financial year 2017, this amounts to €194,658 on a prorata temporis basis for the period since 12 June 2017.

The variable portion of Géry Robert-Ambroix's compensation in respect of his role as the Company's Director of asset valuation and investment, under an employment contract with Almia Management, a subsidiary of the Company, amounts to 40% of his gross fixed compensation if 100% of the performance criteria are achieved and up to 80% of his gross fixed compensation if 200% of the performance criteria are achieved, with the variable portion adjusted on a linear basis depending on the percentage of performance criteria achieved.

For the financial year 2017, the performance criteria used to determine his variable compensation were the following: (i) 40% based on general quantitative criteria (consolidated recurring earnings, consolidated EBITDA (excluding acquisitions), average return on investment for expansion projects and financial occupancy rate); (ii) 30% based on individual quantitative criteria (change in vacancy rates, rent collection rates, lease renewals, revenues generated by specific activities and acquisition volume); and (iii) 30% based on qualitative criteria (governance, auditing and internal control, CSR, innovation, financial communication).

At its meeting of 14 February 2018 the Board of Directors noted, on the recommendation of the Compensation and Nominating Committee, that the performance criteria for the variable compensation of Géry Robert-Ambroixhad been met, specifically, at 175% with respect to the general quantitative criteria, at 167% with respect to the individual quantitative criteria and at 127% with respect to the individual qualitative criteria, corresponding to an attainment rate of 158% overall.

Géry Robert-Ambroix's annual variable compensation in respect of his employment contract for the financial year 2017 amounts to €221,480 on a full-year basis, and therefore to €123,179 *prorata temporis* since his appointment on 12 June 2017.

For 2017, benefits in kind received amounted to €2,748 on a full-year basis and €1,528 *prorata temporis*.

(3) Summary of compensation of each senior executive corporate officer over the last two financial years

	2017			
	Amounts due for the year		Amounts paid during the year	
Jacques Ehrmann *Chairman and CEO*	**Annual basis**	***Prorata temporis* since the merger**(1)	**Annual basis**	***Prorata temporis* since the merger**(1)
Fixed compensation *(gross pre-tax base)*	€353,000	€196,326	€353,000	€196,326
Annual variable compensation	€480,680	€267,337	NA	NA
Multiannual variable compensation(2)	NA	NA	€299,500	NA
Directors' Fees	NA	€33,919	NA	€33,919
Benefits in kind	NA	NA	NA	NA
Contractual seniority bonus *(pegged to the collective bargaining agreement for the real estate sector)*	NA	NA	NA	NA
PERCO (Group pension plan)	NA	NA	NA	NA
Provision for retirement bonus	NA	NA	NA	NA
TOTAL	**€833,680**	**€497,582**	**€652,500**	**€230,245**

(1) Prorata temporis starting 12 June 2017.
(2) Amount due under the multiannual variable remuneration plan of Carmila S.A.S. for the period 2014-2016 en paid in 2017.

	2017
Value of options granted during the year	NA
Value of Carmila free shares attributed in 2017 (2017 Performance share plan)	€495,014
Value of Carmila shares acquired in 2017 (2016 Presence Plan)	€270,443

Yves Cadélano *Deputy CEO*	2017			
	Amounts due for the year		Amounts paid during the year	
	Annual basis	***Prorata temporis* since the merger(1)**	**Annual basis**	***Prorata temporis* since the merger(1)**
Fixed compensation *(gross pre-tax base)*	€175,000	€97,329	€194,658	€97,329
Annual variable compensation	€111,580	€62,057	NA	NA
Multiannual variable compensation(2)	NA	NA	€128,624	NA
Directors' Fees	NA	NA	NA	NA
Benefits in kind	NA	NA	NA	NA
Contractual seniority bonus *(pegged to the collective bargaining agreement for the real estate sector)*	NA	NA	NA	NA
PERCO (Group pension plan)	NA	NA	NA	NA
Provision for retirement bonus	NA	NA	NA	NA
TOTAL	**€286,580**	**€159,386**	**€303,624**	**€97,329**

(1) Prorata temporis starting 12 June 2017.
(2) Amount due under the multiannual variable remuneration plan of Carmila S.A.S. for the period 2014-2016 en paid in 2017.

	2017
Value of options granted during the year	NA
Value of Carmila free shares attributed in 2017 (2017 Performance share plan)	€122,704
Value of Carmila shares acquired in 2017 (2016 Presence Plan)	€76,533

Géry Robert-Ambroix *Deputy CEO*	2017			
	Amounts due for the year		Amounts paid during the year	
	Annual basis	***Prorata temporis* since the merger(1)**	**Annual basis**	***Prorata temporis* since the merger(1)**
Fixed compensation *(gross pre-tax base)*	€350,000	€194,658	€350,000	€194,658
Annual variable compensation	€221,480	€150,801(2)	NA	NA
Multiannual variable compensation(3)	NA	NA	€257,247	NA
Directors' Fees	NA	NA	NA	NA
Benefits in kind (company car)	€2,748	€1,528	€2,748	€1,528
Contractual seniority bonus *(pegged to the collective bargaining agreement for the real estate sector)*	NA	NA	NA	NA
PERCO (Group pension plan)	NA	NA	NA	NA
Provision for retirement bonus	NA	NA	NA	NA
TOTAL	**€574,228**	**€346,987**	**€609,995**	**€196,186**

(1) Prorata temporis starting 12 June 2017.
(2) Including incentive compensation and profit-sharing.
(3) Amount due under the multiannual variable remuneration plan of Carmila S.A.S. for the period 2014-2016 en paid in 2017.

	2017
Value of options granted during the year	NA
Value of Carmila free shares attributed in 2017 (2017 Performance share plan)	€245,409
Value of Carmila shares acquired in 2017 (2016 Presence Plan)	€153,089

Compensation components of the three senior executive corporate officers paid in respect of the 2016 financial year are presented on page 170 et seq. of the appendix to the Document E registered after the French Financial Markets Authority on 5 May 2017 under number E17-040 and written as part of the merger transaction.

SUMMARY OF SENIOR EXECUTIVE CORPORATE OFFICERS' INDEMNITIES AND/OR BENEFITS FROM 12 JUNE TO 31 DECEMBER 2017

	Contract of employment with the Company		Supplemental pension plan		Compensation or benefits due or likely to be due in the event of termination or change of position		Compensation under a non-compete clause	
Executive Corporate Officers	Yes	No	Yes	No	Yes	No	Yes	No
Jacques Ehrmann *CEO* First appointed: 12 June 2017 End of term of office: General meeting to approve the 2020 financial statements		✓(1)		✓		✓		✓
Yves Cadélano *Deputy CEO* First appointed: 12 June 2017 End of term of office: General meeting to approve the 2020 financial statements		✓(1)		✓		✓		✓
Géry Robert-Ambroix *Deputy CEO* First appointed: 12 June 2017 End of term of office: Shareholders' meeting to approve the 2020 financial statements		✓(3)		✓		✓(3)		✓(3)

(1) Messrs Jacques Ehrmann and Yves Cadélano are each a party to an employment contract with Carrefour group.
(2) Mr Géry Robert-Ambroix is party to an employment contract with Almia Management, a subsidiary of the Company.
(3) In respect of his corporate office. However, Géry Robert-Ambroix has a non-compete clause in respect of his position as the Company's Director of Portfolio Valuation and benefits from a Carmila Group employee pension plan under the terms of his employment contract with Almia Management, a subsidiary of the Company.

(4) Substitution by the company on stock option plans and free share plans (free share plan based on continued employment in 2016, free share plan based on performance in 2016 and 2017)

Background and current situation

Carmila S.A.S., the entity absorbed by the Company as a result of the Merger, had set up free share plans in 2016 for the benefit of its senior executives and selected employees:

- a free share plan conditional upon continued employment in the company at 31 December 2017;
- a free share plan conditional upon (i) continued employment in the company at 14 January 2018 to senior executive corporate officers and at 15 June 2018 to employees and (ii) the following performance conditions, each one for 50% of the shares:
  - improvement in total yield in 2017 (corresponding to the year-on-year improvement in the triple adjusted net asset value (NNNAV EPRA) and including dividend discounts for the same year), compared to a panel of comparable real estate companies,
  - improvement in the consolidated "Recurring Earnings Per Share" of the Carmila Group relative to the subscription price of one share of the Company.

Pursuant to the delegation granted by the Shareholders' meeting of Carmila S.A.S. on 14 April 2016, a new free share allocation took place on 12 June 2017, prior to the Merger, for the benefit of senior executives and selected employees of the Carmila Group, involving a total number of 299,411 shares, including 62,294 shares granted to Jacques Ehrmann, 15,441 shares granted to Yves Cadélano and 30,882 shares granted to Géry Robert-Ambroix, corresponding to respective grants of 20,764, 5,147 and 10,294 shares in the Company once the Merger exchange ratio (1 Cardety share for 3 Carmila S.A.S. shares) had been taken into account. This share grant is conditional upon (i) continued employment at the end of each acquisition period, and (ii) the following performance conditions, for 50% of the shares:

- for the financial year 2018, (i) improvement in the Group's total yield in 2018 (corresponding to the year-on-year improvement in the triple adjusted net asset value (NNNAV EPRA) and including dividend discounts for the same year), compared to a panel of comparable real estate companies; and (ii) improvement in the consolidated "Recurring Earnings Per Share" of the Carmila Group in 2018 relative to the subscription price of the July 2017 capital increase, i.e. €24; and
- for the financial year 2019, (i) improvement in the Group's total yield in 2019 (corresponding to the year-on-year improvement in the triple adjusted net asset value (NNNAV EPRA) and including dividend discounts for the same year), compared to a panel of comparable real estate companies; and (ii) improvement in the consolidated "Recurring Earnings Per Share" of the Carmila Group in 2019 relative to the subscription price of the July 2017 capital increase, i.e. €24.

Pursuant to applicable law and the associates' decision of 12 June 2017, as of the date of the Merger, the Company is automatically substituted for Carmila S.A.S., the absorbed entity, with respect to its obligations to the beneficiaries of free shares.

SUMMARY OF FREE SHARES GRANTED TO EACH EXECUTIVE CORPORATE OFFICER

Plan name	Présence Plan 2016	Performance Plan 2016	Performance Plan 2017
Carmila S.A.S. Meeting date	14/04/2016	14/04/2016	14/04/2016
Carmila S.A.S. Grant date(s)	14/04/2016 Corporate officers 15/06/2016 Employees	17/05/2016 Corporate officers 15/06/2016 Employees	12/06/2017
Number of recipient	31	34	32
Number of Carmila shares originally granted under the plan	56,661	89,340	96,988
• Incl. Jacques Ehrmann	11,647	11,653	20,764
• Incl. Géry Robert-Ambroix	6,593	9,894	10,294
• Incl. Yves Cadélano	3,296	4,947	5,147
• Incl. other employees	35,125	62,846	60,783
Remaining number of shares to be granted as of 31/12/17	54,262	84,989	96,142
Acquisition date(s)	31/12/2017	14/02/2018 Corporate officers 15/06/2018 Employees	12/06/2019 Salariés 50% 12/06/2020 Employees 50%/ Corporate officers 100%
Availability date(s)	14/04/2018 Corporate officers 15/06/2018 Employees	17/05/2018 Corporate officers 15/06/2018 Employees	12/06/2019 Employees 50% 12/06/2020 Employees 50%/ Corporate officers 100%

6.2.3 Presentation of draft resolutions related to compensation policy

6.2.3.1 Guidelines and criteria for the determination, distribution and allocation of the Chairman and CEO's compensation in respect of his term of office in the financial year 2018

In accordance with Article L. 225-37-2 of the French Commercial Code, the following resolutions shall be submitted for the approval of shareholders at the next Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017.

"**Eighth Resolution** *(Approval of the guidelines and criteria for the determination, distribution and allocation of fixed, variable and exceptional components comprising the total compensation and benefits in kind attributable to the Chairman and CEO in respect of his term of office in the financial year 2018).*

The Shareholders' meeting, under the conditions required by Ordinary general meetings as to quorum and majority, having been informed of the Board of Directors' Report and of the Corporate Governance Report, in accordance with Article L. 225-37-2 of the French Commercial Code, hereby approves the guidelines and criteria for the determination, distribution and allocation of fixed, variable and exceptional components comprising the total compensation and benefits in kind attributable to the Chairman and CEO in respect of his term of office in the financial year 2018 as set forth in the Corporate Governance Report."

TABLE SUMMARISING THE COMPENSATION GUIDELINES AND CRITERIA

Fixed compensation	One half of the fixed compensation of the Chairman and CEO is paid by the Company in respect of his services to the Company, and the other half is paid by Carrefour in respect of his services to Carrefour. Fixed compensation amounts paid by the Company in respect of the role of the Chairman and CEO of the Company are billed by Carrefour to the Company, according to the guidelines set out above. Pursuant to the aforesaid guidelines, in respect of the financial year 2018, the portion of fixed compensation of the Chairman and CEO paid by the Company amounts to 353,000 euros.
Variable compensation – Methods used for its determination	Variable compensation received by the Chairman and CEO in respect of his services to the Company is determined by the Board of Directors of the Company, following consultation with the Compensation and Nominating Committee and based on performance criteria. The variable portion of the compensation of the Chairman and CEO will be 85% of his gross fixed compensation received from Carmila, if 100% of the performance criteria are achieved, and up to 170% of his gross fixed compensation received from the Company if 200% of the performance criteria are achieved, with the variable portion adjusted on a linear basis depending on the percentage of performance criteria met. The performance criteria applied to determine his variable compensation from the Company in respect of the financial year 2018, as determined by the Company's Board of Directors upon consultation with the Compensation and Nominating Committee, are set out below: (i) 50% based on general quantitative criteria (consolidated recurring earnings, consolidated EBITDA (excluding acquisitions), average return on investment for expansion projects and financial occupancy rate); (ii) 20% based on individual quantitative criteria (change in vacancy rates, rent collection rates, lease renewals, revenues generated by specific activities and acquisition volume); and (iii) 30% based on qualitative criteria. Variable compensation amounts paid by the Company in respect of the role of the Chairman and CEO of the Company are billed by Carrefour to the Company.
Variable compensation – Methods used for its determination	The payment of variable compensation is conditional upon the approval of the Shareholders' meeting called to approve the financial statements for the year ending 31 December 2018.
Exceptional compensation	Exceptional compensation is only payable under specific circumstances related to transactions that have a structural impact on the Company. The payment of exceptional compensation shall be, in any case, conditional upon the approval of the Shareholders' meeting called to approve the financial statements for the year ending 31 December 2018.
Directors' Fees	As a director of the Company and member of Committee, the Chairman and CEO is entitled to receive directors' fees.
Valuation of benefits in kind	None.
Stock options, free shares and any other long-term compensation	The Chairman and CEO may be awarded bonus shares or preference shares, as decided by the Board of Directors and after the Compensation and Nominating Committee has advised on the matter, up to the limit of the authorisations granted by the Shareholders' meeting. In addition to the authorisation granted on 12 June, 2017 by the Shareholders' meeting to authorise the Board of Directors to award existing or newly issued bonus shares to employees and Corporate Officers or some of them, it is proposed to the annual Shareholders' meeting called to approve the financial statements for the year ending 31 December 2017 to give the Board the authorisation to award preference shares ("B Shares") to employees and Corporate Officers, convertible into existing or newly issued ordinary shares of the Company. The maximum number of ordinary shares that could result from the conversion of the preference shares may not represent more than 127,000 ordinary shares, i.e. 0.09% of the Company's share capital. Furthermore, the number of ordinary shares resulting from the conversion of the preference shares allocated to the Company's corporate officers, which will count towards the 0.09% limit mentioned above, may not represent more than 0,04% of the Company's share capital on the date of the Shareholders' meeting.
Termination of service indemnity: Severance payment	The Chairman and CEO does not benefit from any severance payment in respect of the termination of his role as Chairman and CEO of the Company.
Non-compete indemnity	The Chairman and CEO does not benefit from any non-compete indemnity respect of the termination of his role as Chairman and CEO of the Company.
Supplemental pension plan	The Chairman and CEO does not benefit from any supplemental pension plan in respect of his role as Chairman and CEO of the Company.

6.3 Share capital and shareholder structure

6.3.1 Share capital

6.3.1.1 Share capital – Historical data

November 1999: Cross Systems Company (former company name of Carrefour Property Development, subsequently named Cardety, thereafter named Carmila) introduced on the Paris Stock Exchange Nouveau Marché.

October 2008: Acquisition by the Carrefour group (CRFP 13 and CRFP 16 companies) of shares of the Company representing 98.51% of its share capital and 98.50% of its voting rights.

June 2014: The general meeting approved a capital increase of €10,625,672 through the capitalisation of share premiums and reserves, thus bringing the Company's share capital from €5,312,836 to €15,938,508, with an increase in the par value of the Company's shares from 2 to 6 euros.

July-August 2014: Following the Company's disposal of its Mondevillage asset and of securities pertaining to Société du Centre Commercial de Lescar, Carrefour (CRFP 13) launched a public tender offer for shares held by the Company's minority shareholders and acquired 1,615 shares at €19.20 per share.

December 2014: Disposal by the Carrefour group of shares of the Company, representing 41.2% of its share capital, to a number of third-party investors as part of a private placement. Following these disposals, the Carrefour group, through CRFP 13, held 1,541,412 shares, representing 58.03% of the Company's share capital.

January 2015: The Company chose the tax regime applicable to Listed Real Estate Investment Companies (*Sociétés d'Investissement Immobilier Cotées* or SIIC) effective from 1 January 2015.

March 2016: The Company carried out a capital increase, with preferential subscription rights, which was fully subscribed by the end of the subscription period, 6 April 2016. The gross proceeds of the capital increase, including the share premium, amounted to €36 million, represented by the issue of 1,660,260 new shares. The share capital then comprised 4,316,678 shares with a par value of €6.

May 2016: The general meeting approved the change of the company's name from its prior name "Carrefour Property Development" to "Cardety". Shares in the Company are thereafter listed under the new mnemonic "CARD".

June 2017: The combined general meeting of 12 June 2017 approved the merger by absorption of Carmila S.A.S. by the Company. A corresponding "E Document" describing the transaction, was created and filed with the AMF on 5 May 2017 under no. E.17-040. The exchange ratio of one share of the Company for three shares of Carmila S.A.S. was applied. As consideration for this exchange ratio, 104,551,551 new shares of the Company were issued by the Company by way of a capital increase in the nominal amount of €627,309,306, on the terms established in the draft Merger agreement. Following the Merger, the Company's share capital, which had previously amounted to €25,900,068, had increased to €653,209,374. The Company's shares are now listed under the new mnemonic code "CARM".

June-July 2017: The combined general meeting of 12 June 2017, in its thirty-seventh resolution, also delegated authority to the Board of Directors, for a period of twenty-six months from the date of the aforesaid meeting, to increase the Company's share capital, in particular, through the issue of transferable securities giving immediate or future access to the Company's capital, with preferential subscription rights upheld.

Acting upon sub-delegation granted by the Board of Directors at its meeting of 23 June 2017, the Chairman and CEO decided, on 6 July 2017, to carry out a capital increase through the allocation of free share subscription warrants for a maximum amount of €556,263,888 (including share issue premium, excluding exercise of the over-allotment option), corresponding to a maximum nominal capital increase of €139,065,972 plus a maximum aggregate issue premium of €417,197,916. It should be noted that Carrefour (CRFP 13) would subscribe to 2,083,334 new shares for a total amount of €50,000,016 (including issue premium). The free share subscription warrants granted the right to subscribe to new shares at a par value of six (6) euros, ranking pari passu with the Company's existing shares, on the basis of nine free warrants to two new shares (see the Offering Circular approved by the AMF on 23 June 2017, under authorisation number 17-298, issued at the time of the transaction).

On 25 July 2017, the Chairman and CEO of the Company noted that a total number of 104,057,181 free share subscription warrants had been exercised during the financial year, at an exercise price of €24 per new share and reported that a total number of 23,123,818 new shares had been fully subscribed (corresponding to a nominal capital increase of €138,742,908 plus an aggregate issue premium of €416,228,724), raising the Company's share capital from €653,209,374 to €791,952,282.

In addition, on 6 July 2017, acting pursuant to the sub-delegation of authority granted to him by the Board of Directors on 23 June 2017 under the forty-seventh resolution of the Shareholders' meeting of 12 June 2017, the Chairman and Chief Executive Officer decided to issue, without preferential subscription rights, 3,143,750 share subscription warrants, reserved for Morgan Stanley & Co. International plc, acting in the name of and on behalf of the underwriters connected with the placement, as part of the over-allotment option. Each warrant was issued for a unit subscription price of €0.0001 and gave the right to subscribe to one new share at a par value of six (6) euros, ranking pari passu with existing shares, with a request filed for their admission to trading on the Euronext Paris regulated market on the same listing line as the existing shares of the Company, corresponding to a maximum nominal capital increase of €75,450,000 (including share issue premium) in the event that all warrants were exercised.

On 28 July 2017, the Chairman and Chief Executive Officer noted that 3,067,982 share subscription warrants had been exercised at an exercise price of €24 per new share, and further noted the subsequent issue, on 31 July 2017, of 3,067,982 new shares (corresponding to a nominal capital increase of €18,407,892 plus an aggregate issue premium of €55,223,676), raising the Company's share capital from €791,952,282 to €810,360,174.

The table below shows the change in the Company's share capital over the last three financial years:

	31/12/2017(1)(2)	31/12/2016	31/12/2015
Share capital	€810,360,174	€25,900,068	€15,938,508
Number of shares	135,060,029 shares	4,316,678 shares	2,656,418 shares
Theoretical number of voting rights	135,060,029	4,316,678	2,656,418
Actual number of voting rights	134,946,290	4,305,685	2,646,719

(1) As part of the Merger, the Company issued 104,551,551 new shares bringing its share capital to €653,209,374.
(2) Subsequent to the Merger, the Company carried out the capital increases as described in Section 6.3.1.1.

The table below shows the change in share capital during the financial year 2017:

Period	Number of shares	Share capital *(in euros)*
1 January 2017	4,316,678	25,900,068
12 June 2017	108,868,229	653,209,374
25 July 2017	131,992,047	791,952,282
31 July 2017	135,060,029	810,360,174
31 December 2017	135,060,029	810,360,174

6.3.1.2 Share capital subscribed at 31 December 2017

At 31 December 2017, the Company's share capital amounted to €810,360,174, distributed among 135,060,029 shares with a par value of six (6) euros each, fully subscribed and paid up, and all of the same share class.

6.3.1.3 Share capital authorised but not issued

The table below sets out the financial resolutions submitted to the Company's Shareholders' meeting for its approval on 12 June 2017:

Resolution	Subject of the resolution	Maximum nominal amount	Term of the authorisation	Utilisations during the financial year
36	Authorisation granted to the Board of Directors so that it may carry out transactions in the Company's shares	10% of the Company's share capital	18 months	See Section 6.3.1.5
37	Delegation of authority granted to the Board of Directors so that it may decide to increase the share capital of the Company, or that of another company, through the issue of shares and/or transferable securities giving immediate or future access to the Company's share capital, with preferential subscription rights upheld	€500 million for capital increases(1) €2 billion for the issuance of debt securities	26 months	€138,742,908(6)
38	Delegation of authority granted to the Board of Directors so that it may decide to increase the share capital of the Company, or that of another company, through the issue of shares and/or transferable securities giving immediate or future access to the Company's share capital, to be issued by public offering, without preferential subscription rights	€165 million for capital increases(1) €1 billion for the issuance of debt securities	26 months	
39	Delegation of authority granted to the Board of Directors so that it may decide to increase the share capital of the Company, or that of another company, through the issue of shares and/or transferable securities giving immediate or future access to the Company's share capital, to be issued by a securities placement pursuant to Article L. 411-2 of the French Monetary and Financial Code, without preferential subscription rights	€165 million for capital increases(1)(2) €1 billion for the issuance of debt securities	26 months	

Resolution	Subject of the resolution	Maximum nominal amount	Term of the authorisation	Utilisations during the financial year
40	Authorisation granted to the Board of Directors to issue shares and/or transferable securities giving immediate or future access to shares to be issued by the Company as consideration for contributions in kind consisting of securities or transferable securities giving access to share capital	€85 million for capital increases(1) €1 billion for the issuance of debt securities	26 months	
41	Determination of the issuance price, which is not to exceed 10% of the share capital per year, as part of a capital increase by issuance of equity shares without preferential subscription rights	No more than 10% of the share capital per year		
42	Delegation of authority granted to the Board of Directors to approve the capital increase by way of incorporation of premiums, reserves, benefits or other resources	€500 million	26 months	
43	Delegation of authority granted to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights	Limit pursuant to applicable regulations (currently 15% of the initial issuance)(1) and(3)	26 months	
44	Delegation of authority granted to the Board of Directors to approve the capital increase of the Company by issuance of shares and/or transferable securities giving immediate or future access to the share capital, without preferential subscription rights, reserved for members of company savings plans	€85 million(1)	26 months	
45	Delegation of authority granted to the Board of Directors to allot existing free shares or free shares to be issued to some or all employees and corporate officers of the Group(4)	No more than 0.5% of the share capital(1)(2)	38 months restated	
46	Authorisation to be granted to the Board of Directors to reduce the share capital by cancelling treasury shares	No more than 10% of the shares making up the Company's share capital	26 months	
47	Delegation of authority granted to the Board of Directors to proceed with a capital increase of the Company by issuance of share subscription warrants, without preferential subscription rights, giving immediate or future access to the Company's shares, reserved for providers of investment services acting on the Company's behalf as part of a securities placement operation(5)	€50 million(1)	18 months	€18,407,892(7)

(1) The maximum total nominal amount of the capital increases that may be carried out by virtue of this delegation will count towards the total maximum limit set at €700 million.

(2) The maximum total nominal amount of the capital increases that may be carried out by virtue of this delegation will count towards the maximum limit for the nominal amount of capital increases by issuance of shares and/or securities giving immediate or future access to the share capital, to be issued by public offering without preferential subscription rights, which is set at €165 million by the 38th resolution.

(3) The nominal amount of capital increases approved by this resolution will count towards the maximum limit stipulated in the resolution under which the initial issuance was approved.

(4) It should be noted that the total number of existing shares or shares to be issued, granted to executive corporate officers of the Company by virtue of this delegation of authority, may not represent more than 0.2% of the share capital as of the date of the decision of the Board of Directors.

(5) This issuance of share subscription warrants may only occur if the Board of Directors of the Company uses the delegation of authority specified in the 37th resolution.

(6) By decision of the Chairman and CEO of 6 July 2017 acting by delegation of the Board of Directors of 23 June 2007, it has been decided to use the delegation of authority granted to it by the Shareholders' meeting of 12 June 2017 with a view to proceeding with a capital increase of the Company for around €557 million (including share premium) (i.e. a capital increase for a nominal amount of approximately €139 million) to be carried out through the granting of free share subscription warrants, on the basis of one warrant for each share at a par value of six (6) euros, extended to all existing shareholders of the Company whose shares have been entered in the shareholders register at the close of the first trading session following the announcement of AMF approval of the prospectus.
The free share warrants carried the right to subscribe to new shares at a par value of six (6) euros, ranking pari passu with existing shares and admitted to trading on the Euronext Paris regulated market, on the same listing line as the existing shares.
The exchange ratio was fixed as follows: nine warrants give the right to subscribe to two new shares.

(7) By decision of the Chairman and CEO of 6 July 2017 acting by delegation of the Board of Directors of 23 June 2007, it has been decided to use the delegation of authority granted to it by the Shareholders' meeting of 12 June 2017, allowing the issue, without preferential subscription rights, of 3,067,982 share subscription warrants, reserved for Morgan Stanley & Co. International plc, acting in the name of and on behalf of the underwriters connected with the placement described in the Transaction Note approved by the AMF on 23 June 2017 under permit number 17-298.
On 28 July 2017, the Chairman and CEO acknowledged the completion of the capital increase, without preferential subscription rights, consisting of 3,143,750 share subscription warrants, with each warrant issued for a unit subscription price of €0.0001 and each warrant giving the right to subscribe to 1 (one) new share at a par value of six (6) euros, ranking pari passu with existing shares and admitted to trading on the Euronext Paris regulated market on the same listing line as the existing shares of the Company. He then acknowledged the subsequent issue, on 31 July 2017, of 3,067,982 additional new ordinary shares, at a par value of six (6) euros each, ranking pari passu with the Company's existing shares and admitted to trading on the Euronext Paris regulated market on the same listing line as the existing shares.

6.3.1.4 Securities not representing share capital

At 31 December 2017, the Company had not issued any securities not representing share capital.

6.3.1.5 Shares controlled by the Company, treasury stock and purchase by Carmila of its own shares

Background and current situation

The Company's combined general meeting of 12 June 2017 authorised the Board of Directors, for a period of 18 months, to implement a share buyback programme to buyback the Company's own shares, pursuant to the provisions of Article L. 225-209 of the French Commercial Code and in accordance with the AMF General Regulations, under the conditions specified below. This authorisation replaced the authorisation previously granted by the Company's Shareholders' meeting of 26 May 2016 to trade in its own shares.

Transaction	Term of the authorisation	Maximum unit price	Maximum amount	Maximum number of shares
Share repurchase programme	18 months	€50	€50 million	10% of the Company's share capital

These shares may be acquired at any time up to the limits authorised by applicable legal or regulatory provisions, including during a takeover bid and/or exchange offer initiated by the Company or by another party in relation to the Company's securities, for the following purposes:

- the implementation of any stock option plan pursuant to Articles L. 225-177 et seq. of the Commercial Code or any similar plan;
- the allocation or sale of shares to employees as part of their profit-sharing plan and/or the implementation of any employee savings plan pursuant to applicable law, in particular Articles L. 3332-1 et seq. of the French Labour Code;
- the allocation of free shares in pursuant to Articles L. 22-197-1 et seq. of the Commercial Code;
- generally satisfying obligations under option plans or other allocations of shares to employees or employee representatives of the issuer or an affiliated company;
- delivery of shares upon exercising voting rights attached to securities granting access to the issuer's share capital via redemption, conversion, exchange, presentation of a bond or any other manner;
- the cancellation of all or part of the shares thus bought back, provided that the Board of Directors has a valid authorisation from the general meeting, acting in an extraordinary capacity, enabling it to reduce the share capital by cancelling shares purchased as part of a share-buyback programme;
- management of the secondary market or the liquidity of the Company's shares by an investment services provider, under a liquidity agreement in accordance with the Code of Ethics of the French Financial Markets Association recognised by the AMF, in accordance with the market practice permitted by the AMF.

This programme is also intended to permit any activity that may in future be approved or recognised by law or by the AMF or any other objective in compliance with applicable regulations. In such an event, the Company will inform its shareholders by way of a press release.

The maximum purchase price of the shares as part of this repurchase programme is set at €50 (or the equivalent amount in any other currency on the same date).

Summary of share repurchase program

For each of the purposes pursued, the number of securities purchased was as follows:

(1) Liquidity contract

On the settlement date of 31 December, 2017, under the liquidity contract entrusted by Carmila to EXANE BNP PARIBAS, the following assets were in the liquidity account:

- 113,739 Carmila shares;
- €2,652,958.42.

It is remainded that at the last half-year review (30 June 2017) the following resources were affected to the liquidity account:

- 7,280 Carmila shares;
- €334,438.

An additional contribution of €4,700,000 was made on 26 July, 2017.

Over 2017, 248,733 shares were purchased at an average price of €23.88 per share and 145,868 shares were sold at an average price of €23.94 per share.

(2) Acquisition for the purposes of bonus share plans for employees and corporate officers (L. 225-197-1 et seq. of the French Commercial Code)

Mandates were entrusted to an investment services provider (PSI) on 9 January and 16 February 2018, to cover bonus share plans for employees and corporate officers, and 107,394 shares were purchased at an average price of €23.85 per share at 31 March 2018.

(3) Cancellation

In 2017, the Company did not cancel any shares.

(4) Sale of treasury shares

In 2017, the Company did not sell any shares.

As at 31 December, 2017, the Company holds directly 113,739 treasury shares, representing a value of €2,652,958.42 on the basis of the book value and €6 per share in nominal value.

As of 31 March, 2018, the Company holds 157,553 treasury shares representing approximately 0.1% of the capital. Therefore, the maximum number of additional shares that can theoretically be purchased under this authorization is 13,348,450 shares (ie approximately 9.9% of the capital).

The Company's position as at 31 December, 2017 and 31 March, 2018 is as follows:

	31/12/2017	31/03/2018
Number of shares held in the portfolio	113,739	157,553
Percentage of self-owned capital directly and indirectly	0.08%	0.12%
Number of shares canceled in the last 24 months	0	0
Book value of the treasury shares *(in Euro million)*	2,652,958.42	3,732,111.84
Market value of the treasury shares *(in Euro million)*	2,641,019.58	3,781,272.00

The authorisation granted 12 june 2017, in force on the filing date of this document, will end after a period of eighteen months starting at the combined general meeting of 12 June 2017, or on 12 December 2018, unless a new share buyback programme is authorised by the next Shareholders' meeting.

6.3.1.6 Securities giving access to the share capital

As of the date of this document, there are no securities in circulation that are exchangeable, convertible or that include subscription warrants with respect to shares of the Company or its subsidiaries.

6.3.1.7 Conditions governing rights of acquisition and/or obligations attached to capital subscribed, but not paid-up

None.

6.3.1.8 Share capital of all Group companies subject to options or option agreements

None.

6.3.2 Shareholding structure

6.3.2.1 Description of the Company's shareholding structure

At 31 December 2017, the Company's share capital was held as follows:

Shareholders	Number of shares and of voting rights	Percentage of capital and of voting rights
CRFP 13[(1)]	48,292,566	35.76%
Prédica[(2)]	12,168,946	9.01%
Cardif Assurance Vie[(3)]	11,671,852	8.64%
Colkart Sarl[(4)]	10,769,925	7.97%
SAS Sogecap[(5)]	6,333,020	4.69%
LVS II LUX VII[(6)]	6,333,020	4.69%
SCI Vendôme Commerces[(7)]	5,835,926	4.32%
Colkart II Sarl[(8)]	3,110,681	2.30%
Treasury shares	113,739	0.08%
Senior executives and employees	185,443	0.13%
Public	30,244,911	22.39%
TOTAL	**135,060,029**	**100.00%**

(1) CRFP 13 is controlled by Carrefour.
(2) Prédica is controlled by Crédit Agricole Assurances, which is itself controlled by Crédit Agricole SA.
(3) Cardif Assurance Vie is controlled by BNP Paribas.
(4) Colkart Sarl is controlled by Colkart Investment SCS whose general partner and manager is Colony Retail Europe III Sarl.
(5) SAS Sogecap is controlled by Société Générale.
(6) LVS II LUX VII is controlled by Pimco.
(7) SCI Vendôme Commerces is controlled by Axa.
(8) Colkart II Sarl is controlled by Colony.

6.3.2.2 Transactions involving the share capital of the Company during the last financial year and the present financial year

On 12 June 2017, the Company absorbed Carmila S.A.S., through a Merger by absorption transaction, described in the "E Document" prepared at that time, which was filed with the AMF on 5 May 2017 under permit number E.17-040. The exchange ratio of one (1) share of the Company for three (3) shares of Carmila S.A.S. was applied. The consideration for the net assets tendered generated 104,551,551 new shares of the Company, allocated to shareholders of Carmila S.A.S., under the conditions established in the draft merger agreement. On conclusion of the Merger, the Company's share capital, which had previously amounted to €25,900,068, had increased to €653,209,374.

Following the Merger, on 31 July 2017, the Company carried out a capital increase of €628.6 million consisting of a placement of new shares in the amount of €503 million, an over-allocation option which was almost fully exercised for €73.6 million and the exercise of share subscription warrants in the amount of €52 million stemming from Carrefour's subscription to the transaction.

On completion of the capital increase, the Company's share capital, which was previously €653,209,374, had increased to €810,360,174 through the creation of 26,191,800 new shares.

6.3.2.3 Threshold crossing declarations

Pursuant to Article L. 233-7 of the French Commercial Code, any natural person or legal entity, acting alone or in concert, that comes to hold a number of shares representing more than 5%, 10%, 15%, 20%, 25%, 30%, 33.33%, 50%, 66.66%, 90% or 95% of the Company's share capital or voting rights, must report their holding to the Company and to the AMF, indicating the total number of shares and the total number of voting rights held, within a period of four trading days from the date the applicable threshold is crossed. The AMF will ensure the public disclosure of any threshold crossings reported to it. This information must also be conveyed, in the same time period and under the same conditions, when the percentage of share capital or voting rights falls below the thresholds referred to above. If threshold crossings are not properly disclosed, the shares exceeding the percentage that should have been disclosed in accordance with the legal provisions specified here above, shall be stripped of their voting right at any Shareholders' Meeting held up to two years following the date on which the threshold crossing is finally reported.

In addition to the legal thresholds, Article 8 of Carmila's bylaws provides that any natural person or legal entity, acting alone or in concert, who holds a number of shares representing 1% or more of the share capital or of voting rights, up to a total of 30% of the share capital or voting rights, must inform the company of the total number of shares and voting rights held, as well as the number of securities giving access to the share capital in the future, and any voting rights potentially attached to those shares, and any shares that such person may acquire by virtue of an agreement or financial instrument. In each case, the information must be conveyed by registered letter with acknowledgement of receipt within five trading days after crossing the applicable threshold. The obligation to inform the company also applies in cases where the interest of the relevant holder of share capital or voting rights falls below the thresholds mentioned above.

In the event of failure to comply with the obligation to declare the crossing of a legal threshold, the penalties provided for in Article L. 233-14 of the French Commercial Code shall also apply in the event of failure to declare the crossing of thresholds specified in Carmila's own bylaws, at the request of one or more shareholders holding at least 5% of the share capital or voting rights of the Company, such request being duly recorded in the minutes of the General Meeting.

A standard form to declare the crossing of a legal threshold is available on the AMF website.

To the best Carmila's knowledge, and since 31 December 2017, only Sogecap, controlled by Société Générale, has notified to it and to AMF that its shareholding has increased above a legal threshold of 5,02% on 19 February 2018 to 6.775.498 shares.

To the best of the Company's knowledge, since 31 December 2017, the only party to have notified the Company and the AMF of having crossed a legal threshold was Sogecap (controlled by Société Générale) which, on 19 February 2018, increased its interest in the Company's share capital to 5.02%, thereby raising its participation in the Company's equity to 6,775,498 shares.

6.3.2.4 Shareholders' agreements

None

6.3.2.5 Transactions involving the Company's securities carried out by corporate officers, including senior executives and related persons

Pursuant to the provisions of article 223-26 of the AMF General Regulation, we hereby inform you of transactions carried out in the 2017 financial year by the persons referred to in article L. 621-18-2 of the French Monetary and Financial Code:

- On 12 June 2017, C Commerce 2 (a company indirectly wholly-owned by Cardif Assurance Vie, a legal entity member of the Board of Directors) received 11,671,852 shares as part of the Merger operation.
- On 12 June 2017, Predica S.A., a legal entity member of the Board of Directors, acquired 12,168,946 shares as part of the Merger operation.
- On 10 July 2017, SCI Vendôme Commerces (controlled by AXA Reim France, a legal entity member of the Board of Directors) received 5,835,926 share subscription warrants as part of the Merger operation and subsequently sold them, in their entirety, to Société Générale for €1.
- On 10 July 2017, Predica S.A., a legal entity member of the Board of Directors, loaned 944,657 shares granted by CAA Kart 2 (a company indirectly wholly-owned by Predica S.A.) to Morgan Stanley & Co International Plc as part of the Company's capital increase of 23 June 2017.
- On 10 July 2017, CAA Kart 2 (a company indirectly wholly-owned by Predica S.A., a legal entity member of the Board of Directors) received 12,168,946 share subscription warrants, free of charge, as part of the Company's capital increase of 23 June 2017 and subsequently sold them, in their entirety, to Société Générale for €1.
- On 10 July 2017, Cardif Assurance Vie, a legal entity member of the Board of Directors, loaned 944,657 shares of the Company granted by C Commerce 2 to Morgan Stanley & Co International Plc as part of the Company's capital increase of 23 June 2017.
- On 10 July 2017, C Commerce 2 (a company indirectly wholly-owned by Cardif Assurance Vie, a legal entity member of the Board of Directors) received 11,657,852 share subscription warrants, free of charge, as part of the Company's capital increase of 23 June 2017 and subsequently sold them, in their entirety, to Société Générale for €1.
- On 10 July 2017, SAS Sogecar 2 (indirectly wholly-owned by Sogecap, a legal entity member of the Board of Directors) received 6,333,020 share subscription warrants, free of charge, as part of the Company's capital increase of 23 June 2017 and subsequently sold them, in their entirety, to Société Générale for €1.
- On 11 July 2017, Sogecap, a legal entity member of the Board of Directors, acquired shares for €7,841,117.67, corresponding to a unit price of €24.4102 per share.
- On 12 July 2017, Mr Géry Robert-Ambroix, Deputy CEO, exercised 12,987 share subscription warrants with the aim of subscribing for 2,886 new shares as part of the Company's capital increase of 23 June 2017, for €69,264, corresponding to a unit price of €24 per share.
- On 12 July 2017, Mr Yves Cadélano, Deputy CEO, exercised 4,329 share subscription warrants with the aim of subscribing for 962 new shares as part of the Company's capital increase of 23 June 2017, for a total of €23,088, corresponding to a unit price of €24 per share.
- On 17 July 2017, Mr Jacques Ehrmann, Chairman and CEO, exercised 22,941 share subscription warrants with the aim of subscribing for 5,098 new shares as part of the Company's capital increase of 23 June 2017, for €122,352, corresponding to a unit price of €24 per share.
- On 15 September 2017, Cardif Assurance Vie, a legal entity member of the Board of Directors, held 11,671,852 shares upon completion of the merger by absorption of C Commerce 2 by C Commerce 1 (on 14 September 2017) and of the merger by absorption of C Commerce 1 by Cardif Assurances Vie (on 15 September 2017), C Commerce 2 having been wholly-owned by C Commerce 1, which was itself wholly-owned by Cardif Assurance Vie.
- On 22 September, SAS Sogecar (wholly-owned by Sogecap, a legal entity member of the Board of Directors) held 6,333,020 shares upon completion of the merger by absorption of SAS Sogecar 2 by SAS Sogecar 1 (on 21 September 2017), and of the merger by absorption of SAS Sogecar 1 by SAS Sogecar (on 22 September 2017), SAS Sogecar 2 having been wholly-owned by SAS Sogecar 1, which was itself wholly-owned by SAS Sogecar.
- On 21 November 2017, Sogecap, a legal entity member of the Board of Directors, received 6,333,020 shares following the dissolution without liquidation of its wholly-owned subsidiary SAS Sogecar.

6.3.2.6 Employee share ownership

The Company has introduced three bonus share allotment plans as a means of retaining its best-performing employees. For further details, refer to section 6.3.3 below.

6.3.3 Stock Option Plan and Performance Share Plans

6.3.3.1 Description of the plans

Carmila S.A.S., the target of the merger by absorption by the Company upon the Merger, had set up free share plans in 2016 for the benefit of its senior executives and certain other salaried staff:

- a free share plan conditional upon continued employment at 31 December 2017;
- a free share plan conditional upon (i) continued employment at 14 January 2018 to senior executive corporate officers and at 15 June 2018 to employees and (ii) the following performance conditions, each one for 50% of the shares:
  - year-on-year improvement in total yield in 2017 (corresponding to the improvement in the triple adjusted net asset value (NNNAV EPRA) (including dividend discounts for the same year), compared to a panel of comparable real estate companies,
  - improvement in the consolidated "Recurring Earnings Per Share" of the Carmila Group relative to the subscription price of one share of the Company.

Pursuant to the delegation granted by the general meeting of Carmila S.A.S. on 14 April 2016, a new free share allocation took place on 12 June 2017, prior to the Merger, for the benefit of senior executives and selected employees of the Carmila Group, involving a total number of 299,411 shares, including 62,294 shares allocated to Jacques Ehrmann, 15,441 shares to Yves Cadélano and 30,882 shares to Géry Robert-Ambroix, corresponding to respective allocations of 20,764, 5,147 and 10,294 shares in the Company, once the Merger exchange ratio (one Cardety share for three Carmila S.A.S. shares) had been taken into account. The share grant was conditional upon (i) continued employment at the end of each acquisition period, and (ii) the following performance conditions, for 50% of the shares:

- for the financial year 2018, (i) improvement in the Group's total yield in 2018 (corresponding to the year-on-year improvement in the triple adjusted net asset value (NNNAV EPRA) and including dividend discounts for the same year), compared to a panel of comparable real estate companies; and (ii) improvement in the consolidated "Recurring Earnings Per Share" of the Carmila Group in 2018 relative to the subscription price of one Carmila share; and
- for the financial year 2019, (i) improvement in the Group's total yield in 2019 (corresponding to the year-on-year improvement in the triple adjusted net asset value (NNNAV EPRA) and including dividend discounts for the same year), compared to a panel of comparable real estate companies; and (ii) improvement in the consolidated "Recurring Earnings Per Share" of the Carmila Group in 2019 relative to the subscription price of one Carmila share.

Pursuant to applicable law, as of the date of the Merger, the Company is automatically substituted for Carmila S.A.S., the acquiree, with respect to its obligations to the beneficiaries of free shares.

6.3.3.2 Share plans – Historical data

Plan name	Présence Plan 2016	Performance Plan 2016	Performance Plan 2017
Carmila S.A.S. Meeting date	14/04/2016	14/04/2016	14/04/2016
Carmila S.A.S. Grant date(s)	14/04/2016 Corporate officers 15/06/2016 Employees	17/05/2016 Corporate officers 15/06/2016 Employees	12/06/2017
Number of recipient	31	34	32
Number of Carmila shares originally granted under the plan	56,661	89,340	96,988
• Incl. Jacques Ehrmann	11,647	11,653	20,764
• Incl. Géry Robert-Ambroix	6,593	9,894	10,294
• Incl. Yves Cadélano	3,296	4,947	5,147
• Incl. other employees	35,125	62,846	60,783
Remaining number of shares to be granted as of 31/12/17	54,262	84,989	96,142
Acquisition date(s)	31/12/2017	14/02/2018 Corporate officers 15/06/2018 Employees	12/06/2019 Salariés 50% 12/06/2020 Employees 50%/ Corporate officers 100%
Availability date(s)	14/04/2018 Corporate officers 15/06/2018 Employees	17/05/2018 Corporate officers 15/06/2018 Employees	12/06/2019 Employees 50% 12/06/2020 Employees 50%/ Corporate officers 100%

6.3.4 Agreements which may lead to a change of control

To Carmila's knowledge, there is no agreement at the date of this document that could result in a change of control over Carmila at a date subsequent to the Merger.

6.3.5 Effects of a tender offer or public exchange offer (Article L. 225-37-5 of the French Commercial Code)

The Company has not issued securities carrying special control rights and no control mechanism is anticipated in the event of an employee shareholding scheme, where the control rights are not exercised directly by the employees.

To the best Carmila's knowledge, as of the date of this document, no agreement exists which would be changed or terminated in the event of a change of control of the Company.

Furthermore, no agreements exist providing for indemnities for members of the Board of Directors, or for employees, in the event of their resignation or dismissal without due and serious cause, or if their employment is terminated as a consequence of a tender offer.

6.4 Auditor's report on the report on Corporate Governance

Report included in the Auditor's report on the statutory financial statements (see Section 7.5 page 227).

FINANCIAL STATEMENTS

7.1 Consolidated financial statements at 31 December 2017

7.1.1 Consolidated statement of comprehensive income

IFRS EPRA standard presentation *(in thousands of euros)*	Note	31/12/2017	31/12/2016
Gross Rental Income		**300,911**	**275,683**
Real estate expenses		-4,389	-3,863
Non-recovered rental charges		-7,305	-8,272
Property expenses (landlord)		-12,562	-11,045
Net rental income	**8.1**	**276,655**	**252,503**
Operating expenses	8.2	-47,433	-41,579
Income from management, administration and other activities		4,790	1,626
Other income		5,712	9,045
Payroll expenses		-23,878	-22,597
Other external expenses		-34,057	-29,653
Other operating income		-	1,948
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	8.3	-809	-523
Other operating income and expenses	8.4	-7,160	-267
Gain (loss) on disposals of investment properties and equity investments	8.5	-2,803	441
Change in fair value adjustments	5	164,470	157,678
Increase of fair value adjustment properties		211,795	235,500
Decrease of fair value adjustment properties		-47,325	-77,822
Share in net income of equity-accounted investments	7.3	11,067	6,094
Operating income		**393,987**	**376,295**
Financial income		927	615
Financial expenses		-49,608	-49,877
Cost of net indebtedness		**-48,681**	**-49,262**
Other financial income and expenses		3,357	-3,005
Financial income (expense)	**6.1**	**-45,324**	**-52,267**
Income before taxes		**348,663**	**324,028**
Income tax	9.1	-34,359	-28,380
CONSOLIDATED NET INCOME		**314,304**	**295,648**
Group share		**313,787**	**294,531**
Non-controlling interests		**517**	**1,117**
Average number of shares comprising Carmila's share capital	7.8.3	119,132,838	103,213,159
Earnings per share, in euros (Group share)		2.63	2.85
Diluted average number of shares comprising Carmila's share capital	7.8.3	119,323,222	103,359,785
Diluted earnings per share, in euros (Group share)		2.63	2.85
Diluted number of shares comprising share capital at period end		135,182,748	104,698,190
Diluted earnings per share, in euros (Group share)		2.32	2.81

Consolidated statement of comprehensive income *(in thousands of euros)*	Note	31/12/2017	31/12/2016
Consolidated net income		**314,304**	**295,648**
Items to be subsequently recycled in net income		**10,923**	**-13,907**
Cash-flow hedges (effective part)	6.2.8	10,923	-13,907
Related income tax		-	-
Items not to be subsequently recycled in net income		**-31**	**39**
Re-evaluation of the net liabilities under defined-benefit schemes	12.3.1	-31	39
Related income tax		-	-
CONSOLIDATED NET COMPREHENSIVE INCOME		**325,196**	**281,780**

7.1.2 Consolidated statement of financial position

Assets

(in thousands of euros)	Note	31/12/2017	31/12/2016
Goodwill		-	-
Intangible assets	8.1	4,559	4,986
Property, plant and equipment	8.2	2,411	960
Investment properties carried at fair value	6.1	5,356,002	4,425,206
Investment properties carried at cost	6.1	91,581	425,237
Investment in equity-accounted companies	8.3	47,364	48,331
Other non-current assets	8.4	12,981	9,349
Deferred tax assets	10.4	6,284	1,592
Non current assets		**5,521,182**	**4,915,661**
Investment properties held for sale	6.3	500	-
Trade receivables	8.5	107,919	98,164
Other current assets	8.6	75,398	119,994
Cash and cash equivalents	8.7	329,397	71,243
Current assets		**513,214**	**289,401**
TOTAL ASSETS		**6,034,396**	**5,205,061**

Liabilities & shareholders' equity

(in thousands of euros)	Note	31/12/2017	31/12/2016
Share capital		810,360	313,655
Additional paid-in capital		2,321,671	1,842,673
Treasury shares		-2,653	-
Other comprehensive income		-27,937	-38,829
Consolidated retained earnings		121,234	230,743
Consolidated net income – Group share		313,787	294,531
Shareholders' equity – Group share		**3,536,462**	**2,642,773**
Non-controlling interests		5,999	8,431
SHAREHOLDERS' EQUITY	**8.8**	**3,542,461**	**2,651,204**
Non-current provisions	8.9	2,142	609
Non-current financial debt	7.2	1,966,003	2,050,970
Lease deposits and guarantees		69,643	67,216
Non-current tax liabilities and deferred tax liabilities	10.3 & 10.4	112,867	81,019
Other non-current liabilities	8.10	7,477	13
Non-current liabilities		**2,158,132**	**2,199,827**
Current financial debt	7.2	68,970	151,346
Bank facilities		40,129	16,123
Trade payables	8.11	28,567	22,993
Fixed assets payables	8.11	71,751	33,773
Current tax liabilities and social dues	8.12	38,661	43,254
Other current liabilities	8.12	85,724	86,541
Current liabilities		**333,802**	**354,030**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,034,396**	**5,205,061**

7.1.3 Consolidated cash-flow statement

(in thousands of euros)	Note	31/12/2017	31/12/2016
Consolidated net income		**314,304**	**295,648**
Adjustments			
Elimination of income from equity-accounted investments	8.3	-11,067	-6,094
Elimination of depreciation, amortisation and provisions		2,263	302
Elimination of change in fair value adjustment	6.1	-164,239	-158,073
Elimination of capital gain/losse on disposals		119	-2,074
Other non-cash income and expenses		3,825	1,644
Cash-flow from operations after cost of net debt and tax		**145,205**	**131,353**
Elimination of tax expense (income)	10.1	34,359	28,380
Elimination of cost of net debt		48,682	49,263
Cash-flow from operation before cost of net financial debt and tax		**228,246**	**208,996**
Change in operating working capital		47,822	-29,206
Change in lease deposits and guarantees		-537	3,122
Income tax paid		-11,541	-5,234
Cash-flow from operating activities		**263,990**	**177,678**
Changes in scope of consolidation		-7,643	-
Change in fixed assets payables		43,821	-
Acquisitions of investment properties	6.1	-279,184	-442,219
Acquisitions of other fixed assets		-282	-1,550
Change in loans and advances		-7,343	2,031
Disposal of investment properties and other fixed assets		177	3,691
Dividends received		1,474	972
Cash-flow from investment activities		**-248,981**	**-437,075**
Share capital increase	8.8	613,937	2,002
Transactions in share capital of equity accounted companies	8.3	-10,025	-
Net sale (purchase) of treasury shares		-2,447	-
Issuance of bonds		-	592,999
Issuance of new bank loans	7.2	15,905	142,000
Loan repayments	7.2	-184,778	-408,230
Interest paid		-49,692	-57,003
Interest received		928	613
Dividends and share premiums distributed to shareholders		-164,690	-77,305
Cash-flow from financing activities		**219,139**	**195,076**
CHANGE IN NET CASH POSITION		**234,148**	**-64,321**
Opening cash position		55,120	119,441
Closing cash position	8.7	289,268	55,120

7.1.4 Statement of changes in consolidated equity

(in thousands of euros)	Note	Share capital	Additional paid-in capital	Treasury shares	Other comprehensive income	Consolidated retained earnings	Consolidated net income	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
Balance at 31 December 2015		**303,914**	**1,926,370**	**0**	**-24,942**	**-114,808**	**324,776**	**2,415,310**	**40,199**	**2,455,509**
Share capital transactions		9,741	64,130					73,871		73,871
Share-based payments						1,644		1,644		1,644
Treasury shares transactions								0		0
Dividends paid			-147,827					-147,827	-1,238	-149,065
Allocation of 2015 income						324,776	-324,776	0		0
Net income for the year							**294,531**	**294,531**	**1,117**	**295,648**
Gains and losses recorded directly in equity										
Recycling of OCI to income					2,395			2,395		2,395
Change in fair value of hedging instruments					-16,302			-16,302		-16,302
Actuarial gains and losses on retirement benefits					39			39		39
Other comprehensive income					**-13,868**			**-13,868**	**0**	**-13,868**
Changes in scope of consolidation					-20	19,130		19,110	-31,648	-12,538
Balance at 31 December 2016		**313,655**	**1,842,673**	**0**	**-38,829**	**230,743**	**294,531**	**2,642,773**	**8,431**	**2,651,204**
Share capital transactions	8.8	157,151	456,786			-		613,937		613,937
Share-based payments	13.3.1					1,344		1,344		1,344
Treasury shares transactions	8.8.2			-2,447				-2,447		-2,447
Dividends paid	2.3		-164,291					-164,291	-399	-164,690
Allocation of 2016 income						294,531	-294,531	0		0
Net income for the year							**313,787**	**313,787**	**517**	**314,304**
Gains and losses recorded directly in equity										
Recycling of OCI in income	7.2.8				3,004			3,004		3,004
Change in fair value of hedging instruments	7.2.8				7,919			7,919		7,919
Actuarial gains and losses on retirement benefits	13.3.1				-31			-31		-31
Other comprehensive income					**10,892**			**10,892**	**0**	**10,892**
Changes in scope of consolidation		339,554	186,503	-206		-405,384		120,467	-2,550	117,917
Balance at 31 December 2017		**810,360**	**2,321,671**	**-2,653**	**-27,937**	**121,234**	**313,787**	**3,536,462**	**5,999**	**3,542,461**

The "share capital transactions" line reflects the capital increase in July 2017. This capital increase enabled a gross sum of €628,600 thousand (€613.9 million net of costs) to be raised.

The "*change in scope of consolidation*" line mainly includes the impact of the reverse acquisition and Cardety's entry into the scope of consolidation with a net asset value before merger of €120.2 million (Note 3.2 "Accounting treatment of the merger between Carmila and Cardety").

7.1.5 Notes to the consolidated financial statements

Note 1 Key highlights of the financial year

On 12 June 2017, Carmila achieved a new stage in its growth with the approval by the shareholders of Carmila S.A.S. and Cardety S.A. of the merger of their companies.

The merged company thus created was renamed "Carmila" on 12 June and the new shares resulting from the merger were admitted for trading on 14 June 2017 in Compartment C of the Euronext Paris regulated market under ISIN code FR0010828137 (Mnemonic Code CARM). Since 1 January 2018, the shares of Carmila are admitted for trading in Compartment A of Euronext Paris. The company benefits from the SIIC Regime, the French REIT (Real Estate Investment Trust) status.

Cardety and Carmila signed a merger agreement on 4 April 2017 to create a major listed real estate company dedicated to enhancing and developing flagship shopping centres in France, Spain and Italy, by leveraging a strategic partnership with the Carrefour group, the leading food retailer and one of the world's leading retailers.

This merger has therefore created the third-largest listed shopping centre real estate company in Continental Europe, with a portfolio of 205 assets and an appraisal value of €5.4 billion at the transaction date.

The merger was accounted for as a reverse acquisition, insofar as the assets and liabilities of Carmila, the acquired company, were close to 40 times the size of those of Cardety, the acquiree company. Therefore Cardety's business activity has been consolidated over seven months.

Note 1.1 Investments

Investments in France focus mainly on refurbishment and redevelopment operations.

Among them, ambitious projects, leaders in their catchment areas were delivered during the financial year, and benefited from significant investment over the year, such as:

- BAB2 in Anglet (total capital expenditure over the year of €22.6 million): a 10,000 sq.m. extension enabling the rollout of 30 new shops bringing the number of commercial units to 125, and the gross leasable area to 25,400 sq.m. This project won the *brique d'or* (golden brick) award for shopping centres in 2017, a prize awarded by the Club Enseigne et Innovation (Retail Brands and Innovation Club);
- Pau Lescar (€29.3 million): the existing shopping mall and the historic Carrefour hypermarket were totally renovated, making them more user-friendly and more contemporary. This centre, with its commercial offer diversified with 23 new shops, now has 11,900 sq.m. GLA divided between 70 shops;
- Crèches-sur-Saone (€18.7 million): after 10 months of work, this centre now has 4,100 sq.m. of additional commercial area, increasing the centre's size to 8,300 sq.m. and from 33 to 55 stores;
- Saint Brieuc (€9.8 million): construction of a 4,700 sq.m. extension which reinforces its position as the leading commercial centre in the Britany region;
- Rambouillet (€9.0 million): opening of a new retail park;
- Saint-Egrève (€3.3 million);
- Vannes (€1.5 million): the restructuring of the Kiabi premises into a retail park converted into six new and innovative midsize stores new to in the region, with a total redeveloped area of 1,500 sq.m. This restructuring extends the commercial offer to 67 stores over more than 6,700 sq.m. GLA.

Furthermore, projects with delivery dates in 2018 received significant investments during the year, in particular developments and extensions in Evreux (a first phase was delivered in 2017, €47.8 million), Saran (€21.3 million), Athis-Mons (€5.4 million) and Besançon Chalezeule (€4.9 million), as well as the redevelopment of Ormesson (€4.4 million).

Finally, Cardety's assets were included in the Group's portfolio following the merger between Cardety and Carmila. The appraisal value of these assets was €142,000 thousand as at 30 June 2017.

In Italy, the I Viali shopping mall and its retail park with some 60 commercial units to the south of Turin was inaugurated on 24 October 2017. I Viali is an authentic all-inclusive place that covers 42,000 sq.m. GLA with a primary catchment area of over 680,000 inhabitants in one of Italy's most attractive areas in terms of economic development.

The Group acquired Carrefour's 49.90% interest in this shopping centre on 25 October and now holds 100% of the centre, with an asset value of around €63 million, including transfer taxes (Note 3.3 "Highlights of the 2017 financial year").

In Spain, after a 2016 witnessing numerous developments and acquisitions, the Group focused on enhancing and optimising the rental value of its assets, which was reflected in a substantial increase in the value of the Spanish assets.

Note 1.2 Disposals

There were no material disposal during the financial year.

Note 1.3 Dividends

On 31 March 2017 the Board of Directors approved an extraordinary dividend paid out from the merger premium for a total amount of €62,731 thousand or €0.20 per share, paid following the Shareholders' Meeting on 4 May 2017. This payment came in addition to the extraordinary dividend paid in November 2016 of €0.20 per share, and totalling €62,731 thousand.

These dividend distributions exceed the distribution requirements under the SIIC regime.

On 27 November 2017 the Shareholders' Meeting approved the payment of an interim 2017 dividend of €0.75 per share. This payment was made on 30 November 2017 in the total amount of €101,560 thousand (excluding treasury shares) paid out from the merger premium.

Note 1.4 Debt and financing

In the context of the merger between Cardety and Carmila, the company refinanced its bank debt to extend the maturity and enlarged the pool of banks. In June 2017, it drew down a term loan in the amount of €770 million and agreed a revolving credit facility of €1.009 million from a pool of banks (Note 6 "Financing and financial instruments").

The average maturity of bank financing has thus been significantly extended.

Furthermore, in light of the merger, Carmila got access to the capital markets, which it took advantage of in July with a public capital increase of €628.6 million before issuance costs.

Note 2 Accounting principles and valuation methods

Note 2.1 Presentation of the Group

The Carmila Group's ("the Group" or "the Carmila Group") purpose is to manage and enhance the value of shopping centres anchored by Carrefour hypermarkets. It operates in France, Spain and Italy.

At 31 December 2017, the Group employed 196 people, including 140 in France, 41 in Spain and 15 in Italy. The Group owns a portfolio of 206 shopping centres, mainly as a result of transactions carried out in 2014. That year, Carmila acquired 126 sites in France, Spain and Italy from the Klépierre Group and 6 shopping malls in France from Unibail-Rodamco. The same year, the Group received a contribution of 47 sites in France and various premises and a holding in Spain from the Carrefour group.

Carmila S.A. ("the Company"), which is the Group's parent company, is a SIIC company (French REIT) under French law. Its registered office is located at 58, avenue Émile-Zola, 92100 Boulogne-Billancourt, France. Carmila S.A.S. was incorporated by Carrefour S.A. on 4 December 2013 for the sole purpose of the operations described above, which took place in 2014.

On 14 February 2018 the Board of Directors approved and authorised the publication of Carmila's consolidated financial statements for the period from 1 January to 31 December 2017. These financial statements will be submitted for approval at the Shareholders' Meeting on 16 May 2018.

Note 2.2 Shareholding, stock-market listing and strategic partnership

Carmila's share capital is divided among long-term shareholders. At 31 December 2017, the largest shareholder is the Carrefour group, which has an equity investment of 35.8% in Carmila's share capital, which it consolidates in its financial statements using the equity method. Carrefour is developing a strategic partnership with Carmila, aimed at revitalising and transforming shopping centres adjoining its hypermarkets in France, Spain and Italy. The other 64.3% of the share capital is mainly owned by long-term investors from major insurance companies or leading financial players. The second-largest reference shareholder is the Colony Group, which holds 10.3% of Carmila's share capital.

Carmila S.A.'s shares have been listed for trading on compartment C of Euronext Paris since 14 June 2017, and since 1 January 2018 on Compartment A of Paris Euronext.

Note 2.3 Accounting standards

IFRS standards applied

The Carmila Group's consolidated financial statements as of 31 December 2017 have been prepared in accordance with the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) as adopted by the European Union at 31 December 2017, comprising the IFRS, the IAS (International Accounting Standards) as well as their interpretations (SIC and IFRIC). All of the texts adopted by the European Union are available on the European Commission website at:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en#individual-rps-acts-adopting-international-accounting-standards-ifrsias-and-related-interpretations-ifric.

At 31 December 2017, the standards and interpretations adopted by the European Union were the same as the applicable standards and interpretations published by the IASB at the closing date.

The European Union adopted the following standards, interpretations and amendments, which are mandatory from 1 January 2017:

- amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses;*
- amendments to IAS 7 – *Disclosure Initiative – Statement of cashflows.*

These standards had no significant impact on Carmila's consolidated financial statements as at 31 December 2017.

In addition, the Group did not opt for early application of the following texts, adopted by the European Union but whose application is only mandatory after 31 December 2017:

- IFRS 9 – *Financial instruments* (mandatory application from 1 January 2018);
- IFRS 15 – *Revenue from Contracts with Customers* (mandatory application from 1 January 2018);
- IFRS 16 – *Leases* (mandatory from 1 January 2019).

Lastly, the standards and interpretations published by the IASB but not yet adopted by the European Union as of 31 December 2017, but likely to apply to the Group are as follows:

- annual IFRS improvements (2014-2016);
- amendment to IAS 28 – *Investments in associates and joint ventures;*
- amendments to IFRS 10 and IAS 28 – *Sales or Contributions of Assets between an Investor and its Associate or Joint Venture*;
- amendment to IFRS 2 – *Classification and Measurement of Share-Based Payment Transactions;*
- amendment to IFRS 7 – *Financial Instruments: Disclosures;*
- amendment to IFRS 9 – *Prepayment Features with Negative Compensation;*
- IFRS 14 – *Regulatory deferral accounts;*
- IFRS 17 – *Insurance contracts.*

Assessment of the impacts of applying the new standards:

The process for determining the potential impacts of IFRS 9, IFRS 15 and IFRS 16 on Carmila's consolidated financial statements is ongoing.

IFRS 9. This new standard defines new principles for classifying and measuring financial instruments, credit risk impairment of financial assets and hedge accounting. The quantitative and qualitative analysis of its application is ongoing.

IFRS 15. The majority of the revenue is comprised of rents. The secondary sources of revenue are marginal. No significant impact is expected.

IFRS 16. As the Group's main activity is as a lessor and there is no significant difference from this point of view between IAS 17 and IFRS 16, no significant impact is expected.

Note 2.4 Principal estimates and judgments by management

Preparation of the consolidated financial statements involves the assessment of estimates and assumptions by Group management. These may affect the book value of certain asset and liability items, income and expenses, as well as information provided in the notes to the financial statements. Group management reviews its estimates and assumptions regularly in order to ensure their relevance in light of past experience and the current economic situation. Depending on changes in these assumptions, items appearing in future financial statements may be different from current estimates.

The main estimates used by management to prepare the financial statements relate to:

- measurement of the fair value of investment property (Note 5 "Investment property"). The Group has its property assets appraised every six months by independent appraisers according to the methods described in Note 5. The appraisers use assumptions for future cash-flows and rates with a direct effect on property values;
- valuation of financial instruments. The Group measures the fair value of the financial instruments that it uses, in accordance with the standard models and practices in on the market and under IFRS 13, as described in Note 6.2.8;
- provisions for risks and other provisions related to operations (Note 7.9 "Non-current provisions");
- the assumptions used to calculate and recognise deferred taxes (Note 9 "Income tax").

Note 2.5 Other presentation principles of the financial statements

Conversion of foreign companies' financial statements

The Group's financial statements are presented in thousand of euros, unless otherwise specified. Rounding differences may generate minor differences between the statements.

An entity's functional currency is the currency used for the majority of its cash flows related to operations. All entities within the Group's scope of consolidation are in the euro zone and use the euro as their functional currency.

Conversion of transactions conducted in foreign currencies

When a Group entity carries out transactions in a currency other than its functional currency, they are initially converted at the rate prevailing on the date of the transaction. At the end of the year, monetary financial assets and liabilities denominated in foreign currencies are translated into euros at the closing rate of the currency concerned, with the foreign exchange difference recorded in profit or loss.

Transactions eliminated from the consolidated financial statements

Items recorded on the balance sheet or the income statement as income or expenses resulting from intra-Group transactions are eliminated when the consolidated financial statements are prepared.

Balance sheet classification

Assets expected to be realised, consumed or transferred as part of the normal operating cycle or in the 12 months following the end of the financial year are classified as "current assets", as are assets held for sale and cash and cash equivalents. All other assets are classified as "non-current assets".

Liabilities that the Group expects to settle as part of the normal operating cycle or in the 12 months following the end of the financial year are classified as "current liabilities".

The Group's normal operating cycle is 12 months.

Deferred taxes are always shown as non-current assets or liabilities.

Income statement classification

The Group uses to present its proportionate share of the equity-accounted companies under Operating income, as their business is part of ongoing Group operations.

Note 3 Consolidation scope and methods

Note 3.1 Consolidation scope and methods

Consolidation methods

Determination of control

The consolidation method is determined in accordance with the control exercised, as defined by IFRS 10 – *Consolidated financial statements.*

Exclusive control: fully consolidated

Subsidiaries are companies controlled by the Group. An investor controls an entity when it exercises power over relevant activities, is exposed or entitled to variable returns by reason of its links to the entity, and has the ability to influence those returns due to the power it holds over the entity. The Group exercises power over an entity when it has the effective rights that confer the actual ability to direct the relevant activities, i.e. those activities that materially affect the entity's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date of effective transfer of control up until such time as that control ceases to exist.

Joint control and significant influence: equity method

Joint control means the contractually-agreed sharing of control over an entity, which exists only where decisions about the relevant activities require the unanimous consent of the parties sharing control. In accordance with IFRS 11 – *Joint Arrangements,* interests in partnerships can be classified as either joint operations or joint ventures.

Joint operations: partners ("joint operators") in a joint operation (JO) have direct rights to the assets and assume direct obligations relating to the liabilities of the partnership. Joint operations entail the recognition by each joint operator of the assets over which it has rights, liabilities for which it has obligations, and income and expenses related to interests in the joint operation. Carmila has no joint operations.

Joint ventures: "joint-venturers" in a joint venture only have rights over the joint venture's net assets. Joint ventures are consolidated using the equity method.

Significant influence is presumed when the percentage of voting rights held is equal to or exceeds 20%. All equity interests, regardless of the percentage held, are subject to an analysis to determine whether the Company exerts significant influence.

The Group's investments in associates and joint ventures are initially recognised at cost, increased or reduced by changes in the percentage of the net assets of the associate after the acquisition. Goodwill related to an associate is included in the book value of the investment.

For companies under joint control and significant influence, the share of income for the period is presented under *"Share of net income of equity-accounted companies"*. On the balance sheet, these equity investments are presented under *"Investments in associates."*

The financial statements for associates are prepared for the same reference period as that of the Group, and adjusted, where appropriate, to ensure compliance with the accounting policies applied by the Group.

Information on investments in associates is presented pursuant to IFRS 12 – *Disclosure of Interests in Other Entities.*

Business combinations/acquisitions of assets

To determine whether a transaction is a business combination, the Group considers, in particular, whether a portfolio of activities is acquired in addition to the real estate assets. Thus, if securities are purchased in a company whose sole purpose is the holding of investment property, and in the absence of any other ancillary services (asset-related contract, personnel, know-how), the acquisition is accounted for as an acquisition of assets in accordance with paragraph 2(b) of IFRS 3 – *Business Combinations.*

The acquisition of 49.9% of Galleria Commerciale Nichelino was treated as a step acquisition (business combination achieved in stages).

Note 3.2 Accounting treatment of the merger between Carmila and Cardety

In accordance with the merger agreement of 4 April 2017 approved by the Shareholders' meeting of 12 June 2017, Carmila S.A. (formerly Cardety S.A.) completed the merger with Carmila S.A.S., entailing the transfer of all the assets of the latter in consideration for the assumption of all its liabilities.

From a legal point of view, Carmila S.A. is the acquiring company and Carmila S.A.S. the acquired company. Shareholders of Carmila S.A.S. received one new Cardety share for every three Carmila S.A.S. shares they held.

However, from an accounting point of view, pursuant to IFRS 3, analysis of the transaction led to the opinion that the transaction can be considered a reverse acquisition: Carmila S.A.S. is the acquiring company (the "Accounting Acquirer") and Carmila S.A. is the acquired company (the "Accounting Acquiree").

As a result, from the date of the merger, Carmila S.A.'s consolidated financial statements have been prepared in the continuity of Carmila S.A.S.'s financial statements; the transaction generated an increase in consolidated shareholders' equity of €105,540 thousand and a badwill, recognised under Other financial income, of €6,528 thousand.

The fair value at the acquisition date of the consideration transferred by the accounting acquirer was determined on the basis of the number of shares which it would have had to issue to the shareholders of the accounting acquiree, such as to give them the same percentage interest in the new entity as that resulting from the merger agreement.

Accordingly, the counterpart transferred was determined on all the shares contributed to the transaction in line with the merger agreement.

FAIR VALUE OF THE TRANSFERRED COUNTERPART

Outstanding number of shares at the date of the signing of the merger agreement	313,654,694
Fully diluted number of shares at the date of the signing of the merger agreement	314,094,571
Percentage of the Cardety participation in the future merged entity	**4.0%***
Theoretical number of shares to be is sued to the benefit of Cardety shareholders	12,950,034
Carmila's share value as determined in the merger *(in euros)*	8.15
FAIR VALUE OF THE TRANSFERRED COUNTERPART BENEFITING CARDETY *(in thousands of euros)*	**105,540**

* See the percentage of interest calculation below:		
Fully diluted number of shares at the date of the signing of the merger		314,094,571
Exchange parity[(1)]		0.333
Equivalent in Cardety shares	(a)	104,698,190
Outstanding number of Cardety shares at the date of the merger	(b)	4,316,678
% OF THE EXISTING CARDETY SHAREHOLDERS' OWNERSHIP IN THE FUTURE MERGED ENTITY	**(b)/[(a)+(b)]**	**4.0%**

(1) The parity incudes forecasted dividend distribution by both Carmila and Cardety that will take place before the effective date of the merger.

The fair value measurement of the counterpart transferred was calculated based on a number of shares reflecting Carmila's bonus share allotments, i.e. 314,094,571 shares.

(in thousands of euros)		
Transferred counterpart	(d)	105,540
Cardety's shareholders equity prior to the merger (and before dis tribution)	(f)	115,724
Scheduled dividend distribution by Cardety	(g)	-8,115
Cardety's net shareholder equity post dividend distribution	(h) = (f) - (g)	107,608*
IMPACT ON THE SHAREHOLDERS EQUITY AS A RESULT OF THE BUSINESS COMBINATION	**(i) = (d) - (h)**	**-2,068**

* See calculation below for the distributed amount:		
Dividend per Cardety share		1.88
Number of Cardety shares outsanding at the date of the merger	(b)	4,316,678
TOTAL AMOUNT OF THE SCHEDULED DIVIDEND DISTRIUTION *(in thousands of euros)*	**(g)**	**8,115**

Cardety's premium	0.20
Number of Carmila shares	313,654,694
AMOUNT OF CARMILA'S DISTRIBUTION *(in thousands of euros)*	**62,731**

The badwill reflects the difference between the value of the counterpart transferred and the amount of the assets and liabilities transferred on the takeover date.

Any additional information about this merger, including the determining of the shares' price, is available in the Document E with the annexes (http://www.carmila.com/content/uploads/2017/09/20170612_Cardety_Carmila_Document_E_with_annexes.pdf).

Total net assets at fair value of Carmila S.A. (former Cardety S.A.) recorded in the consolidated financial statements on the merger date amounts to €112.1 million after dividend payment. Since the merger date, the company has contributed at 100% to rental income an amount of €4,203 thousand. If the acquisition had occurred at the beginning of the financial year, the company's contribution at 100% to rental income would have been €6,893 thousand.

Note 3.3 Highlights of the 2017 financial year

The merger between GIE Géric and its parent company, Financière Géric, which now directly holds the Thionville shopping centre in full and this subsidiary's simultaneous decision to adopt the SIIC regime, took place on 1 January 2017.

On 25 October 2017, Carmila Holding Italia Srl acquired Carrefour Property Italia's 49.90% interest in the I Viali shopping centre to the south of Turin (Galleria Commerciale Nichelino Srl). Following this operation, Carmila now owns 100% of this shopping centre. The company is therefore fully consolidated.

This acquisition was recognised as a step acquisition. The fair value on the acquisition date of the percentage of equity held by the Group in Galleria Commerciale Nichelino immediately before the acquisition totalled €23.2 million.

A sum of -€2,524 thousand was recognised under "gain/(loss) on disposals of investment properties and equity investments" in the statement of other comprehensive income after the fair value revaluation of the percentage of shareholder's equity held by the acquirer before the business combination.

Total net assets at fair value recorded in the consolidated financial statements on the acquisition date total €46.3 million. These €46.3 million include €23.1 million in cash for the additional acquisition of 49.90% of the company shares and €23.2 million for the 50.1% previously held and revalued on the acquisition date.

Since the acquisition date, Galleria Commerciale Nichelino has contributed at 100% to rental income in the amount of €625 thousand and €740 thousand to Net income (Group share, excluding re-evaluation). If the acquisition had occurred at the beginning of the financial year, the company's contribution at 100% to rental income would have been €716 thousand, and €7,232 thousand to Net income (Group share).

Finally, the Group created three new companies within the French scope during the financial year: Carmila Ventures France, and two dedicated vehicles to hold the redeveloped shopping centres at Crèches-sur-Saone and Evreux.

Note 3.4 Description of main partnerships

Note 3.4.1 AS Cancelas

The shares and voting rights in the Spanish company As Cancelas are held equally by Carmila and its partner, Grupo Realia. All resolutions are adopted by a 50.01% majority. Property management, marketing and management of the centre are handled by the Group, with administration provided by Grupo Realia. Carmila considers this to be joint control, and the company is therefore consolidated under the equity method.

Note 3.4.2 Galleria Commerciale Nichelino SRL

Carmila Holding Italia owned all of the share capital of Galleria Commerciale Nichelino until 6 April 2016. At that date, the equity investment of Carmila Holding Italia has decreased to 50.1% and that of Carrefour Property Italia has increased to 49.9%, following the capital increase of 6 April 2016.

Under the Renovation and Development Agreement signed between Carrefour and Carmila, the governance of this company is as follows:

- decisions relating to the shareholders as a group are approved unanimously, particularly those relating to the budget and business plan, investment projects, and company financing;
- the company has two joint managers, who are appointed by Carmila Holding Italia and Carrefour Property Italia respectively;
- the project is financed in equal parts by the two shareholders;
- the development project margin is shared 50-50 by the parties.

Carrefour has granted Carmila a call option on the entire capital and shareholder advances granted to Galleria Commercial Nichelino, for a defined period conditional upon the appraised value of the developed and leased premises. Carmila has granted Carrefour a put option under similar conditions.

The Group considers Galleria Commerciale Nichelino as being jointly controlled with Carrefour Property Italia, and it was therefore historically accounted for under the equity method, at 50%.

Carmila exercised its call option on 25 October 2017 and purchased the 49.90% held by Carrefour Property Italia in Galleria Commerciale Nichelino SRL. As a result, the company is fully consolidated from this date.

Note 4 Segment reporting

Note 4.1 Definition of operating segments and indicators used

The Group's Management Committee has been identified as the "chief operating decision-maker" pursuant to IFRS 8 – *Operating Segments*. The operating segments that have been identified by the Management Committee correspond to the three countries in which the Group operates:

- France;
- Spain;
- Italy.

The Group uses the following indicators to measure the Group's performance and activity:

- gross rental income;
- net rental income per operating segments.

The Group defines recurring operating income as operating income before changes in the fair value of investment properties and adjusted for non-recurring expenses and income, such as:

- gain/(losses) on disposals of investment properties and equity investments;
- any other non-recurring income or expense.

Direct overhead expenses for each segment are recorded as the expenses direct overhead by the segments. Shared overhead expenses that are borne by the France segment are rebilled to the other segments on a prorated basis for the services rendered.

Furthermore, the Management Committee also reviews changes in the fair value of investment properties by segment when this information is available (twice per year).

Over the two financial years presented, no individual lessee represented more than 5% of the Group's rental income.

Note 4.2 Operating income by operating segment

	France		Spain		Italy		Total	
(in thousands of euros)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Gross Rental Income	**212,578**	**201,171**	**68,132**	**55,268**	**20,201**	**19,244**	**300,911**	**275,683**
Real estate expenses	-2,103	-2,139	-1,613	-1,130	-673	-594	-4,389	-3,863
Non-recovered rental charges	-3,260	-4,746	-4,048	-3,516	3	-10	-7,305	-8,272
Property expenses (landlord)	-9,548	-9,384	-2,299	-1,280	-715	-381	-12,562	-11,045
Net rental income	**197,667**	**184,902**	**60,172**	**49,342**	**18,816**	**18,259**	**276,655**	**252,503**
Operating expenses	-35,856	-30,808	-8,665	-7,983	-2,912	-2,356	-47,433	-41,147
Income from management, administration and other activities	*4,736*	*1,492*	*16*	*84*	*38*	*50*	*4,790*	*1,626*
Other income	*4,425*	*8,283*	*1,251*	*748*	*36*	*14*	*5,712*	*9,045*
Payroll expenses	*-19,442*	*-19,328*	*-3,603*	*-2,844*	*-833*	*-425*	*-23,878*	*-22,597*
Other external expenses	*-25,575*	*-21,687*	*-6,329*	*-5,971*	*-2,153*	*-1,995*	*-34,057*	*-29,653*
Other income from operations	-	-	-	-	-	1,948	-	1,948
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	-723	-308	-47	-40	-39	-175	-809	-523
Other recurring operating income and expense	-196	-115	-	-	-3	-	-199	-115
CURRENT OPERATING INCOME	**160,892**	**153,671**	**51,460**	**41,319**	**15,862**	**17,676**	**228,214**	**212,666**
Other non-recurring operating income and expense	-6,961	-584	-	-	-	-	-6,961	-584
Gains (losses) on disposals of investment properties and equity investments	-283	445	4	-4	-2,524	-	-2,803	441
Change in fair value adjustments	127,901	52,578	44,614	94,920	-8,045	10,180	164,470	157,678
Increase of fair value adjustment properties	*160,803*	*125,428*	*49,755*	*98,027*	*1,237*	*12,045*	*211,795*	*235,500*
Decrease of fair value adjustment properties	*-32,902*	*-72,850*	*-5,141*	*-3,107*	*-9,282*	*-1,865*	*-47,325*	*-77,822*
Share of net income in equity accounted companies-non-current	-	-91	4,582	6,180	6,486	5	11,067	6,094
OPERATING INCOME	**281,549**	**206,019**	**100,660**	**142,415**	**11,779**	**27,861**	**393,987**	**376,295**

Note 4.3 Breakdown of investment property by operating segment

The value of investment properties by country is presented separately whether relating to assets at fair value or assets at cost.

(in thousands of euros)	31/12/2017	31/12/2016
Investment properties carried at fair value	**5,356,002**	**4,425,206**
France	3,976,572	3,401,956
Spain	1,031,270	734,960
Italy	348,160	288,290
Investment properties carried at cost	**91,581**	**425,237**
France	84,279	180,215
Spain	3,438	245,022
Italy	3,864	0
TOTAL	**5,447,583**	**4,850,443**

At 31 December 2017, regarding value of assets, 74.5% of the Group's investment properties were located in France, 19.0% in Spain and 6.5% in Italy.

Note 4.4 Breakdown of capital expenditures by operating segment

Investments in investment properties by country are disclosed separately for acquisitions, developments and extensions, or investments in the portfolio on a like-for-like basis.

	France		Spain		Italy		Total	
(in thousands of euros)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Acquisitions	147,251	76,908	875	243,337	64,736	4,725	212,862	324,970
Development and extensions	167,581	69,576	0	0	2,179	568	169,760	70,144
Like-for-like investments	54,538	28,907	9,249	13,258	3,609	4,940	67,396	47,105
TOTAL CAPITAL EXPENDITURES	**369,370**	**175,391**	**10,124**	**256,595**	**70,524**	**10,233**	**450,018**	**442,219**

The ***acquisitions*** line item includes the entry in the scope of consolidation of the 16 of Cardety's assets, all located in France, in the amount of €132,821 thousand, following the reverse acquisition between Cardety S.A. and Carmila S.A.S. This line item also includes the change in the scope of consolidation relating to Galleria Commerciale Nichelino, following the Group's takeover of this asset through the purchase of the 49.90% held by the Carrefour group. As the company was previously an equity-accounted company, this asset entered the consolidated financial statements directly at 100% on 31 December 2017, for €62,064 thousand. The balance of this line item includes the acquisition of various units which are individually not material, mainly in France, for a total amount of €16,830 thousand.

The ***development and extensions*** line item mainly concerns assets in France. These developments and extensions notably relate to:

- projects delivered in 2017 such as Pau Lescar (November 2017, investment of €25,662 thousand over the year), Crèche-sur-Saône (November 2017, €18,363 thousand), BAB2 in Anglet (April 2017, €13,378 thousand), Saint-Brieuc (October 2017, €9,229 thousand), Rambouillet (€9,020 thousand) and Saint-Egrève (€3,077 thousand);
- projects under construction such as Evreux (€46,412 thousand), Saran (€18,263 thousand), Besançon Chalezeule (€4,690 thousand) and Athis Mons (€2,710 thousand), which will be delivered in 2018.

Finally, ***capital expenditure on a like-for-like basis*** represents less than 15% of the capital expenditure for the period. This capital expenditure is mainly focused on assets being redeveloped where renovation and modernisation works have been carried out on existing parts in order to optimise value creation. This is notably the case of Saran, BAB2, Pau Lescar, Saint Brieuc, Evreux and Athis-Mons.

Total capital expenditure is reconciled with the "*acquisitions of investment properties*" line in the consolidated cash-flow statement (Note 7.1.3) as follows:

Investment by operating segments	**4.4**	**450,018**
Adjustments for non cash investments		**-170,834**
Acquisitions – Entry of Cardety assets	*4.4*	*-132,821*
Acquisitions – Nichelino Changes in scope of consolidation		*-38,013*
TOTAL CASH INVESTMENTS	**7.1.3**	**279,184**

Note 5 Investment property

Accounting policies

Method adopted: fair value

An investment property is a property that is held for the purpose of earning rental income or for capital appreciation, or both. The Group views shopping centres as investment properties. In accordance with the method proposed by IAS 40 and the recommendations of EPRA (European Public Real Estate Association), investment properties are recognised and valued individually at cost and then subsequently at fair value.

The difference between the fair value of an investment property on the closing date and its book value before its fair value adjustment on this date is recorded in the income statement as a gain or loss.

The fair value excludes transfer taxes and costs (taxes are assessed on the basis of a direct disposal of the asset even though these costs may sometimes be reduced due to a disposal schedule for shares in the company holding the asset in question).

Under IFRS 13, fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an arm's-length transaction between market operators on the valuation date.

Cost of investment property – general

The acquisition costs of an investment property are capitalised with the value of the investment property.

During the life of the property, expenses such as building works, financial interests, marketing costs and other internal project development costs are also capitalised.

Early termination paid to the lessee upon termination of a lease still in force is recognised as follows:

- restructuring of a site: if compensation is paid as part of a property renovation programme, the compensation is included in the cost price of the work performed;
- replacement of a lessee: if compensation is paid to enable earning a higher level of rent than that of the previous lessee and thus to increase the asset's value, this expense is included in the cost of the asset. Otherwise, it is booked as an expense.

Cost of investment property – under construction

The capitalised expenditure for investment properties under construction (including extensions) includes the cost of works, the cost of loans directly attributable to the acquisition, the construction or production of the asset, when this is a prerequisite to using this asset, as well as the costs related to marketing it for the first time.

Capitalised borrowing costs are determined by applying the Group's weighted average cost of borrowing to the average outstanding amount of construction work done, or, where applicable, based on the borrowing costs paid for specific borrowings. Capitalisation of interest ceases when the asset under construction is commissioned.

Investment properties under construction may be appraised at fair value. If the fair value cannot be reliably determined, these projects will continue to be valued at cost, until their fair value can be reliably determined. As with the other fair-value assets, they are valued at market value by an independent appraiser.

The Group believes that a development project's fair value can be reliably determined if the following three conditions are all met:

- all necessary administrative authorisations required for the development have been obtained;
- the construction contract has been signed and the works have begun;
- and there is no longer any uncertainty regarding the amount of future rents.

The project margin is then recognised on the "*Investment properties carried at fair value*" line.

Appraisal method

Fair value is calculated using the valuation rules of IFRS 13; given the complexity of property asset valuation and the nature of certain inputs that are publicly unobservable (pace of rental growth, capitalisation rate), the fair values have been categorised in Level 3 in accordance with the fair value hierarchy, established under the standard based on the type of inputs used for valuation.

The fair values used are determined on the basis of the conclusions of independent experts. Carmila uses appraisers to value its assets at the end of every half-year. The assets are inspected during these appraisals. The expert valuations comply with the guidance contained in the RICS Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors ("Red Book"). In order to conduct their work, the appraisers have access to all the information required for valuation of the assets, and specifically the rent roll, the vacancy rate, rental arrangements and the main performance indicators for tenants (revenues).

They independently establish their current and future cash flow estimates by applying risk factors either to the net income capitalisation rate or to future cash flows.

On the basis of the data provided, two methods are used to value assets:

Net-income capitalisation method

This method consists in applying a yield to the total triple-net revenue for occupied premises and capitalising the net market rent for vacant premises.

For rented units, the total triple-net revenue is determined on the basis of the rents indicated in the rental base, less any non-recoverable charges. For vacant premises, a market rent is used that takes into account an appropriate vacancy period.

The yield used is that found in the property market for a comparable property, and, in particular, reflects the sale area as well as such specific factors as location, access, visibility, retail competition, form of mall ownership (full ownership, joint ownership, etc.), rental and expansion potential, and recent transactions involving the same type of asset.

From the value thus obtained, all net present values of step rents, all charges on vacant premises, and other non-recurring costs or works are deducted.

Discounted cash-flow method

With this method, a property's discounted value is equal to the total future net revenue available over a given time-frame (generally 10 years). The net revenue available for each year is calculated in the same way as the net revenue defined in the capitalisation method, to which are added non-recurring expenses (works, rent changes, and other) indexed over time. A resale value is calculated for the property, based on the last indexed rent as of the resale date, less any related expenses, to which a yield is applied.

The discount rate used is a risk-free rate (the OAT TEC 10-year rate), increased by property market risk and liquidity premiums as well as asset-specific premiums (based on the nature of the property, rental risk, obsolescence premium).

The appraisers appointed by Carmila are as follows:

- Cushman & Wakefield, for all three countries;
- Catella, for the French and Spanish assets;
- CBRE and JLL for ex-Cardety assets.

They use one or more of the above methods. Cushman & Wakefield primarily uses the discounted cash-flow method, while Catella systematically uses an average of the two methods.

The difference between the fair value thus determined at the reporting date and the fair value at the start of the year plus works and expenses capitalised for the year is recorded in profit or loss.

Property under construction valued at cost is subject to impairment testing, determined by comparison with the project's estimated fair value. The project's fair value is measured internally by the Development teams, on the basis of an exit capitalisation rate and the expected net rents at the end of the project. If the fair value is less than the book value, a write-down takes place.

The investment properties valued at cost are tested for impairment at 30 June and 31 December of each year, as soon as there is an indication of loss of value. When such an indication appears, the new recoverable value is compared to its book value and an impairment is recognised.

Investment property is assessed by independent experts at 30 June and 31 December each year.

Lease agreements

When signing long-term lease agreements notably involving property assets, the Group analyses contractual provisions to determine whether the agreement is an operating lease or a finance lease, i.e. an agreement that effectively transfers to the lessee virtually all of the inherent risks and benefits of the property's ownership. When a property complex is leased, the land and building are analysed separately.

For assets made available to the Group through a finance lease agreement, future minimum lease payments are discounted. An asset is recognised whilst a counterpart of the same amount is recorded as a financial liability. Assets are depreciated over the same period as property, plant and equipment that the Group owns or over the term of the lease where this is shorter than the useful life of the properties. Lease payments are allocated between financial expenses and amortisation of the balance of the debt.

Investment properties held for sale

Assets under a promise to sell, a mandate for sale or whose disinvestment has been approved by the Investment Committee are presented, in accordance with the provisions of IFRS 5 – *Non-current assets held for sale and discontinued operations*, on a separate line in the statement of financial position at their last appraised value. The capital gain or loss on the disposal of the investment property, which is the difference between the net sale proceeds and the book value of the asset, is recorded in the income statement.

Income on disposal

Finally, disposal gains are determined by the difference between the proceeds from the sale and the book value of the property asset at the start of the period adjusted for investment expenditure over the period and any deferred taxes recognised on the historic unrealised gain recorded for this asset.

Note 5.1 Details of investment properties carried at fair value and at cost

(in thousands of euros)	
Investment properties carried at fair value – 31/12/2015	**4,022,165**
Acquisitions	155,251
Investments	71,020
Capitalised interest	1,209
Disposals and removals from scope of consolidation	-870
Other movements and reclassifications	18,753
Change in fair value	157,678
Investment properties carried at fair value – 31/12/2016	**4,425,206**
Acquisitions	13,097
Change in scope of consolidation	190,209
Investments	160,817
Capitalised interest	1,828
Disposals and removals from scope of consolidation	-37
Other movements and reclassifications	400,412
Change in fair value	164,470
Investment properties carried at fair value – 31/12/2017	**5,356,002**

(in thousands of euros)	
Investment properties carried at cost – 31/12/2015	**205,518**
Acquisitions	169,719
Investments	90,955
Capitalised interest	0
Disposals and removals from scope of consolidation	0
Other movements and reclassifications	-40,955
Change in fair value	0
Investment properties carried at cost – 31/12/2016	**425,237**
Acquisitions	3,677
Change in scope of consolidation	5,879
Investments	73,279
Capitalised interest	1,232
Disposals and removals from scope of consolidation	-196
Other movements and reclassifications	-417,527
Change in fair value	0
Investment properties carried at cost – 31/12/2017	**91,581**

The line *"acquisitions"* takes into account various units acquired that individually are not material.

The entry in the scope of consolidation line includes the first-time consolidation of the Cardety assets following the merger between Cardety S.A. and Carmila S.A.S., and I Viali in Nichelino (Italy) at 100%, following the full consolidation of the Galleria Commerciale Nichelino SRL, which holds this asset.

The *"Capital expenditure"* line includes the main capital expenditure described in part 1.1. "Investments".

The *"Other movements and reclassifications"* line shows the balance, net of commissioning during the period, of the transition of assets measured at cost at 31 December 2016 and measured at current fair value and properties reclassified as assets held for sale.

Finally, the *"Change in fair value"* line records gains or losses on the value of assets using appraisals by independent experts.

At 31 December 2017, no impairment indications had been identified for investment properties valued at cost.

Investments by country and the above data are reconciled as follows:

(in thousands of euros)	Note	31/12/2017
Investment properties carried at fair value – Acquisitions		13,097
Investment properties carried at fair value – Entry in the scope of consolidation		190,209
Investment properties carried at cost – Acquisitions		3,677
Investment properties carried at cost – Entry in the scope of consolidation		5,879
TOTAL ACQUISITIONS AND ENTRY IN SCOPE OF CONSOLIDATION		**212,862**
TOTAL ACQUISITIONS – INVESTMENTS BY COUNTRY	**4.4**	**212,862**

(in thousands of euros)	Note	31/12/2017
Investment properties valued at fair value – Investments		160,817
Investment properties valued at fair value – Capitalised interest		1,828
Investment properties valued at cost – Investments		73,279
Investment properties valued at cost – Capitalised interest		1,232
TOTAL ACQUISITIONS AND ENTRY IN SCOPE OF CONSOLIDATIONS		**237,156**
Development and extensions	4.4	169,760
Like for like investments	4.4	67,396
TOTAL ACQUISITIONS – DEVELOPMENTS AND EXTENSIONS AND LIKE FOR LIKE PORTFOLIO		**237,156**

Note 5.2 Valuation assumptions and sensitivity

Given the limited public data available, the complexity of real estate appraisals and the fact that real estate appraisers use the Group's confidential rental statements for their valuations, Carmila believes that a Level 3 fair value classification of its assets is the most appropriate. In addition, non-publicly observable data, such as rent growth rate assumptions or capitalisation rates, are used by experts to determine the fair values of Carmila's investment property.

At 31 December 2017, 98% of the Group's net asset value had been subject to an independent appraisal.

The balances of rental charge deferrals and front-end fees spread over the fixed term of the leases amounted to €3,800 thousand. The appraisal value of the assets in the balance sheet are adjusted by these amounts.

The table below presents the quantitative information used to determine the fair value of investment properties:

31/12/2017 – weighted average	Yield	Rent in € per sq.m[(1)]	Discount rate[(2)]	Capitalisation rate[(3)]	TCAM of NRI[(4)]
France	5.2%	278	5.9%	5.5%	1.4%
Spain	6.2%	215	8.3%	6.3%	1.7%
Italy	6.2%	287	7.5%	6.2%	1.8%

(1) The rent is an annual average rent equal to (guaranteed minimum rent + variable rent) per asset and per sq.m. occupied.
(2) The discount rate is used to calculate the discounted value of future cash flows under the DCF method (exit yield)
(3) The rate used to capitalise revenues in the exit year in order to calculate the exit value of the asset.
(4) The average annual 10-year NRI growth rate used by the expert.

The table below summarises the impact of the change in the in fair value of investment properties in the income statement, by country:

	France		Spain		Italy		Total	
(in thousands of euros)	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Change in fair value adjustments	127,901	52,578	44,614	94,920	-8,045	10,180	164,470	157,678
Increase of fair value adjustment properties	*160,803*	*125,428*	*49,755*	*98,027*	*1,237*	*12,045*	*211,795*	*235,500*
Decrease of fair value adjustment properties	*-32,902*	*-72,850*	*-5,141*	*-3,107*	*-9,282*	*-1,865*	*-47,325*	*-77,822*

Based on the asset fair value, excluding transfer taxes and related costs, the average yield on assets is 5.7% at 31 December 2017.

All else being equal, a 25 basis-point increase in yields would result in a decrease of the total portfolio, including transfer taxes and duties (excluding assets under development or equity-accounted and excluding the effect of changes in rents equal to the decrease in yield) of €233 million (or 4.2%).

Note 5.3 Investment properties held for sale

(in thousands of euros)	
Investment properties held for sale – net value on 31/12/2016	**0**
Investments	0
Disposals and removals from scope of consolidation	0
Other movements and reclassifications	500
Change in fair value	0
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE ON 31/12/2017	**500**

At 31 December 2017, investment properties held for sale is a standalone commercial property located in France.

Note 6 Financing and financial instruments

Accounting policies

Loans and other financial liabilities are valued as amortised cost, calculated at the effective interest rate.

Redemption premiums on bond loans and issuance costs are recorded as a deduction from the nominal amount of the borrowings concerned and are accounted for as amortised cost, thereby increasing the nominal interest rate.

The Carmila Group has introduced a debt hedging policy that aims to secure the cash flows related to its financing requirements represented by debt in euros. IAS 39 "Financial Instruments: Recognition and Measurement" defines three types of hedging relationships:

- fair value hedging: a hedge of exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such an asset, liability or firm commitment), which is attributable to a specific risk and could affect earnings;
- cash flow hedging: a hedge against exposure to changes in cash flow that (i) are attributable to a specific risk associated with a recognised asset or liability (such as all or a part of future interest payments on floating-rate debt) or a highly probable forecasted transaction, and ii) could affect earnings;
- hedging of a net investment in a foreign operation, as defined in IAS 21 "The Effects of Changes in Foreign Exchange Rates".

In Carmila's case, all interest-rate derivatives in the portfolio are documented as cash flow hedges.

The use of cash flow hedge accounting has the following consequences: at the reporting date, interest-rate swaps are recognised at fair value on the statement of financial position, with the effective portion of the change in fair value being recognised directly in Other Comprehensive Income (OCI), and the ineffective portion in earnings.

Carmila uses the dollar offset method for testing hedge effectiveness. This test involves comparing changes in the fair value of the derivative with changes in the fair value of the hypothetical derivative that would perfectly match the risk hedged at inception and at each balance-sheet date, by applying a uniform shock to the benchmark rate curve (250 bps) for the prospective test and at each balance-sheet date for the retrospective test.

Pursuant to IAS 39.74, only the intrinsic-value component of the caps is documented for future cash-flow hedges. Changes in time value are recognised directly in other financial income and expenses.

Method for determining the fair value of financial instruments

The market values of interest rate instruments are determined based on market-recognised valuation models or by using prices from third-party financial institutions.

The values estimated by valuation models are based on the discounting of expected future cash-flows for future contracts and on the Black-Scholes models for options. These models use parameters based on market data (yield curves and exchange rates) obtained from recognised financial-data providers.

The assessment of fair value for derivative financial instruments includes a "counterparty risk" component for derivatives held as assets and an "self credit risk" component for derivatives held as liabilities. Counterparty risk is calculated using the "expected-loss" method, which takes default risk exposure into account as well as the likelihood of default and the loss rate in the event of default. The probability of default is determined based on available market data for each counterparty (so-called "implied CDS *default probability*").

The fair value of long-term debt is estimated according to the market value of bonds or of all future flows discounted in accordance with market conditions for a similar instrument (in terms of currency, maturity, interest type and other factors).

Note 6.1 Financial income/(expense)

Note 6.1.1 Cost of net indebtedness

(in thousands of euros)	31/12/2017	31/12/2016
Financial income	**927**	**615**
Interest on Group current-account	239	466
Financial income on cash equivalents	699	128
Other financial income	-11	21
Financial expenses	**-49,609**	**-49,877**
Interest expense on financial debt	-28,500	-27,709
Interest on borrowings from lending institutions	-7,128	-10,045
Amortisation of costs, loan redemption premiums and deferred swaps reversal costs	-7,904	-5,596
Interest expense on swaps	-6,077	-6,305
Interest on Group current-account	0	-221
Other financial expenses	0	-1
COST OF NET INDEBTEDNESS	**-48,681**	**-49,262**

The net cost of debt for 2017 breaks down as follows:

- interests on bank loans amount to -€7,128 thousand, after deducting capitalised borrowing costs on the extension projects (€909 thousand). The reduction in this item is directly related to the repayment of the Kart II loan and the refinancing operation in June 2017;
- interest on bonds was -€28,500 thousand, compared to €27,709 thousand in 2016;
- an amortisation expense for bond redemption premiums and issuance costs of 7,904 thousand, including deferred swaps reversal costs (-€3,004 thousand), the accelerated amortisation of the Kart II loan costs (-€561 thousand) repaid early and refinancing costs, compared to €5,596 thousand in 2016;
- the net cost of hedging derivatives was -€6,077 thousand, compared with €6,305 thousand in 2016.

Note 6.1.2 Other financial income and expenses

(in thousands of euros)	31/12/2017	31/12/2016
Other financial income	**6,747**	**-47**
Financial income from investments	0	-474
Change in value of financial instruments	219	426
Other financial income	6,528	1
Other financial expenses	**-3,390**	**-2,958**
Change in value of financial instruments	-224	0
Commitment fees undrawn credit lines	-3,166	-2,901
Other financial expenses	0	-57
OTHER FINANCIAL INCOME AND EXPENSES	**3,357**	**-3,005**

Other financial income includes a badwill amounting to €6,528 thousand as a result of the merger of Carmila and Cardety. This reflects the difference between the value of the counterpart transferred and the amount of assets and liabilities transferred on the takeover date. (Note 3.2 "Accounting treatment of the merger between Carmila and Cardety").

Other financial expenses mainly comprise commitment fees on undrawn credit lines in the amount of €3,166 thousand.

Changes in fair value of hedging instruments (ineffective portion and change in Cap values over time) and of counterparty credit risk had virtually no impact during the year.

Note 6.2 Current and non-current financial liabilities

Standard & Poor's reaffirmed the rating of Carmila, the merged entity, on 13 June 2017. Its long-term rating is BBB, with a stable outlook, and its short-term rating A-2.

Note 6.2.1 Change in indebtedness

(in thousands of euros)	31/12/2016	Entry in scope of consolidation	Issuance	Repayment	Reclassification	Fair value adjustment	31/12/2017
Non-current financial liabilities	**2,050,971**	**11,492**	**9,179**	**-95,506**	**-359**	**-9,773**	**1,966,003**
Bonds	1,200,000	-	-	-	-	-	1,200,000
Bond issuance premiums	-12,355	-	-	1,587	-	-	-10,768
Borrowings from lending institutions	851,481	12,100	16,173	-104,365	-	-	775,389
Loan and bond issuance fees	-9,103	-608	-6,994	4,037	-	-	-12,668
Derivative instruments – liabilities	20,948	-	-	3,235	-359	-9,773	14,051
Current financial liabilities	**167,469**	**329**	**23,699**	**-82,398**	**-**	**-**	**109,099**
Borrowings from lending institutions	0	-	-	-	-	-	0
Accrued interest on loans	9,344	22	-	-398	-	-	8,968
Other loans and related debt-current(1)	142,000	-	-	-82,000	-	-	60,000
Derivative instruments – liabilities	2	-	-	-	-	-	2
Bank facilities	16,123	307	23,699	-	-	-	40,129
GROSS DEBT	**2,218,440**	**11,821**	**32,878**	**-177,904**	**-359**	**-9,773**	**2,075,103**

(1) Other loans and related debts comprise a commercial paper program. They were drawn up to €310,000 thousand during the fiscal year and then partly repaid with a closing balance of €60,000 thousand.

Note 6.2.2 Group's principal indebtedness

(in millions of euros)	Borrower	Currency of issue	Interest rate	Final maturity date	Repayment profile	Maximum amount	Amount drawn at 31/12/2017
Bonds						**1,200,000**	**1,200,000**
	Carmila S.A.	EUR	2.375%	09/23	Bullet	600,000	600,000
	Carmila S.A.	EUR	2.375%	09/24	Bullet	600,000	600,000
Bank loans						**770,000**	**770,000**
	Carmila S.A.	EUR	3M Euribor	06/22	Bullet	770,000	770,000
Treasury bills						**600,000**	**60,000**
	Carmila S.A.	EUR				600,000	60,000
Other financing – mortgages						**5,389**	**5,389**
	Financière Géric	EUR	2.65%	12/19	Amortised	2,080	2,080
	Financière Géric	EUR	3M Euribor	03/20	Amortised	1,954	1,954
	Financière Géric	EUR	2.70%	12/20	Amortised	1,355	1,355
TOTAL						**2,575,389**	**2,035,389**

Note 6.2.3 Bonds

Carmila issued two bonds, in 2015 and 2016, for a total amount of €1,200,000 thousand.

As a reminder, Carmila issued a bond on 10 September 2015 (notional amount of €600,000 thousand) for a net amount received on 18 September 2015 of €593,034 thousand after deduction of the redemption premium and bank commissions. The eight-year bond matures on 18 September 2023, and has a coupon of 2.375%.

Carmila issued a second bond for a notional value of €600,000 thousand, dated 24 March 2016. After deducting the redemption premium and bank commissions, Carmila received €592,998 thousand. This bond has a maturity of eight and a half years, maturing on 16 September 2024, and bears a coupon of 2.375%.

In connection with the merger with Cardety, Carmila secured approval from a qualified majority of bondholders for both bonds, convened to a first notice meeting on 24 May 2017, to transfer these financial liabilities to Cardety. This agreement gave rise to payment of a fee of €650 thousand to the bondholders.

At 31 December 2017, the outstanding amount of Carmila's bonds was €1,200,000 thousand, and €13,408 thousand in redemption premium and bank commissions remaining to be amortised over the duration of the underlying debts.

Note 6.2.4 Borrowings from banks

Carmila renegotiated its bank loans in June 2017, at the same time as the merger with Cardety.

On 12 June 2017, the full amount of Cardety's syndicated loan agreement, arranged on 18 July 2016 for €12,100 thousand, was repaid.

As a reminder, on 15 December 2013, Carmila and a pool of banks signed a loan agreement for a total of €1,400,000 thousand, including €1,050,000 thousand for Facility A, used to partially fund the acquisition of property assets from the Klépierre Group, and a five-year revolving line of credit facility of €350,000 thousand. Facility A was fully drawn down in 2014. A rider to this agreement was signed on 30 July 2015, extending the maturity to 30 July 2020, with the option of two further one-year extensions. The first extension, requested in 2016, extended the maturity date to 30 July 2021.

A second amendment was signed to this syndicated loan agreement on 16 June 2017. The drawdown amount was adjusted to €770,000 thousand and the unused revolving credit facility was cancelled. The maturity date of this loan agreement was extended by five years to 16 June 2022.

On 17 September 2014, Carmila and a banking syndicate entered into a second loan agreement to partially finance the acquisition of assets Unibail and Carrefour in the autumn of 2014, with a Facility A line of €496,000 thousand and a revolving facility credit of €124,000 thousand. The Facility A line was drawn down in full on 27 November 2014. This loan agreement was signed for five years, maturing on 17 September 2019. During 2016, following the placement of the second bond, the Group made a partial repayment of the drawndown Facility A of €406,000 thousand. On 31 May 2016, Carmila negotiated an increase in the unused revolving credit facility, signed under the same loan agreement, bringing it from €124,000 thousand to €396,500 thousand.

On 16 June 2017 the Group repaid the balance of €90,000 thousand of this syndicated loan and cancelled the related unused revolving credit facility.

The arrangement costs of this loan restructuring and new agreements, including the new revolving credit lines described in the paragraph below, totalled €7,165 thousand for the period. A financial expense for early repayment was recognised in the amount of €1,262 thousand.

At 31 December, 2017, €10,030 thousand of issuance costs for these loans remain to be amortised over the period of the underlying debts.

Note 6.2.5 Compliance with loan covenants at 31 December 2017

This loan agreement and those of the unused credit facility are subject to compliance with covenants measured at the closing date of each half-year and year:

- interest cover: the ratio of EBITDA to the net cost of debt must be greater than 2.00x at the test dates. This ratio totalled 4.7x at 31 December 2017;
- loan-to-value ratio: the ratio of consolidated net financial debt to the fair value of the investment assets (including transfer costs) must not exceed 55% on the same dates. with the possibility of exceeding this ratio for a half-year period. This ratio totalled 30.1% at 31 December 2017.

Failure to comply with these ratios entitles the lenders to require immediate early repayment of their facilities.

Under the loan agreements, Carmila may provide collateral for up to 20% of the total amount of the fair value of the investment property. The latter amount must be at least €2,500,000 thousand at all times.

At 31 December 2017, the Group complied with the applicable covenants.

Note 6.2.6 Other loans

In 2015, Carmila acquired Financière Géric. This company had taken out three amortisable bank loans for a residual total amount of €5,389 thousand at 31 December 2017, maturing in December 2019 and 2020. These three loans were repaid in the amount of €2,826 thousand during the year. These loans are also accompanied by mortgages up to the outstanding amount, which can be exercised on the assets of the Thionville shopping centre.

Carmila strives to diversify its sources of financing and their maturities, and has set up a short-term commercial papers programme (NEU CP) for a maximum amount of €600,000 thousand, registered with the Banque de France on 29 June 2017.

The outstanding balance of this program at the end of December is €60,000 thousand with maturities ranging from 1 to 5 months. Up to €310,000 thousand was issued during the year, but then redeemed with the funds from the capital increase. As part of its refinancing, Carmila negotiated new credit lines with leading banks within the framework of the loan agreements signed on 16 June 2017:

- a loan agreement amounting to €759,000 thousand in the form of an undrawn revolving credit facility (the "RCF") maturing on 16 September 2022;
- a similar credit facility agreement for €250,000 thousand in the form of a club deal ("CD") with a limited number of top-tier banking partners close to the Group, maturing on 16 September 2020.

Note 6.2.7 Breakdown of financial debt by maturity

At 31 December 2017, financial debt maturity breaks down as follows:

(in thousands of euros)	31/12/2017	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds – non-current	1,200,000	-	-	-	-	1,200,000
Bond redemption premiums – non-current	-10,768	-1,627	-1,668	-1,715	-1,754	-4,003
Bonds	**1,189,232**	**-1,627**	**-1,668**	**-1,715**	**-1,754**	**1,195,997**
Borrowings from bank – non-current	775,389	-	-	-	-	775,389
Accrued interest on current loans	8,968	8,968	-	-	-	-
Other loans and related debt – current	60,000	60,000	-	-	-	-
Loan and bond issuance costs	-12,668	-2,712	-2,750	-2,672	-2,599	-1,934
BANK AND BOND BORROWINGS	**2,020,921**	**64,629**	**-4,419**	**-4,388**	**-4,353**	**1,969,451**
Derivative instruments – liabilities	14,053	6,180	5,826	3,610	1,912	-3,475
Bank facilities	40,129	40,129	-	-	-	-
GROSS DEBT BY MATURITY DATE	**2,075,103**	**110,938**	**1,407**	**-778**	**-2,441**	**1,965,976**

2017: The main contractual flows including principal and interest (non discounted) per maturity date are as follows:

Year of repayment *(in millions of euros)*	2018	2019	2020	2021	2022	2023	Total
Principal	62,322	2,381	686		770,000	1,200,000	2,035,389
Interest	39,710	41,738	44,078	46,038	47,346	47,802	266,712
GROUP TOTAL (PRINCIPAL + INTEREST)	**102,032**	**44,119**	**44,764**	**46,038**	**817,346**	**1,247,802**	**2,302,101**

2016: The main contractual flows including principal and interest (non discounted) per maturity date are as follows:

Year of repayment *(in millions of euros)*	2017	2018	2019	2020	2021	2022+	Total
Principal	143,164	2,322	92,381	686	753,827	1,200,000	2,192,380
Interest	39,685	39,677	40,715	42,347	38,638	28,500	229,562
GROUP TOTAL (PRINCIPAL + INTEREST)	**182,849**	**41,999**	**133,096**	**43,033**	**792,465**	**1,228,500**	**2,421,942**

Note 6.2.8 Hedging transactions

As the parent company, Carmila provides for almost all of the Group's financing and manages interest-rate risk centrally.

The Group distinguishes three categories of financial instruments using the various valuation methods and uses this classification, in compliance with international accounting standards, to present the characteristics of the financial instruments recognised in the balance sheet at fair value on the closing date:

- level 1: Financial instruments quoted on an active market;
- level 2: Financial instruments whose fair value measurement uses techniques based on observable market parameters;
- level 3: Financial instruments whose fair value measurement uses techniques based on non-observable parameters (parameters whose value results from assumptions that are not based on observable transaction prices on markets for the same instrument or on observable market data available on the closing date) or only partially observable parameters.

(in thousands of euros)	Fair value level	Fair value in profit and loss	Fair value in OCI	Loans and receivables	Liabilities at amortised cost	Value in balance sheet 31/12/2017
ASSETS						**1,029,616**
Financial assets available for sale	Level 3	500,000				500,000
Liquidity agreement	Level 1			2,516		2,516
Security deposits				10,401		10,401
Trade receivables				107,919		107,919
Other current receivables				57,237		57,237
Other current financial receivables				22,147		22,147
Cash and cash equivalents	Level 1	329,396				329,396
LIABILITIES						**1,965,910**
Bonds					1,189,232	1,189,232
Bank loans					762,268	762,268
Financial derivatives liabilities	Level 2		6,538		14,410	14,410

For assets other than financial assets: the book values used are the reasonable estimates of their market value.

The fair value of derivative financial instruments is determined using standard valuation methods using the market conditions on the closing date.

The valuation of investment securities is based on the last known price.

Carmila has implemented a policy of hedging its variable rate debt in order to secure future cash flows by fixing or capping the interest rate paid. This policy involves setting up plain vanilla derivatives, interest rate swaps and options that are eligible for hedging accounting.

The fixed interest rate position represented 79% of gross debt at 31 December 2017 (compared with 73% at end-2016), and hedging instruments represented 49% of variable-rate debt on the same date.

At 31 December 2017, the Group had contracted with leading banking partners:

- eight fixed-rate payer swaps against three month Euribor for a notional value of €410,000 thousand covering a period of up to, for the longest ones, September 2025;
- two deferred fixed-rate swaps against three month Euribor for a notional value of €150,000 thousand covering a period up to, for the longest of them, November 2027, and which begin to take effect in 2018.

These hedging instruments, still effective, were recognised as cash flow hedges for the 2017 financial year. The consequence of this cash flow hedge accounting is that derivative instruments are recognised on the closing balance sheet at their market value, with the change in fair value on the effective part of the hedge recognised in shareholders' equity OCI and the ineffective part in profit and loss under "other financial income and expenses". The change in fair value of the swaps at 31 December 2017 is considered to be 100% effective and therefore accounted through shareholders' equity for €14,407 thousand. The OCI impact of €10,923 thousand therefore includes €7,919 thousand of change in fair value for swaps and €3,004 thousand of recycling of OCI to profit and loss swap reversal cost.

During Q4 2017, the Group disqualified the caps it held in its portfolio options, which were previously recognised as hedges, represented by four caps options against three month Euribor, capping the interest paid for a notional amount of €300,000 thousand, with the longest running until December 2019. These options, whose maturity is now relatively close, are all out of the money with a low fair value. This de-qualification resulted in an adjustment of the market value at 31 December 2017, which was recognised through profit and loss for €303 thousand.

(in thousands of euros)	31/12/2017	31/12/2016
FINANCIAL INSTRUMENTS LIABILITIES		
Interest rate derivative liabilities – fair value in profit and loss	-704	-1,007
Interest rate derivative liabilities – CFH	14,407	22,081

The sensitivity of derivative instruments to an interest rate change of +/-0.50% is as follows:

	Drop in interest rates of 0.5%		Rise in interest rates of 0.50%	
Profit (loss) *(in thousands of euros)*	Change in equity	Change in profit and loss	Change in equity	Change in profit and loss
Swap as CFH	-16,807		16,105	
Options as trading		1		62

Note 6.3 Management of financial risks and hedging policy

Note 6.3.1 Credit risk

Credit risk is the risk of financial loss for the Group in the event that a client or debtor fails to meet its contractual obligations. This risk mainly derives from trade receivables, financial investments made in order to place invest surplus funds and hedging agreements with financial institutions as counterparties.

In France as well as in Spain and Italy, trade receivables relate to tenants; none represents a significant percentage of the related revenue. In addition, upon signing the lease agreement, tenants pay security deposits or supply bank guarantees that, on average, represent three months of rent. Moreover, the Group strives to implement procedures for verifying the financial soundness of its clients, monitoring collection and systematically following up on unpaid receivables.

Cash investments are restricted to high-quality instruments; speculative or risky investments are excluded.

Hedging agreements are intended to hedge interest-rate risk and are reserved for non-speculative hedging transactions. The counterparties for these transactions are large, blue-chip banks.

Note 6.3.2 Liquidity risk

Liquidity risk is the risk incurred by the Group in the event that it encounters difficulties in repaying its debts as they fall due.

Carmila's policy is to ensure that its available liquid funds are sufficient to meet its obligations. In the short term, liquidity risk is under control, as cash and financial investments (and lines of credit that can be drawn-down very rapidly) far exceed current liabilities.

Carmila has two revolving lines of credit at its disposal, totalling €759,000 thousand and €250,000 thousand. At 31 December 2017, neither of these two lines has been drawn-down.

Note 6.3.3 Other financial risks

Changes in exchange rates, interest rates and the market for publicly-traded stocks each pose different risks.

Since Carmila operates entirely within the euro zone, the Group is not exposed to exchange risk.

With regard to interest-rate risk, Carmila has implemented a hedging policy with the use of derivatives (interest rate swaps and plain vanilla options), as described in Section 6.2.8 "Hedging transactions".

As the Group does not hold any shares in listed companies excluding its own shares it is not exposed to a risk of fluctuating stock prices.

Note 7 Detail of other balance-sheet items

Note 7.1 Intangible assets

Accounting policies

IAS 38 – *Intangible Assets* states that intangible assets with a finite useful life are amortised on a straight-line basis over periods corresponding to their expected useful life. Intangible assets without a finite useful life must not be amortised. The indeterminate nature of the useful life is reviewed every year. An impairment test must be performed on these fixed assets annually (IAS 36) or as soon as there is an indication of impairment.

Intangible assets are accounted, after initial recognition, at cost reduced by amortisation and impairment, if any.

(in thousands of euros)	31/12/2016	Acquisitions	Allowances/ Reversals	Change in scope of consolidation	Reclassification	31/12/2017
Software	998	223	-	-	3	1,224
Other intangible assets	16,212	10	-	-	-40	16,182
Intangible assets in progress	15	49	-3	3	-3	61
Intangible assets – gross value	**17,225**	**282**	**-3**	**3**	**-40**	**17,467**
Amortisation/software impairment	-445	-	-200	-	-90	-735
Amortisation/impairment of other intangible fixed assets	-11,794	-	-368	-	-11	-12,173
Intangible assets – total amortisation	**-12,239**	**-**	**-568**	**-**	**-101**	**-12,908**
TOTAL INTANGIBLE ASSETS – NET VALUE	**4,986**	**282**	**-571**	**3**	**-141**	**4,559**

The acquisitions included in the "Software" item mainly comprise investments made by central service centers in France.

Other intangible assets mainly comprise lease and building rights held by Carmila France.

Note 7.2 Property, plant and equipment

Accounting policies

In accordance with IAS 16 – *Property, Plant and Equipment,* property, plant and equipment, including land, buildings and equipment that are not classified as investment properties, are valued at their historic cost less depreciation and write-downs due to impairment.

Property, plant and equipment in progress are accounted at cost less any identified impairment.

(in thousands of euros)	31/12/2016	Acquisitions	Allowances/ Reversals	Change in scope of consolidation	Reclassification	31/12/2017
Technical plant, machinery and equipment	2,384	1,761	-	-	9	4,154
Office and computer equipment	330	35	-	7	54	426
Other property, plant and equipment	112	-	-	-	-	112
Property, plant and equipment – gross value	**2,826**	**1,796**	**-**	**7**	**63**	**4,692**
Depreciation/impairment of technical plant, machinery and equipment	-1,514	-	-354	-	-	-1,868
Depreciation/impairment of office and computer equipment	-290	-	-57	-	-	-347
Depreciation/impairment of other property, plant and equipment fixed assets	-62	-	-4	-	-	-66
Property, plant and equipment – total depreciation	**-1,866**	**-**	**-415**	**-**	**-**	**-2,281**
TOTAL PROPERTY, PLANT AND EQUIPMENT NET	**960**	**1,796**	**-415**	**7**	**63**	**2,411**

At 31 December 2017, property plant and equipment mainly includes fixtures and office equipment for services centres in France and Spain. This item also includes office equipment and fittings for the Thionville facilities.

Note 7.3 Investments in equity-accounted companies

Accounting policies

The accounting policies applied are described in Note 3.1 “Consolidation scope and methods”. The details of equity-accounted companies are available in Note 14 “List of consolidated companies”.

The method used for accounting for investment properties at fair value was also applied to investments in associates in proportion to the Group’s interest in these entities.

(in thousands of euros)	31/12/2016	Net income	Distribution	Capital increase	Changes in scope of consolidation	31/12/2017
Investments in equity-accounted companies	48,331	11,067	-1,474	10,025	-20,587	47,364

At 31 December 2017, this item exclusively includes AS Cancelas (Spain), acquired in 2014 and in operation and Carmila Thiene (Italy), relating to a project.

The Capital increase and Change in the scope of consolidation column items are related to Galleria Commerciale Nichelino Srl, and its extension project for the I Viali shopping centre in Nichelino (Turin), in a joint promotion with the Carrefour group.

This centre was commissioned on 24 October 2017. The Group took control of the entity after acquiring Carrefour’s 49.90% stake, resulting in its full consolidation (Note 3 “Consolidation scope and methods”) and its reclassification from investment in equity-accounted companies at 31 December 2017.

Financial information on equity-accounted entities

With regard to all the equity investments accounted using the equity method, the principal items in the financial position are as follows; they are items presented at 100% (and including consolidation adjustments):

Equity accounted companies *(in thousands of euros)*	**31/12/2017**	**31/12/2016**
Investment properties	131,934	144,934
Other non-current assets	1,355	1,354
Deferred tax assets	154	124
Non-current assets	**133,442**	**146,412**
Trade receivables	512	625
Other current assets	1,262	4,267
Cash and cash equivalents	4,420	1,509
Current assets	**6,195**	**6,402**
TOTAL ASSETS	**139,637**	**152,814**

Equity-accounted companies *(in thousands of euros)*	**31/12/2017**	**31/12/2016**
Shareholder's equity – Group share	87,695	96,663
Equity	**87,695**	**96,663**
External borrowings and financing from associates	34,126	29,092
Other non current liabilities	14,989	2,012
Non current liabilities	**49,115**	**31,104**
Current liabilities	**2,827**	**25,047**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**139,637**	**152,814**

Equity-accounted companies *(in thousands of euros)*	**31/12/2017**	**31/12/2016**
Gross Rental Income	9,154	2,979
NET INCOME	**22,136**	**12,370**
Dividends distributed	2,947	1,944

The increase in net results is basically related to the changes in fair value of investment property recorded for AS Cancelas and Nichelino assets in the first half-year.

Note 7.4 Other non-current receivables

Cash equivalents are short-term investments (maturity of less than three months), highly liquid, easily convertible into a known amount of cash, and subject to a negligible risk of change in value. Cash includes shares in money-market funds and deposits. They are measured at fair value through profit and loss.

Accounting policies

In accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, the principal financial assets are classified in one of the following four categories:

- loans and receivables;
- assets held to maturity;
- available-for-sale assets.

The classification of these assets determines their accounting treatment. Classification is determined by the Group on the date on which the instrument is initially recorded, based on the asset type and the purpose for which the asset was acquired. Sales and acquisitions of financial assets are recorded on the transaction date, i.e. the date on which the Group bought or sold the asset. Other long-term investments represent the acquisition of a minority stake in a high-quality fast-food banner by Carmila France.

Loans and receivables are initially booked at fair value and then at their amortised cost on the basis of the effective interest rate method. For short-term receivables without a declared rate of interest, the fair value will be the same as the amount on the original invoice. They are subject to impairment testing when there is evidence that their value has declined. An impairment write-down is recognised if the book value is higher than the estimated recoverable value.

This category includes receivables related to equity investments, other loans and receivables, and trade receivables. They appear in the balance sheet under "Other financial assets" or "Trade receivables".

See Note 5 for available-for-sale assets "Investment properties".

(in millions of euros)	31/12/2016	Acquisitions	Other movements	31/12/2017
Non-consolidated equity interests	101	9	2	112
Advances to associates or non-consolidated companies	0	0	0	0
Security deposits	9,219	1,183	0	10,402
Other financial assets	78	2,208	230	2,516
Other non-current assets – gross	**9,398**	**3,400**	**232**	**13,030**
Impairment on other non current assets	**-49**	**0**	**0**	**-49**
OTHER NON-CURRENT ASSETS – NET	**9,349**	**3,400**	**232**	**12,981**

The security deposits recognised as non current assets relate to deposits made with the Spanish administrative authority, which require that a percentage of the security deposits received from tenants be deposited to these authorities in a special escrow account.

The increase in other financial assets over the period corresponds to the advances made for the share liquidity contract set up following the share listing on Euronext Paris.

Note 7.5 Trade receivables and other receivables

Accounting policies

Trade receivables mainly comprise rent from tenants, front-end fees and any advisory services. They also include the effect of staggering benefits granted to tenants (rent-free periods and rent steps). In the event of loss in value, these receivables are subject to depreciation, which takes into account the debtor's capacity to honour its debt and the period for which the receivable is overdue. They have a maturity of less than one year, with the exception of rent discounts and step rents, which are spread over the lease term.

Furthermore, following application of IFRIC 21 Levies, accruals were recorded for all property taxes owed for the 2016 financial year from 1 January of that year. Simultaneously, a provision for the share of property taxes rebilled to tenants was recorded as unbilled revenue. This adjustment has no impact on the annual financial statements.

(in thousands of euros)	31/12/2017	31/12/2016
Trade receivables – gross	126,108	113,044
Depreciation of trade receivables	-18,189	-14,880
TRADE RECEIVABLES AND OTHER RECEIVABLES – NET	**107,919**	**98,164**

The change in the year is mainly explained by a change in consolidation scope. The Group generated additional rents and new trade receivables through ex-Cardety and Nichelino assets which entered the consolidation scope, and the opening of a large number of redevelopments (Note 1.1).

Note 7.6 Other current receivables

(in thousands of euros)	31/12/2017	31/12/2016
Tax receivables	**36,863**	**73,384**
Corporate tax receivables	3,385	3,648
Other tax receivables	33,478	69,736
Financial receivables	**22,147**	**22,708**
Receivables related to investment companies	22,147	22,565
Derivative instruments – assets	0	143
Other receivables	**17,598**	**26,384**
Receivables from charges rebilled to tenants	8,581	17,603
Other miscellaneous receivables	8,925	8,403
Prepaid expenses	92	378
TOTAL OTHER RECEIVABLES – GROSS	**76,608**	**122,476**
Depreciation of other receivables	-1,210	-2,482
OTHER CURRENT RECEIVABLES – NET	**75,398**	**119,994**

At 31 December 2017 the sharp fall in tax receivables mainly concerned the refundable VAT refund on the purchase of the Fan shopping centre in Majorca for €30,845 thousand in December 2016 and on the acquisition of the Huelva shopping centre for €11,943 thousand.

Financial receivables mainly include the Group's loans to equity-accounted companies (AS Cancelas for €14,500 thousand and Carmila Thiene for €5,126 thousand).

Finally, the decrease in the "other receivables" reflects a more conventional level of call for operating charges rebilled after a sharp increase recorded last year, mainly in France.

Note 7.7 Net cash and cash equivalents

Accounting policies

Cash equivalents are short-term investments (maturity of less than three months), highly liquid, easily convertible into a known amount of cash, and subject to a negligible risk of change in value. Cash includes shares in money-market funds and sight deposits. They are measured at fair value through profit or loss.

(in thousands of euros)	31/12/2017	31/12/2016
Cash	168,567	69,053
Cash equivalents	160,830	2,190
Gross cash	**329,397**	**71,243**
Bank facility	-40,129	-16,123
NET CASH	**289,268**	**55,120**

Cash equivalents consist entirely of investments in money-market funds (marketable securities) and term deposits with leading credit institutions. The Group's cash level is mostly due to the capital increase completed on 6 July 2017 for a gross sum of €628.6 million (€613.9 million net, Note 7.1.3 "Consolidated statement of cash flows").

Note 7.8 Shareholder's equity

(in euros)	Number of shares	Share capital	Issuance premium	Merger premium
On 1 January 2017	4,316,678	25,900,068	37,265,320	-
Capital increase, Carmila contribution-merger	104,551,551	627,309,306	-	1,928,898,343
Capital increase	23,123,818	138,742,908	416,228,724	-
Supplementary capital increase	3,067,982	18,407,892	55,223,676	-
Costs charged against issue premium	-	-	-14,650,041	-
Distribution of dividends GM 27/11/2017	-	-	-	-101,295,022
ON 31 DECEMBER 2017	**135,060,029**	**810,360,174**	**494,067,679**	**1,827,603,321**

At 31 December 2017, the share capital consists of 135,060,029 ordinary shares of the same class, each with a nominal value of six euros (€6), fully subscribed and paid up.

During 2017:

- on 12 June 2017 the Extraordinary Shareholders' meetings of Cardety S.A. (renamed Carmila S.A.). and Carmila S.A.S. approved the merger of the second by the first and the issue of 104,551,551 new Carmila S.A. shares as payment for the net assets transferred;
- a capital increase took place in July 2017. This transaction was classified in the prospectus approved by the French financial markets authority (Autorité des marchés financiers — AMF) on 23 June 2017 (no. 17-298), Cardety's (now Carmila) Registration Document, Appendix II of document E and a securities note (note d'opération). This capital increase was subscribed in two stages:
  - in respect of the capital increase, 23,123,818 new shares were subscribed for in full at a price of €24 per share, representing a nominal amount of the capital increase of €138,742,908, plus issue premium for an amount of €416,228,724,
  - in respect of a supplementary capital increase, 3,067,982 additional new shares were subscribed at a price of €24 per share, representing a nominal amount of the supplementary capital increase of €18,407,892, plus issue premium for an amount of €55,223,676.

In all, this placement transaction enabled Carmila to raise €628.6 million gross (€613.9 million net of issuance costs) to finance its 2017-2020 development plan for extensions, acquisitions and the deployment of its marketing and innovative and unique digital strategy.

Note 7.8.1 Distributions of merger premium and capital increases by Carmila

For the distribution of merger premiums, refer to Note 1.3 “Distribution of dividends”.

For operations on the share capital refer to Note 7.8 “Equity above”.

Note 7.8.2 Treasury stock

Treasury stock is deducted from consolidated shareholders’ equity at its acquisition cost. Any income from the sale of treasury stock (together with the related tax effects) is directly charged to shareholders’ equity and does not contribute to net income for the financial year. The company set up a share liquidity contract following its listing on Euronext Paris. At 31 December 2017, the company holds a total of 113,739 Carmila shares exclusively through this contract.

Note 7.8.3 Earnings per share

Earnings per share is calculated by dividing earnings attributable to the bearers of the Company’s ordinary shares by the weighted average number of ordinary shares in circulation during the period. Treasury stock at year-end is not considered shares in circulation and therefore reduces the number of shares used to calculate net earnings per share.

Fully diluted earnings per share is determined by adjusting earnings attributable to bearers of ordinary shares and the average weighted number of ordinary shares in circulation, as necessary, to accommodate the effects of all potentially dilutive instruments, which mainly include convertible bonds and stock options allocated to members of the staff. Stock options are considered potentially dilutive if they are “in the money” (the exercise price used includes the fair value of services provided in accordance with IFRS 2 – *Share-based Payment*).

As of 31 December 2017	
Average number of shares (undiluted)	**119,132,838**
Average number of share-based payments in circulation in 2017	190,384
Average number of shares (fully diluted)	**119,323,222**

Note 7.9 Non-current provisions

Accounting policies

In accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, provisions are posted when, on the closing date, the Group has a present legal or implicit obligation arising from a past event, the amount of which may be reliably estimated and the settlement of which is expected to result in an outflow of resources representative of economic benefits. This obligation may be of a legal, regulatory or contractual nature, or it may be implicit. These provisions are estimated by their type based on the most likely assumptions. Amounts are discounted when the impact of the passage of time is significant.

(in thousands of euros)	31/12/2016	Allowances	Reversal	Reclassifications	Actuarial adjustments (OCI)	31/12/2017
Other contingency provisions	372	1,178	30	-	-	1,580
Total contingency provisions	**372**	**1,178**	**30**	**-**	**-**	**1,580**
Provisions for pensions and retirement benefits	237	138	-	156	31	562
Total provisions for charges	**237**	**138**	**-**	**156**	**31**	**562**
TOTAL NON-CURRENT PROVISIONS	**609**	**1,316**	**30**	**156**	**31**	**2,142**

Contingency provisions include all tenant-related disputes and litigation. These provisions were reviewed to better understand the facts and circumstances of these disputes (e.g. ongoing negotiations with possible renewal) and possible appeal procedures (right of withdrawal).

Note 7.10 Other non-current liabilities

This item includes an earn-out payment related to the acquisition of an asset in 2016, in which the appraisal of future performance and amounts were sufficiently reliable to be accounted. The payment of this earn-out is planned in 2021.

Note 7.11 Trade and fixed-asset supplier payables

(in millions of euros)	31/12/2017	31/12/2016
Fixed assets payables	71,751	33,773
Miscellaneous trade payables	4,968	4,473
Trade payables and invoices yet to received	23,599	18,520
TRADE AND FIXED ASSETS PAYABLES	**100,318**	**56,766**

Fixed asset payables increased significantly notably due to ongoing projects such as Rambouillet and Saran (+€14 million) and projects commissioned at the year-end such as I Viali in Nichelino (+€€8.4 million, decrease of in October 2017), Pau Lescar (+€7 million, commissioned in November 2017) and Crèche sur Saône (+€2 million, commissioned in November 2017).

Note 7.12 Other current liabilities

(in millions of euros)	31/12/2017	31/12/2016
Tax and social-security payables	**38,661**	**43,254**
Tax liabilities (excluding corporate income tax)	24,065	27,472
Tax liabilities – corporate income tax	5,192	7,070
Social-security liabilities	9,404	8,712
Miscellaneous liabilities	**85,724**	**86,541**
Other miscellaneous debts	21,023	24,433
Prepaid income	64,701	62,108
OTHER CURRENT LIABILITIES	**124,385**	**129,795**

The decrease of tax liabilities is mainly explained by the settlement of a VAT debt for €3,575 thousand during the fiscal year.

The decrease of other miscellaneous debts is mainly explained by the reclassification of an earn-out payment under non-current liabilities for an amount of €7,465 thousand offset by an overpayment by tenants in 2017 in Italy (€3,902 thousand).

Finally, prepaid income increased due to the pre-invoicing of Q1 2018 rents of Carmila S.A.'s assets, following the merger with Cardety S.A. and the entry of its these investment properties into the scope of consolidation (+€2,213 thousand).

Note 8 Income Statement

Note 8.1 Net rental income

Accounting policies

Gross rental income

Rental income from operating leases is recognised on a straight-line basis over the entire term of the lease agreement.

Pursuant to IAS 17 and SIC 15, any inducements granted by a lessor when negotiating or renewing an operating lease should be recognised as an integral part of the consideration accepted for use of the leased asset, regardless of the nature, form or payment date of those inducements:

- any step rents or discounts granted are recorded by including a reduction or increase in the rental income spread over time. The reference period used is the first non-cancellable lease term;
- any temporary rent reduction granted to a lessee on an exceptional basis to support its business activity are recorded as charges for the year; special sales or marketing promotions undertaken on a tenant's behalf are recorded in the same way;
- any works undertaken on the lessee's behalf may, under certain conditions, be depreciated on a straight-line basis over the fixed term of the lease or incorporated into the cost of the asset;
- where the lessor cancels an ongoing lease, it pays lease termination compensation to the sitting tenant. When the conditions are met, the compensation is recorded as a fixed asset (Note 5 "Investment properties");
- transfer compensation, i.e. compensation paid to a lessee in the event of relocation to other premises in the same building, may, under certain conditions, be spread over the minimum lease term, or, if the building is being renovated, it may be included in the cost price of the asset;
- front-end fees collected by the lessor are considered additional rent. The front-end fee forms part of the net sum exchanged between the lessor and the lessee under the lease. Therefore, the accounting periods during which this net amount is recognised should not be affected by the form of the agreement and payment schedules. These fees are amortised over the initial minimum period of the lease;
- early termination penalties are received from tenants when they cancel the lease before its contractual term. Such penalties relate to the terminated lease and are recognised as income in the year in which they are received.

Property expenses

- Real estate expenses:

These are fees paid (or amortisation of initial payments) when the land is made available through a ground lease or concession agreement.

- Non recovered rental charges:

These expenses are shown net of rebilling to tenants and primarily represent charges arising from vacant premises.

- Property expenses (landlord):

These consist of rental charges borne by the landlord, and charges related to works, litigation costs, allowances for bad debt, and property management costs.

Net rents are calculated based on the difference between rental income and these various expenses.

(in thousands of euros)	31/12/2017	31/12/2016
Rent	299,677	274,513
Front-end fees and other indemnities	1,234	1,170
Gross rental income	**300,911**	**275,683**
Property tax	-16,978	-15,395
Charges rebilled to tenants	12,589	11,532
Real estate expenses	**-4,389**	**-3,863**
Rental charges	-54,960	-46,904
Charges rebilled to tenants	47,655	38,632
Non-recovered rental charges	**-7,305**	**-8,272**
Management fees	-236	-264
Charges rebilled to tenants	0	30
Losses and impairment on receivables	-8,332	-7,478
Other expenses	-3,994	-3,333
Property expenses (landlord)	**-12,562**	**-11,045**
NET RENTAL INCOME	**276,655**	**252,503**

Note 8.2 Operating expenses

(in thousands of euros)	31/12/2017	31/12/2016
Income from management, administration and other activities	4,790	1,626
Other income	5,712	9,045
Payroll expenses	-23,878	-22,597
Other external expenses	-34,057	-29,653
OPERATING EXPENSES	**-47,433**	**-41,579**

Note 8.2.1 Management, administration and other revenues

These revenues mainly correspond to initial letting fees, marketing services and marketing fund to develop and increasing the attractiveness of the centres rebilled to retailers' associations and other various rebilling by real estate companies to co-owners.

Note 8.2.2 Other income

Other income from services provided comprises the rebilling of fees related to operating expenses, principally to the Carrefour group (rebilling of a proportional share of the personnel costs of shopping centre management), and initial letting fees for shopping centres managed by Immobilière Carrefour).

Note 8.2.3 Payroll expenses

Payroll costs represented €23,878 thousand in 2017.

The Group set up share-based payment plans in 2016 and 2017 for executives and certain employees. The benefits associated with these plans are recognised as payroll expenses in the amount of €1,613 thousand (including the social security contribution), over the year.

Note 8.2.4 Other external expenses

Other external expenses are related to administrative expenses. The main components are marketing expenses, chiefly relating to the build-up of digital tools and startegy, and fees, including those paid to the Carrefour group for the activities defined in the service agreements (accounting, human resources, general services, etc.), appraisal fees for the asset portfolio, financial communication and advertising fees, travel expenses and directors' fees.

Note 8.3 Depreciation, amortisation, provisions and impairment

(in thousands of euros)	31/12/2017	31/12/2016
Depreciation and amortisation allowance for fixed assets and impairment of intangible fixed assets	-983	-752
Reversal/provisions losses and contingencies, and current assets	174	229
ALLOWANCES FOR DEPRECIATION OF FIXED ASSETS, AMORTISATION OF INTANGIBLE FIXED ASSETS AND PROVISIONS	**-809**	**-523**

The net change in provisions for contingencies and liabilities is attributable to changes in risk provisions over the year (Note 7.9 "Non current provisions"), mainly associated with property disputes with lessees and current assets.

Note 8.4 Other current operating income and expenses

This item mainly includes the non-recurring costs related to the merger between Cardety and Carmila comprising banking costs for refinancing, legal and tax fees, audit and valuation costs, and miscellaneous fees.

Note 8.5 Gain (losse) on disposal of investment properties and equity interests

The Group made no significant disposals during the year. This includes a technical entry for -€2,524 thousand related to the acquisition of 49.90% of the shares of Galleria Commerciale Nichelino from Carrefour. This acquisition was recognised as a business combination in accordance with IFRS 3; this amount results from the fair value measurement of the percentage of equity held by the purchaser before the business combination (Note 3.3 "Highlights of the 2017 financial year").

Note 9 Income tax

Accounting policies

The Group companies are subject to the tax laws that apply in the countries in which they operate. Income tax is calculated according to local rules and rates.

In France, the Group benefits from the specific tax regime for REITs (Real Estate Investment Trusts). The Group's subsidiaries in Spain and Italy are subject to ordinary taxation in their respective jurisdictions.

French tax regime for REITs (Real Estate Investment Trusts)

On 1 June 2014, Carmila and its French subsidiaries subject to corporate income tax opted for the SIIC regime (French REIT) from that date.

Characteristics of the regime

The specific corporate tax exemption regime for REITs is an option for companies listed on a French stock market with share capital of at least €15 million, having as their main object the acquisition or construction of investment properties for leasing purposes or the direct or indirect holding of equity investments in legal entities with the same corporate objective. This option cannot be revoked. Subsidiaries subject to corporation tax may also opt for the regime if at least 95% of their share capital is held by a company having opted for the REIT regime.

In exchange, these listed property investment companies are required to distribute 95% of their rental income, 60% of their gains on disposals and 100% of the dividends received from their REIT subsidiaries.

The option of the REIT regime entails the immediate taxation of an exit tax at a rate of 19% on unrealised capital gains relating to properties and shares in partnerships not subject to corporation tax. The exit tax is payable over a four-year period starting when the entity concerned adopts REIT status.

Discounting of the exit tax liability

The exit tax liability is discounted according to its payment schedule. The liability initially recognised in the balance sheet is discounted, and an interest expense is recorded at each balance-sheet date in other financial expenses, enabling the liability to be reduced to its net present value at the balance-sheet date.

Income tax for companies not subject to the REIT tax regime

Since its adoption of SIIC regime at 1 June 2014, Carmila has established a REIT segment that is exempt from tax on property-leasing transactions and capital gains on disposal, and a segment subject to corporate income tax for other activities.

Income tax for companies not subject to the REIT regime and for foreign companies is calculated under conditions of ordinary law. Financière Géric, which was previously subject to corporate income tax, opted for the SIIC regime on 1 January 2017.

Ordinary-law arrangements and deferred tax

Current income tax expense is determined on the basis of the rules and rates adopted or in the process of being adopted at the end of the financial year in each country over the period to which the profit relates.

The income tax payable and the tax on future income are offset when they originate within the same tax group, are the responsibility of the same tax authority, and there is a legal right to offset.

Deferred taxes are recognised when there are temporary differences between the carrying amounts of assets and liabilities and their tax base, in respect of those that give rise to taxable income in future periods.

A residual deferred tax asset, after being used to offset existing liabilities, is recorded if it is probable that the company will have future taxable profits that the deferred tax assets can be used to offset.

Deferred tax assets and liabilities are valued by the liability method at the income tax rate assumed to apply to the period in which the asset will be realised or the liability will be paid, on the basis of income tax rates and tax regulations that have been adopted or quasi-adopted prior to the balance sheet date. The measurement of deferred tax assets and liabilities should reflect the tax consequences resulting from the way in which the company expects, at the balance-sheet date, to recover or settle the book value of its assets and liabilities.

Deferred tax is calculated at the local tax rates approved on the closing date. The rates applied at 31 December 2017 are 34.43% in France, 24% in Italy and 25% in Spain.

Note 9.1 Income tax expense

(in thousands of euros)	31/12/2017	31/12/2016
Deferred tax	-32,449	-24,232
Current tax	-1,910	-4,148
INCOME TAX CHARGE	**-34,359**	**-28,380**

The deferred tax expense totalling €32,449 thousand is mainly due to the change in deferred tax from changes in fair value.

The current tax payable by the Group is -€1,910 thousand, including -€2,020 thousand from Italy, and a tax asset of €93 thousand in France, with the tax of €235 thousand mainly involving Louwifi and Carmila Evreux – being offset against a €328 thousand dividend tax refund.

Note 9.2 Tax reconciliation

The reconciliation of the effective and theoretical tax expense is as follows:

(in thousands of euros)	31/12/2017	31/12/2016
Net consolidated income	314,304	295,648
Income tax expense	34,359	28,380
Share of net income of equity-accounted companies	-11,067	-4,875
Net income before taxes and excluding equity-accounted companies' net income	**337,596**	**319,153**
Tax rate applicable to the parent company	34.43%	34.43%
THEORETICAL INCOME TAX (EXPENSE)/INCOME	**-116,234**	**-109,884**
Tax exempt income resulting from the SIIC regime	92,251	77,424
Permanent differences	2,895	2,838
Tax without base	-14,949	0
Effect of different tax rates	7,869	12,621
Tax loss without deferred tax recognition	-6,190	-11,379
EFFECTIVE TAX (EXPENSE)/INCOME	**-34,359**	**-28,380**
EFFECTIVE TAX RATE	**-10.18%**	**-8.89%**

Note 9.3 Current tax assets and liabilities

(in thousands of euros)	31/12/2017	31/12/2016
Tax credits	3,385	3,648
TOTAL TAX ASSETS	**3,385**	**3,648**
Tax liabilities – non-current	9,138	15,542
Tax liabilities – current	5,186	6,855
Liabilities related to tax consolidation	6	215
TOTAL TAX LIABILITIES	**14,330**	**22,612**

At 31 December 2017, tax receivables include €5,486 thousand for Spain, €1,170 thousand for Italy and €715 thousand for France.

The French companies subject to corporate income tax opted for SIIC regime at 1 June 2014. In addition, Géric opted for the SIIC regime during the current fiscal year. A provision was accounted in the 2016 financial statements for the total amount of exit tax which will be paid. A first payment of €4,569 thousand was made in December 2017. On the balance sheet at 31 December 2017, the 2018 contribution to Géric's exit tax totals €4,569 thousand, and€ 9,138 thousand for the non-current part.

Note 9.4 Deferred tax assets and liabilities

(in thousands of euros)	31/12/2016	Impact on income	Changes in consolidation scope	Other	31/12/2017
Deferred tax assets	1,592	4,225	4	463	6,284
Deferred tax liabilities	65,490	33,352	4,424	463	103,729
NET BALANCE OF DEFERRED TAX	**-63,898**	**-29,127**	**-4,420**	**0**	**-97,445**
Breakdown of deferred tax by nature					
Properties	-65,471	-33,725	-4,424	-	-103,620
Tax losses	1,573	4,598	4	-	6,175
Financial instruments	-	-	-	-	0
Other items	-	-	-	-	0
NET BALANCE OF DEFERRED TAX	**-63,898**	**-29,127**	**-4,420**	**0**	**-97,445**

Note 10 Off-balance-sheet commitments and associated risks

? Definition

Off-balance-sheet commitment

An off-balance sheet commitment can be any transaction or agreement between a company and one or several entities which is not entered on the balance sheet. These commitments, which are received, given or reciprocal, represent risks and advantages which are useful for assessing the Group's financial position.

Contingent liabilities

A contingent liability is a potential obligation for the entity to a third party resulting from an event whose existence will only be confirmed by the occurrence or non-occurrence of one or several future uncertain events that are outside the entity's control.

Contingent liabilities

Carmila received a tax assessment for the 2014 fiscal year including an adjustment notice for €62,134 thousand, interest and penalties included. After consulting its tax lawyers, Carmila is disputing the basis of this adjustment and considers that its chances of success in litigation are probable. Consequently no provision has been recorded.

Note 10.1 Commitments received

(in thousands of euros)	31/12/2017
Unused credit facilities	1,009,000
Commitments related to Group financing	**1,009,000**
Sale commitments	0
Security deposits received from tenants	34,371
Commitments related to the Group operating activities	**34,371**
TOTAL COMMITMENTS RECEIVED	**1,043,371**

Note 10.1.1 Unused credit facilities

The Group finances itself through equity and borrowings contracted by the parent company. At 31 December 2017, the Group had two confirmed undrawn credit lines setup negociated within the scope of its refinancing program in June 2017, totalling €1,009 thousand.

Note 10.1.2 Guarantees received from tenants

As an owner and manager of shopping malls, some leases provide for the issuance of bank guarantees securing the sums owed by the tenants.

Note 10.1.3 Other guarantees received – liability guarantee

As part of the acquisition of the Italian assets, Carmila Italia received an assessment notice from the tax authorities. This tax risk is covered by a liability guarantee granted by the vendors.

Note 10.2 Commitments given

(in thousands of euros)	31/12/2017
Purchase commitments	0
Commitments given related to the scope of consolidation	**0**
Financial guarantees issued	5,389
Commitments related to Group financing	**5,389**
Commitments under conditions precedent	212,200
Rental guarantees and deposits	833
Commitments given on swaps	150,000
Commitments related to the Group operating activities	**351,833**
TOTAL COMMITMENTS GIVEN	**357,222**

Note 10.2.1 Financial guarantees issued

Prior to its acquisition by the Group, Financière Géric granted prime mortgages for an initial amount of €13,000 thousand as part of its bank financing. At 31 December 2017, the outstanding amount guaranteed is €5,389 thousand.

Note 10.2.2 Commitments subject to conditions precedent

The commitments subject to conditions precedent are undertakings to purchase land, assets or securities and earn-outs payments for previous acquisitions some of which are insufficiently certain to be recognised in the financial statements.

At 31 December 2017, the Group is committed to purchase two assets in France and in Spain, for a value, including transfer taxes and costs, of €212,200 thousand.

Note 10.2.3 Rental guarantees and deposits

The rental guarantees and deposits item comprises guarantees covering the Group operating premises as well as a guarantee to a Spanish municipality to create an access to a shopping centre.

Note 10.2.4 Commitments given on swaps

At 31 December 2017, the Group contracted swaps covering a notional value of €150 million. These swaps will only be effective in June 2018. Therefore, they have not been recognised at 31 December 2017.

Note 10.3 Reciprocal commitments

These mainly involve purchase agreements resulting from development and redevelopment projects. At 31 December 2017, secured purchase agreements totalled €163,208 thousand mainly corresponding to projects at Evreux (Phase 2), Besançon Chalezeule, Athis Mons and Nice Lingostière.

To the best of our knowledge, there is no omission of any material off-balance-sheet commitment; or commitment which could become significant in the future as determined by the accounting principles applied.

Note 11 Transactions with related parties

On 16 April 2014, the Carrefour group and Carmila signed agreements entrusting functions or services performed by both Carrefour and Carmila to one another. The term of these agreements were initially is set at five years, until 15 April 2019 but as a result of the merger, these agreements were renewed for three years in 2017, ending 31 December 2020.

FRANCE

(in thousands of euros)	31/12/2017	31/12/2016
Agreement on Renovation and development – Carmila-Carrefour		
Personnel secondment agreement	682	
Exclusive mandate – Carrefour Property Gestion	7,311	6,603
Lease and asset management		
Service agreement between Carmila France and Almia Management and Carrefour Administratif France	773	630
Services in the field of insurance management, legal (both corporate and litigations), tax, accounting, payroll, treasury back-office		
Service agreement between Carmila and Carrefour	62	62
Accounting, tax, legal assistance, insurance coverage		
Service Agreement between CPF Asset Management and Carmila France	511	511
Legal real estate services, human resources, management accounting, janitor services		
TOTAL BILLED TO CARMILA AND SUBSIDIARIES IN FRANCE	**9,339**	**7,806**
Shopping mall Director mandate with Carrefour Property Gestion	-4,405	-6,292
Agreement billed by Almia Management		
Exclusive mandate with Carrefour Property France, Immobilière Carrefour, Hyparlo, Sogara and Carrefour Property Development	0	-30
Lease negotiations and speciality leasing activity		
New extension initial letting fees or other development negotiation fees	-1,599	-27
Billed by Almia Management		
TOTAL BILLED BY CARMILA IN FRANCE	**-6,004**	**-6,349**
BILLING NET IN FRANCE (EXPENSE)	**3,335**	**1,457**

At 31 December 2017, these flows are reflected by a liability on Carmila's balance sheet of €2,533 thousand and a receivable of €1,322 thousand.

SPAIN

(in thousands of euros)	31/12/2017	31/12/2016
Exclusive mandate – Carrefour Property España	1,860	1,563
Lease management		
Service contract – Centros Comerciales Carrefour	558	555
Insurance, legal assistance, tax, accounting, cash management, IT, payroll, janitor services		
Service contract – Carrefour Property España	280	266
Legal real estate services, management, human resources		
TOTAL CHARGED TO CARMILA IN SPAIN	**2,698**	**2,384**
Exclusive mandate – Carrefour Property España, Carrefour Norte, Carrefour Navarra and third parties	-145	-55
Asset management		
Exclusive mandates – Carrefour Property España, Carrefour Navarra, Carrefour Norte and third parties	-613	-580
Letting fee for of premises in shopping malls	-51	-48
Speciality leasing letting fee comprised within common areas	-562	-531
TOTAL INVOICED BY CARMILA IN SPAIN	**-758**	**-635**
NET AMOUNT CHARGED – SPAIN	**1,940**	**1,749**

At 31 December 2017, these flows are reflected by a liability on Carmila's balance sheet of €747 thousand and a receivable of €41 thousand.

ITALY

(in thousands of euros)	31/12/2017	31/12/2016
Service contract with GS S.p.A. – Nichelino Project	**381**	**306**
Legal assistance, tax, accounting, technical maintenance		
Service contract with Carrefour Property Italia S.r.l.	**197**	**97**
Management accounting, project investment, janitor services		
Cash Management Service contract with Carrefour Italia Finance S.r.l. – Services in treasury management	**53**	**25**
Exclusive mandate with Carrefour Property Italia S.r.l.	**626**	**729**
Lease and asset m*anagement* and letting fees	383	682
Speciality leasing fee	243	47
TOTAL INVOICED TO CARMILA IN ITALY (EXPENSE)	**1,257**	**1,157**

At 31 December 2017, these flows are reflected by a liability on Carmila's balance sheet of €1,257 thousand.

In addition, Carrefour and Carmila signed an agreement on the renovation and development of Carmila's assets. The agreement provided for an initial round of renovations totalling €238,500 thousand, of which €161,000 thousand to be borne by Carrefour, €74,500 thousand by Carmila, and €3,000 thousand by third-party co-occupants or co-owners. This agreement was renewed in 2017 with the merger and its term was extended to the end of 2027.

Note 12 Employee remuneration and benefits

Note 12.1 Payroll costs

See Note 8.2.3.

Note 12.2 Headcount

At 31 December 2017, the Carmila Group had 196 employees, including 140 in France mainly through its Almia Management subsidiary, 41 in Spain and 15 in Italy.

Note 12.3 Employee benefits

Employees receive benefits during their employment (paid leave, sick leave, profit-sharing, long service awards, etc.) and defined-benefits or defined-contribution retirement payments (end-of-career severance payments, etc.).

Note 12.3.1 Retirement plans

? Accounting policies

Defined-contribution schemes

Defined-contribution schemes are schemes whereby the company makes periodic fixed contributions to external benefit agencies that provide administrative and financial management. These schemes free the employer from any further obligation, with the agency taking responsibility for paying employees the amounts owed them (basic social security pension schemes in France, supplementary pension schemes and pension funds with fixed contributions).

These contributions are recognised as expenses when they fall due.

Defined-benefit schemes and long-term benefits

Carmila makes provisions for various defined-benefit schemes that depend upon individuals' accumulated years of service within the Group.

The actuarial method used for this evaluation is a prospective method that projects career-end salaries and calculates pro-rata entitlements based on years of service, a method that complies with the recommendations of IAS 19. The calculations are made by a qualified actuary.

For each active participant, the benefit likely to be paid is estimated based on the rules defined in the collective bargaining agreement or schedule in force, using personal data projected to the standard age for payment of the benefit. The company's total obligations toward each participant (actuarial value of future benefits) are then calculated by multiplying the estimated benefit by an actuarial factor, which takes into account the following:

- assumptions concerning the employee's probability of either leaving the company or dying before the age of payment of the benefit;
- the discounted value of the benefit at the valuation date.

These total benefits are then allocated over each of the past and future financial years for which the participant accrued rights under the retirement program:

- the share of this total benefit allocated to financial years prior to the valuation date (actuarial debt or value of the obligations) reflects amounts to the company's obligations for "services rendered". The actuarial debt reflects amounts to the total obligations indicated on the balance sheet;
- the share of the total cost allocated to financial years subsequent to the valuation date (cost of services) represents the likely increase in obligations as a result of the additional year of service that the participant will have performed at the end of the financial year. Depending on their nature, charges related to the cost of services are recorded either under Operating income or under other financial income and expenses for the portion relating to interest expenses.

In accordance with IAS 19, actuarial gains and losses resulting from a change in assumptions are recorded under "Other comprehensive income".

With this method, the value of the obligations or the actuarial debt at the valuation date is obtained by distributing the total plan cost or present value of future benefits (PVFB) on a straight-line basis from the participant's employment start date to his or her retirement date.

The discount rate reflects the expected year-end yield from investment-grade (AA) euro-zone bonds with a maturity equal to the valued obligation (with reference to the rate for iBOXX Euro AA corporate bonds maturing in 10 years or more).

COMPONENTS OF THE NET OBLIGATION

(in thousands of euros)	Note	2017	2016
Fair value of assets in the plans		0	0
Discounted value of unfunded obligations -beginning of the year		**293**	**270**
Cost of past services		83	61
Net actuarial losses and gains		31	40
Acquisitions/Disposals		155	-78
Matured rights		0	0
NET OBLIGATION RECOGNISED IN THE BALANCE SHEET FOR DEFINED BENEFIT SCHEMES	**7.9**	**562**	**293**

CHANGE IN NET OBLIGATION

(in thousands of euros)	31/12/2017
NET OBLIGATION AT THE BEGINNING OF THE YEAR	**293**
Pension expense recorded in the income statement	82
Contributions paid by Carmilla in the income statement	0
Acquisitions/Disposals	155
Benefits paid to beneficiaries of unfunded benefits	0
Change in actuarial differences and other legal modifications	31
NET OBLIGATION AT END OF PERIOD	**562**

COMPONENTS OF THE PENSION EXPENSE

(in thousands of euros)	31/12/2017
Cost of services rendered during the year	80
Financial cost	8
PERSONNEL EXPENSE FOR THE YEAR	**88**

At 31 December 2017, the Group applied the principal actuarial assumptions shown below:

- discount rate: 1.44% in 2016 (1.21% in 2016);
- annual salary increase rate: 2.0% in 2016 (2.0% in 2016);
- retirement age: between 166 and 172 quarters, depending on age.

Note 12.3.2 Share-based payments

Accounting policies

The Group applies the provisions of IFRS 2 – *Share-based Payments*. The fair value of share-based payment rights granted to employees is determined at their assignment date. It is recorded as payroll expenses, with a corresponding increase in shareholders' equity over the period when the rights were definitively vested. The amount recognised as an expense is adjusted to reflect the number of rights for which it is estimated that the non-market service and performance conditions will be met. Thus, the amount recognised as an expense is ultimately based on the actual number of rights that fulfil the service conditions and the non-market performance conditions at the vesting date. For share-based payment rights with other conditions, the fair value measurement at the assignment date reflects these conditions. The differences between the initial estimate and actuals do not give rise to any subsequent adjustments.

Under IFRS 2.11, the equity instruments granted must be measured at their fair value at the assignment date using an option pricing model. The Black & Scholes method was used to simulate the fair unit value of instruments.

	Plan n°1		Plan n°2		Plan n°3	
Summary of the plans	**France**	**Abroad**	**France**	**Abroad**	**France**	**Abroad**
Date of General Meeting	14/04/2016		14/04/2016		14/04/2016	
Date of assignment	Key employees: 15/06/2016 Corporate agents: 14/04/2016		Key employees: 15/06/2016 Corporate agents: 17/05/2016		12/06/2017	
End of vesting period	31/12/2017	13/04/2018	Key employees: 15/06/2018 Corporate officers: 14/02/2018		Key employees: Tranche 1: 12/06/2019 Tranche 2: 12/06/2020 Corporate officers: 12/06/2020	
End of holding period	Key employees: 15/06/2018 Corporate agents: 14/04/2018		Key employees: 15/06/2018 Corporate agents: 17/05/2018		Key employees: Tranche 1: 12/06/2019 Tranche 2: 12/06/2020 Corporate officers: 12/06/2020	
Continued employment condition	The beneficiary's continued employment during the vesting period		The beneficiary's continued employment during the vesting period		The beneficiary's continued employment during the vesting period	
Performance condition	No		Complete yield rate (CYR): based on the revalued liquidation assets and recurring EPS: based on net consolidated current income in accordance with IFRS principles		Complete yield rate (CYR): based on the revalued liquidation assets and recurring EPS: based on net consolidated current income in accordance with IFRS principles	
Shares initially allocated[1]	**47,062**	**9,599**	**74,159**	**15,181**	**79,990**	**16,998**
Shares cancelled at 31/12/2107	-2,399	-	-4,131	-	-	-
Discount for performance shares in 2017	-	-	-	-	-	-
Shares vested in 2017	-44,663	-	-	-	-	-
OUTSTANDING SHARES AT 31 DECEMBER 2017	**0**	**9,599**	**70,028**	**15,181**	**79,990**	**16,998**

(1) Number of shares allocated post-merger, applying parity.

Plan n°1	
Unit value	€7.71
Fair unit value	€7.13
Expense for the period(1)	**€0 k(2)**

(1) The expense for the period includes social charges (20%).
(2) This plan was fully provisioned in 2016 for €1,470 thousand

Plan n°2	
Unit value	€7.71
Fair unit value	€6.99
Expense for the period(1)	**€1,005 k**

(1) The expense for the period includes social charges (20%).

Plan n°3	
Average share price on the allocation date	€28.50
Dividend per share	€1.50
Unit value(1)	€24.68 - €23.84
Expense for the period(2)	**€608 k**

(1) Respectively for key employees and company representatives.
(2) The expense for the period includes social charges (20%).

The Group has three share based bonus plans for corporate officers and key employees in France, Spain and Italy.

The first plan was fully provisioned in 2016, with all the shares vesting at 31 December 2017 for French beneficiaries.

In 2016, the Group set up two share based bonus plans for directors and some employees. The cost is spread over the vesting period (period of work to be completed by the employee prior to the final allocation to him or her).

There were two types of plans in effect at 31 December 2017, granted in 2016 and 2017:

- attendance plan, whose criteria relate to the presence of employees in the Group at the vesting date (31 December 2017). The number of options initially allocated is 56,661 (the maximum number of shares allocated after taking the merger parity into account);
- performance plan that incorporates, along with presence criteria outlined above, the fulfilment of conditions relating to the Group's financial performance. Of these performance plans:
  - 50% relates to the fulfilment of conditions linked to the change in the total shareholder's return for 2017 (based on the NNNAV indicator as defined by EPRA) versus a comparable panel of real estate companies,
  - 50% relates to the fulfilment of conditions relating to the change in recurring earnings per share (see Management Report) in 2017 compared with the original subscription price.

The number of options allocated was 89,340 in 2016 and 96,988 in 2017 (the maximum number of shares allocated after taking the merger parity into account).

These benefits granted were accordingly spread over the vesting period and recognised in payroll expenses for €1,613 thousand, with a corresponding increase in equity of €1,344 thousand and social liabilities of €269 thousand (a 20% social charges flat fee) for the 2017 financial year.

Note 13 Additional information

Note 13.1 Relations with the Statutory Auditors

	KPMG				Deloitte				Other				Total	
	Statutory Auditors		Network		Statutory Auditors		Network		Statutory Auditors		Network		Statutory Auditors	Network
(in thousands of euros)	31/12/2017	%	31/12/2017	%	31/12/2017	%	31/12/2017	%	31/12/2017	%	31/12/2017	%	31/12/2017	31/12/2017
Audit of statutory and consolidated financial statements and half year limited review	**358**	**47%**	**130**	**100%**	**127**	**67%**	**107**	**100%**	**26**	**68%**	**-**	**0%**	**511**	**237**
Carmila S.A.	132	17%	-	0%	76	40%	-	0%	-	0%	-	0%	208	-
Fully consolidated subsidiaries	226	30%	130	100%	51	27%	107	100%	26	68%	-	0%	303	237
Services other than audit of the financial statements	**402**	**53%**	**-**	**0%**	**62**	**33%**	**-**	**0%**	**12**	**32%**	**-**	**0%**	**476**	**-**
Carmila S.A.[(1)]	402	53%	-	0%	62	33%	-	0%	12	32%	-	0%	476	-
Fully consolidated subsidiaries	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	-
TOTAL FEES	**760**	**100%**	**130**	**100%**	**189**	**100%**	**107**	**100%**	**38**	**100%**	**0**	**0%**	**987**	**237**

(1) In 2017, these fees are mainly related to the services and work performed in connection with the Cardety-Carmila merger (comfort letters, report on pro forma information, report on the management forecast, report on CSR information) and with the share capital increase (comfort letter).

Note 13.2 Subsequent events

On 2 February 2018, the Group announced the acquisition from the Klépierre Group of two leading shopping centres adjoining large powerful Carrefour hypermarkets in Marseille-Vitrolles and Madrid, for €212,200 thousand, and which is consistent with its development strategy.

Note 14 List of consolidated companies

List of consolidated companies Fully consolidated companies	Country	% interest December 2017	% interest December 2016	% interest Change	% control December 2017	% control December 2016	% control Change
FRANCE							
Carmila S.A.	France	100.00%	100.00%	-	100.00%	100.00%	-
Carmila France SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Almia Management SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
SCI du Centre Commercial de Lescar	France	100.00%	100.00%	-	100.00%	100.00%	-
SCI de l'Arche	France	50.00%	50.00%	-	50.00%	50.00%	-
SCI des Pontots	France	100.00%	100.00%	-	100.00%	100.00%	-
SCI Carmila Anglet	France	100.00%	100.00%	-	100.00%	100.00%	-
SCI Carmila Coquelles	France	100.00%	100.00%	-	100.00%	100.00%	-
SCI Carmila Labège	France	100.00%	100.00%	-	100.00%	100.00%	-
SCI Carmila Orléans	France	100.00%	100.00%	-	100.00%	100.00%	-
SCI Dominique	France	100.00%	100.00%	-	100.00%	100.00%	-
SCI Carmila Bourges	France	100.00%	100.00%	-	100.00%	100.00%	-
SCI Sothima	France	100.00%	100.00%	-	100.00%	100.00%	-
Hyparmo SARL	France	100.00%	100.00%	-	100.00%	100.00%	-
Bay 1 Bay 2 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Financière Géric SA	France	100.00%	100.00%	-	100.00%	100.00%	-
SAS Louwifi	France	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Crèches sur Saone SAS	France	100.00%	0.00%	100%	100.00%	0.00%	100%
SAS Carmila Evreux	France	100.00%	0.00%	100%	100.00%	0.00%	100%
Carmila Ventures France SAS	France	100.00%	0.00%	100%	100.00%	0.00%	100%
SPAIN							
Carmila España SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Santiago SLU	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Talavera SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Huelva SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Mallorca SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
ITALY							
Carmila Holding Italia SRL	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Italia SRL	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Assago SRL	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Grugliasco SRL	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Limbiate SRL	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Milano Nord SRL	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Nichelino SRL	Italy	100.00%	50.10%	49.90%	100.00%	50.10%	49.90%

List of consolidated companies Equity accounted companies	Country	% interest December 2017	% interest December 2016	% interest Change	% control December 2017	% control December 2016	% control Change
AS Cancelas	Spain	50.00%	50.00%	-	50.00%	50.00%	-
Carmila Thiene SRL	Italy	50.10%	50.10%	-	50.10%	50.10%	-

List of deconsolidated companies in 2017	Country	% interest December 2017	% interest December 2016	% control December 2017	% control December 2016	Comments
SNC Géric	France	-	100.00%	-	100.00%	Merger

7.2 Statutory Auditors' Report on the consolidated financial statements

Year ended December 31, 2017

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Carmila S.A. Shareholders' Annual General Meeting

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying financial statements of Carmila S.A. for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the statutory auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of ethics *(Code de déontologie)* for statutory auditors.

Justification of assessments – key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Key Audit Matters	Responses as part of our audit
Valuation of investment property *(Note 5 to the financial statements)* As of December 31, 2017, investment property is recorded on the balance sheet for a net carrying amount of €5,356 million compared to total assets of €6,036 million. As indicated in Note 5 to the consolidated financial statements, in application of the method proposed by IAS 40, Investment property is recorded at fair value. The fair values used are those determined on the basis of findings by independent experts. The property assets are appraised every six months by experts. They independently establish their current and future cash flow estimates by applying risk factors either to the net income capitalization rate or to future cash flow. In order to conduct their work, the experts have access to all the information needed to value the assets, and specifically the list of leases, the vacancy rate, rental arrangements and the main aggregates on lessees (such as sales). The valuation of investment property which is the main portion of total assets, is considered to be a key audit matter due to: • the use of judgments of Management and independent experts to determine the fair value of investment property; • the complexity of the fair value valuation model; • the sensitivity of these fair values to assumptions adopted by the experts.	We have assessed the compliance of the accounting treatment applied by the Group to IFRS accounting principles and the pertinence of the disclosures presented in Note 5 to the consolidated financial statements. Our work and work performed by Components' auditors under our instructions and control consisted in: • conducting interviews with independent appraisers and Management to assess the pertinence of the valuation methodology and assumptions used; • verifying, notably in the valuation reports, the qualifications, certifications and independence of external appraisers; • analyzing the changes in fair value of each investment property and assessing the basis with respect to market changes and the rental situation of the building; • analyzing the methods for estimating fair values and the valuation assumptions adopted by the independent experts, notably return rates and market rental values, and reviewing sensitivity analyses; • substantiating the main information provided by the Company to independent experts with the rent schedule and investments; • comparing investment property amounts in the consolidated financial statements with independent experts' valuation; • assessing the appropriateness of the disclosures presented in Note 5 to the consolidated financial statements.

Key Audit Matters	Responses as part of our audit
Merger of Carmila S.A.S. by Carmila S.A. (formerly Cardety S.A.) *(Notes 3.2 to the consolidated financial statements)* In accordance with the merger agreement of April 4, 2017, approved by your Shareholders' Meeting on June 12, 2017, Carmila S.A.S. was merged into Carmila S.A. leading to the transfer of the actual value of all its assets and liabilities. From a legal point of view Carmila S.A.S. was merged into your company, Carmila S.A. From an accounting viewpoint, the merger operation is analyzed as a reverse acquisition: Carmila S.A.S. is the purchaser ("Accounting Acquirer") and your company is the acquired company ("Accounting Acquire") in application of IFRS principles. Accordingly, the Carmila S.A. consolidated financial statements have been prepared to include Carmila S.A.S.'s activity before the merger. The result of this acquisition is an increase in consolidated equity of €105.6 million and negative goodwill l of €6.6 million recorded in other financial income. At the acquisition date, the fair value of consideration transferred in the business combination has been determined on the basis of the number of shares that Carmila S.A. would have issued to Carmila S.A.S. shareholders to give them a comparable percentage in the consolidated group We have identified this topic to be a key audit matter given the unusual character of the reverse acquisition, the consequences of the fair value determination and the overall consolidated financial statement presentation.	We have assessed the compliance of the accounting treatment applied by the Company to IFRS accounting principles and the pertinence of the disclosures presented in Note 3.2 to the financial statements. Our work notably consisted in: • assessing the factual elements considered and the pertinence of the analysis of the transaction carried out by Carmila S.A. which led it to consider that it meet the definition of a reverse acquisition; • assessing the fair value of consideration transferred determined at the acquisition date; • comparing the accounting entries of the reverse acquisition with the statements of your company at the acquisition date and with the merger-related documents; • comparing the basis of the calculation for the negative goodwill with the merger agreement and accounts.

Verification of the information pertaining to the Group presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed statutory auditors of Carmila S.A. by the Shareholders' Meeting of June 25, 2010 for KPMG and June 25, 2009 for Deloitte & Associés.

As at December 31, 2017, KPMG was in its 8th year of uninterrupted engagement and Deloitte & Associés in its 9th year.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce),* our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Neuilly-sur-Seine, February 14, 2018

The Statutory Auditors

KPMG SA		Deloitte & Associés
Éric Ropert	Adrien Johner	Stéphane Rimbeuf
Partner	*Partner*	*Partner*

7.3 Carmila S.A.'s statutory financial statements at 31 December 2017

7.3.1 Carmila S.A.'s statutory financial statements

7.3.1.1 Balance sheet

(in thousands of euros)	Notes	31/12/2017	31/12/2016
ASSETS			
Intangible fixed assets		84	
Property, plant and equipment	4.1	127,891	95,503
Financial assets	4.2	4,528,978	437
Total fixed assets		**4,656,954**	**95,940**
Inventories and work in progress		0	0
Prepayments and advances paid to suppliers			
Trade receivables	4.3	4,051	3,566
Other receivables	4.3	417,099	2,204
Cash equivalent investments	4.4	160,659	
Prepaid expenses		63	
Cash	4.4	30,579	2,379
Total current assets		**612,451**	**8,149**
Debt issuance costs to be amortised			608
Bond redemption premiums		7,007	
TOTAL ASSETS		**5,276,411**	**104,698**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		810,360	25,900
Issuance premiums		493,991	37,526
Merger premium		1,827,680	
Retained earnings		10,779	10,746
Prior period unallocated income		13	7,161
Net income for the period		21,443	648
Regulatory provisions			
Shareholders' equity	**4.5**	**3,164,265**	**81,982**
Contingencies and provisions	**4.6**	**4,847**	**66**
Bonds and other financial debts	4.7	2,081,241	13,174
Trade payables	4.8	22,879	5,626
Other liabilities	4.8	967	1,648
Prepaid income	4.9	2,213	2,202
Total liabilities		**2,107,299**	**22,650**
TOTAL LIABILITIES & EQUITY		**5,276,411**	**104,698**

7.3.1.2 Income statement

(in thousands of euros)	Notes	31/12/2017	31/12/2016
Net revenues	5.1	7,095	5,964
Depreciation and provisions, reversal and expense transfers	5.2	3,987	912
Other income	5.3	3,326	2,190
Total operating income		**14,408**	**9,067**
Purchases and external expenses	5.4	-6,179	-4,425
Taxes	5.5	-690	-571
Allowances for depreciation and provisions	5.6	-5,007	-3,174
Other expenses		-435	-22
Total operating expenses		**-12,311**	**-8,192**
Operating income		**2,097**	**875**
Profit or loss transferred from investments		31	
Loss incurred or profit transferred			
Financial income		87,669	0
Financial expenses		-51,076	-51
Allowance for impairment and provisions		-7,599	
Net financial income/(expense)	**5.7**	**28,995**	**-51**
Current income before tax		**31,122**	**824**
Extraordinary income		205	268
Extraordinary expenses		-10,142	-296
Extraordinary profit/(loss)	**5.8**	**-9,937**	**-28**
Income tax		257	-149
NET INCOME FOR THE PERIOD		**21,443**	**648**
Net income for the period, per share *(in euros)*		**0.16**	**0.15**

7.3.2 Notes to the annual financial statements

Note 1 Company's business

Carmila S.A. (formerly Cardety S. A) was formed in March 1991. Its corporate purpose is to acquire or build properties for commercial use or for leasing in France and abroad, as well as to directly or indirectly hold interests in companies with the same corporate purpose. It is a real estate company involved in managing and enhancing the value of shopping centres and retail parks anchored or operated directly or indirectly by Carrefour group stores.

The Company's registered office is at 58, avenue Émile-Zola, 92100 Boulogne-Billancourt, France.

The annual financial statements were approved by the Board of Directors meeting on 14 February 2018 for submission for the approval of the General Shareholders' Meeting to be held on 16 May 2018.

The Company opted for the "SIIC", or listed real estate investment company, regime in France at 1 January 2015. As such, it must distribute 95% of its rental income and 60% of the capital gains on disposals of properties. This regime is considered to be a specific tax exemption status and not one that offers a lower rate of tax on distributed earnings. In return, the beneficiary is taxed on the distributed profits at the tax rate applicable to the beneficiary, without any the possibility of applying the parent subsidiary allowance.

Note 2 Accounting policy

The Company's statutory financial statements have been prepared and presented in accordance with the policies and methods defined by French Accounting Standards Board Regulation ANC 2016-07, approved by the Order of 4 November 2016.

Generally accepted accounting principles have been applied, in compliance with the cautions ness principle, according to the general rules for the preparation and presentation of annual financial statements and with the following basic assumptions:

- going concern;
- independence of financial years;
- consistency of accounting policies.

The measurement basis used to prepare the financial statements is the historic cost method.

The measurement basis and accounting policies have not changed relative to the prior year. The annual financial statements are shown in thousands of euro, rounded to the nearest thousand.

Note 2.1 Property, plant and equipment

Property, plant and equipment are stated on the balance sheet at their acquisition cost, plus the ancillary costs and expenses incurred to acquire the asset, particularly.

When fixed assets includes significant components with different useful lives, they are recognised separately.

The costs to replace or renew a fixed assets are recognised as a separate asset, and the replaced asset is eliminated. Other costs incurred subsequently for fixed assets are only recognised as fixed assets when they improve the condition of the asset and expand its capacity relative to its original performance.

A tangible asset is impaired when the future economic benefits associated with the asset are less than its recorded value. Impairment is calculated by comparing the net book value of the asset with the higher of the usage value or the market value.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life, as follows:

- buildings:
  - buildings: 40 years,
  - ground works: 10 years,
  - car parks: 6 years 2/3;
- fixtures: 16 years;
- other fixed assets: 4 to 10 years.

Capital expenditures for works in progress are recognised cumulatively per project. They are not amortised until the project has been commissioned and reclassified to fixed assets accounts.

Note 2.2 Financial assets

Financial assets essentially comprise equity investments and related receivables, loans and other financial assets.

They are recognised on the balance sheet at their acquisition cost on the date of acquisition.

Equity interests are impaired when their current value is less than their acquisition cost. The current value of the equity interests is their fair value in based on the net asset valuation.

The net assets value in real estate companies is determined appraisals of investment property by independent experts, based on information specific to the asset and the market rate of return.

Loans and other financial assets are recorded at their face value. A provision for impairment is recognised when the current value is lower than the book value.

Where relevant, impairments are recognised in net financial income/expense, including reversals of impairments on disposal of an equity interest, where relevant. The proceeds from the disposal of equity interests are recognised in extraordinary income/(loss).

Note 2.3 Receivables

Receivables are recognised at face value. They comprise rent receivables and the debtor balance of subsidiaries' current accounts.

A depreciation allowance is recorded when there is uncertainty on their receivable collection.

Note 2.4 Cash equivalent investment

Capital gains recognised on disposals of investment securities are calculated according to the first in, first out (FIFO) method. At 31 December, mutual fund units are measured at market value, or the last known net asset value.

The Company's treasury shares, acquired under a share liquidity contract, are shown at cost and impairment is recognised if the carrying amount is higher than the average market share price for the month of December.

Note 2.5 Provisions

Provisions are established to cover clearly identifiable risks and expenses, for which timing or amount is uncertain, made probable by events that have occurred, and it is likely that these events will result in an outflow of resources to a third party by virtue of a legal or implicit obligation, without receiving at least equivalent consideration, and where the amount of risk or expense can be estimated with sufficient reliability.

A provision is recognised for share payment bonus plans, once it is probable or certain that the obligation to grant existing shares to employees will generate an outflow of resources without receiving at least equivalent consideration.

When the assignment of shares or stock options is conditional upon the presence of the beneficiary the Company's employ for a determined future period, a consideration is to be given, such as in the case of corporate officers. Insuch cases, the liability is recognised in the form of a provision, accrued over the period during which services are rendered by the beneficiary.

In 2016, Carmila S.A.S. implemented a bonus share plan for its senior executives and some of its employees, authorised by the General Shareholders' Meeting of 14 April 2016. It includes:

- a bonus share plan requiring employment on 31 December 2017;
- a bonus share plan requiring (i) employment until 15 June 2018 and (ii) subject to the following performance criteria, equally weighted at 50%:
  - change in the total shareholder's return for 2017 based on the triple net adjusted value (NNNAV EPRA), compared to a panel of comparable real estate companies,
  - Carmila Group consolidated "Recurring Earnings Per Share" compared to the original subscription share price.

The potential number of shares under these plans at the outset was:

	Plan Presence 2016	Plan Performance 2016
Corporate officers	21,536	26,495
Beneficiaries in France	25,526	47,664
Beneficiaries outside France	9,599	15,181
TOTAL	**56,661**	**89,340**
Entitlements cancelled	-2,399	-4,131
Corporate officers	21,536	26,495
France	23,127	43,533
Outside France	9,599	15,181
TOTAL AT 31 DECEMBER 2017	**54,262**	**85,209**
Unit fair value *(after factoring in the merger, in euros)*	21.39	20.97
Maximum cost for this fair value (*in thousands of euros*)	1,161	1,787

The Shareholders' Meeting of 14 April 2016 granted authority to establish a new share payment bonus share plan for senior executives and employees of Carmila S.A.S. The plan was set up on 12 June 2017, prior to the merger, for the senior executives and employees of Carmila S.A.S. Group for a total allocation of 96,988 shares. The plan stipulates (i) continued employment in the Company until the end of the vesting period, and the following performance criteria.

For 50% of the shares:

- change in the total shareholder's return in 2018 (based on the triple adjusted net asset value (NNNAV EPRA), versus the prior period compared to a panel of comparable real estate companies;
- Carmila Group is consolidated recurring earnings per share in 2018, compared to the original subscription share price, converted according to the exchange parity that applied on the date of the merger between Carmila and Cardety.

And for 50% of the shares:

- change in the total shareholder's return in 2019 (based on the triple net adjusted asset value (NNNAV EPRA), versus the prior year compared to a panel of comparable real estate companies;
- Carmila Group consolidated recurring earnings per share in 2019, compared to the original subscription share price, converted according to the exchange parity that applied on the date of the merger between Carmila and Cardety.

	Plan performance in 2017
Corporate officers	36,205
France	43,785
Outside France	16,998
TOTAL	**96,988**
Unit fair value *(after factoring in the merger, in euros)*	24.68
Maximum cost for this fair value *(in thousands of euros)*	2,394

Pursuant to applicable law, as of the date of the merger, the Company is automatically substituted for Carmila S.A.S., the acquiree, with respect to its obligations to the beneficiaries of share payment plans.

Grants may be made by allocating existing or newly issued shares.

Note 2.6 Financial liabilities

Financial liabilities are recognised at face value. However, during the merger of Carmila S.A.S. with Cardety S.A., financial liabilities were added to the acquirer's liabilities, adjusted to their current value to take account of:

- the unrealised loss on hedging instruments in the amount of €22,113 thousand;
- the unrealised loss on fixed-rate bonds expressed at their market value at 31 December 2016, as a result of persistent low interest rates in the period, in the amount of €23,834 thousand.

These adjustments for a total of €45,947 thousand are recognised in income/(loss) on a straight-line basis for the remaining term of the debt or the underlying instrument. Thus, €4,408 thousand was recognised in income in 2017.

Debt issuance costs are expensed in the year in which the debt was issued.

Interest rate hedges are intended to limit the impact of interest rate fluctuations on variable rate debt. The Company uses over-the-counter financial instruments with top-tier bank counterparties for these hedges. The instruments used are primarily interest rate swaps and options. Income/(loss) on these instruments are recognised symmetrically to income/(loss) on the underlying debt.

As the ultimate parent entity, the Company provides almost all of the Group's financing and manages interest-rate risk centrally.

Note 2.7 Operating liabilities and other liabilities

Trade accounts payable and other payables are recorded at cost.

Note 2.8 Extraordinary income/(loss)

Extraordinary income/(loss) comprises:

- gains or losses on disposals of assets;
- income or expenses arising from events or transactions that are clearly outside the normal course of the Company's business and which are unusual or infrequent. Accordingly, in 2017, extraordinary expenses include the costs directly attributable to the merger;
- the restructuring and consolidation expenses incurred by the Company for acquisitions.

Note 3 Significant events during the financial year

Note 3.1 Merger with Carmila

Cardety S.A. and Carmila S.A.S. announced their proposed merger through the integration of Carmila S.A.S. into Cardety S.A. to create a major real estate company engaged in managing and developing leading shopping centres in France, Spain and Italy, backed by its strategic partnership with the Carrefour group. Under the terms of the merger, the assets and liabilities of Carmila S.A.S. were transferred to Cardety S.A. on 12 June 2017, the effective date of the merger, in their condition on that date and including all Carmila's assets, properties, rights and securities, without exception or reservations, as well as all liabilities and obligations.

Pursuant to the provisions of Article L. 236-4 of the French Commercial Code, following its approval, the merger was effective retroactively to 1 January 2017. In addition to all assets and liabilities of the acquiree at 12 June, the results of all transactions carried out by the acquiree from 1 January to 12 June 2017 were contributed to Cardety as profits or losses.

In accordance with applicable regulations, the merger took place as a transaction between two companies under separate control and does not entail a takeover by the acquirer, Cardety S.A. Carmila S.A.S.'s assets and liabilities were contributed on the basis of their fair value at 31 December 2016. The portfolio of Carmila S.A.S.'s equity interests has been adjusted to account for the fair value of each asset on the basis of the inventory of investment properties prepared by independent experts at 31 December 2016. Financial liabilities were restated at market value (see Note 2.6) at 31 December 2016. The net asset value was also adjusted to take in account of the premium distribution which took place during the intervening period from 1 January 2017 and the merger completion date, 12 June.

When the net assets were determined, the exchange ratio certified by the independent merger appraisers and approved by the shareholders was 1 new Carmila S.A. share for 3 Carmila S.A.S. shares. The issuance of 104,551,551 shares of Carmila S.A. (formerly Cardety S.A.), at a par value of €6, in consideration for the contribution gave rise to the recognition of a merger premium in the amount of €1, 928,898 thousand. These new shares were listed on 14 June 2017 in Compartment C of the Euronext Paris regulated market under ISIN code FR0010828137 (Mnemonic code CARM).

On completion of the merger the outstanding shares of Carmila S.A. (formerly Cardety S.A.) totalled 108,868,229. In addition, following the bonus share payment plans approved in 2016 and 2017, the number of potential shares to be issued at 31 December 2017 was 236,459, which will finally vest, subject to meeting certain conditions, at 31 December 2017, or as applicable, at 15 June 2018, 12 June 2019 or 12 June 2020.

On the same date, 12 June, during an Extraordinary General Meeting, Cardety S.A.'s shareholders voted to change the company name from Cardety S.A. to Carmila S.A.

Note 3.2 Capital increase

In July 2017, Carmila successfully completed a capital increase to finance the development plan of the Group for 2017-2020.

- The final amount of the capital increase was €628.6 million, comprising a placement of new shares: €503,000 thousand, with the issuance of 20,958,334 new shares at €24.00 each; over-allotment option exercised almost in full: €73,632 thousand, with the issuance of 3,067,982 new shares at €24.00 each.
- Exercise of share purchase warrants: €51,972 thousand, including €50,000 from Carrefour's subscription to the transaction, leading to the creation of 2,165,484 new shares at an issue price of €24.00.

The proceeds from the capital increase and from exercising the over-allotment option are intended to finance Carmila's 2017-2020 business plan, specifically a program of 37 extension projects, targeted acquisitions and the roll-out of an innovative marketing and digital strategy.

In all, these capital increases, subscribed at a unit share price of €24.00, resulted in the creation of 26,191,800 new shares at a par value of €6.00 each, with €157,151 thousand recognised in the capital account and an issue premium of €471,452 thousand. The expenses, fees, commission and other direct costs incurred for the placement were recognised as a €14,650 deduction from the issue premium.

Note 4 Notes to the balance sheet

Note 4.1 Property, plant and equipment

	2017			2016		
(in thousands of euros)	**Gross value**	**Amort/ depreciation**	**Net value**	**Gross value**	**Amort/ depreciation**	**Net value**
Intangible fixed assets	245	161	84			
Land	58,616		58,616	58,308		58,308
Buildings	40,077	7,625	32,453	37,489	5,122	32,367
Fixtures, fittings and equipments	843	396	447	818	266	552
Advances & prepayments	679		679	405		405
Works in progress	35,697		35,697	3,870		3,870
TOTAL	**136,157**	**8,182**	**127,975**	**100,891**	**5,388**	**95,503**

In 2017, the Company pursued projects included in its pipeline:

- Rambouillet, 4,842 sq.m extension to the existing shopping centre bringing it up to 44,285 sq.m, for an investment of €9.1 million;
- Saint-Egrève, 2,557 sq.m extension to the existing shopping centre bringing it up to 9,684 sq.m, for an investment of €3.3 million.

These two projects are still in progress.

Other projects are also underway, such as the Saran retail park, which accounts for the bulk of works in progress, or have recartly been started, such as Besancon Chalezeule.

Note 4.2 Financial assets

	2017			2016		
(in thousands of euros)	Gross value	Amort/ depre prov.	Net value	Gross value	Amort/ depre prov.	Net value
Equity interests	2,632,307	1,556	2,630,751	0	0	0
Security deposits	2	0	2	2	0	2
Other	1,898,225	0	1,898,225	435	0	435
TOTAL	**4,530,534**	**1,556**	**4,528,978**	**437**	**0**	**437**

(in thousands of euros)	Equity interests	Treasury shares	Lessee security deposits	Other	Total
Net value on 1 January	**0**	**206**	**0**	**231**	**437**
Carmila mergers	2,631,507	0	2	0	2,631,509
Increase	800	5,861		1,895,342	1,902,003
Disposals		-3,415			-3,415
Impairment provisions	-1,556				-1,556
Provision reversals					0
Net value on 31 December	**2,630,751**	**2,652**	**2**	**1,895,573**	**4,528,978**

Financial assets essentially comprise equity interests in French, Spanish and Italian subsidiaries for a total of €2,632,307K, which are detailed in the Subsidiaries and related holdings table (Note 7.3).

Other financial assets mainly comprise loans to subsidiaries, detailed in the Subsidiaries and other equity interests (see Note 7.3 below). This line also includes Carmila shares purchased under a share liquidity contract.

Transactions in the Company's share capital in 2017:

- 248,731 shares were purchased at an average price of €23.94 per share;
- 145,791 shares were sold at an average price of €24.16 per share.

Treasury shares totalled 113,739 at 31 December 2017 for a cast of €2,652 thousand.

Note 4.3 Trade receivables

(in thousands of euros)	2017	Of which less than 1 year	Of which more than 1 year	2016	Of which less than 1 year	Of which more than 1 year
Trade receivables	4,439	3,571	868	3,738	3,663	75
Impairment/losses in value	-388	-388		-172	-97	-75
TOTAL	**4,051**	**3,183**	**868**	**3,566**	**3,566**	**0**

Trade accounts receivables increased 19% to €4,439 thousand at 31 December 2017, which is close to the increase in revenue.

(in thousands of euros)	2017	Of which less than 1 year	Of which more than 1 year	2016	Of which less than 1 year	Of which more than 1 year
Tax and social security receivables	5,046	5,046		1,370	1,370	
Current accounts with subsidiaries	412,185	412,185				
Other receivables	1,078	1,078		834	834	
Impairment provision	-1,210	-1,210				
TOTAL	**417,099**	**417,099**	**0**	**2,204**	**2,204**	**0**

Tax receivables relate mainly to VAT.

Following a decision by the French Constitutional Council invalidating the 3% tax on dividends, the Company claimed back the payments made to the tax authorities for 2014, 2015, 2016 and 2017 and recorded a €450 thousand receivable.

Note 4.4 Cash and cash equivalent investments

(in thousands of euros)	2017	2016
Mutual funds (OPCVM)	160,659	
Cash	30,579	2,379
TOTAL	**191,238**	**2,379**

Capital gains recognised on disposals are calculated on a (FIFO) basis.

Cash comprises the balance of Carmila S.A.'s bank accounts at 31 December 2017.

Note 4.5 Shareholder's equity

(in thousands of euros)	01/01/2017	Allocation of 2016 income	Merger Carmila at 1 January 2017	Payment of Dividends	Capital increase	Income 2017	31/12/2017
Capital	25,900		627,309		157,151		810,360
Issuance premiums	37,526			-338	456,802		493,990
Merger premium			1,928,898	-101,218			1,827,680
Retained earnings	10,746			32			10,779
Prior period unallocated income	7,161	648		-7,796			13
Net income for the period	648	-648				21,443	21,443
Regulatory provisions	0						0
TOTAL	**81,982**	**0**	**2,556,208**	**-109,320**	**613,953**	**21,443**	**3,164,265**

The share capital consists of 135,060,029 shares with a par value of €6 each.

A dividend paid out in April 2017, before the merger, was deducted from retained earnings. A distribution of the premium was carried out in November 2017 by deduction from the merger premium.

The capital increase is detailed in 3.2: Capital increase

The carrying amount of Carmila treasury shares at 31 December 2017 was 113,739 shares at €23.32 each.

Note 4.6 Contingencies and provisions

(in thousands of euros)	31/12/2016	Provisions during the fiscal year	Reversals during the financial year		31/12/2017
			Used	Unused	
CONTINGENCIES AND LOSS PROVISIONS					
Land tax accrual	34				34
2016 provision for retirement benefits	32			-32	
Provisions for financial risks		4,813			4,813
IMPAIRMENT					
Besançon site	344			-26	318
Trade receivables	172	253		-37	388
Misc. risks		5,101		-3,891	1,210
Equity interests		1,556			1,556
TOTAL	**582**	**11,723**	**0**	**-3,986**	**8,319**

Provisions for contingent liabilities includes a provision for financial risk of €4,783 thousand that is to be used for the buyback of Treasury shares, particularly in view of serving the share payment bonus plans.

Note 4.7 Bonds and other financial debts

(in thousands of euros)	2017	2016
Bonds	1,200,000	
Loans and borrowings from banks	819,958	12,122
Commercial paper	60,000	
Short-term loans and overdrafts		
Lessee Deposits	1,283	1,052
Debts with associates		
TOTAL	**2,081,241**	**13,174**

Debt maturity dates

(in thousands of euros)	2017	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds – non-current	1,200,000					1,200,000
Loans from banks – non-current	819,958	16,123	7,618	7,618	6,160	782,439
Other loans and similar debt – current	60,000	60,000				
Security deposits	1,283	212	178	304	304	285
BANK AND BOND BORROWINGS	**2,081,241**	**76,335**	**7,796**	**7,922**	**6,464**	**1,982,724**

The Company radically restructured its debt during 2017.

Debt restructuring during the merger

The €80.0 million bank credit line, agreed on 18 July 2016, was repaid on 12 June 2017.

The Company took over the acquiree's two bond issues, following the two mandatory General Meetings that gave consent to the transfer of the debt to the acquirer on 24 May 2017. These are:

- a bond maturing in 2023 ("2023 bonds"): the bonds were issued on 18 September 2015 for a nominal value of €600 million, with a coupon of 2.375% and interest payment dates on 18 September of each year. The bonds mature on 18 September 2023;
- a bond maturing in 2024 ("2024 bonds"): the bonds were issued on 24 March 2016 for a nominal value of €600 million, with a coupon of 2.375% and interest payment dates on 16 September of each year. The bonds mature on 16 September 2024.

The bonds represent senior Company debt. They do not provide for guarantees or security.

The bonds are listed on Euronext Paris.

On 16 June 2017, the remaining balance of the syndicated loan, set up initially on 17 September 2014 by the acquiree, for €620 million and maturing on 16 September 2019, was repaid. The remaining balance at 12 June 2017 was €90.0 million. The drawn down portion of Tranche A of this loan was originally €496.0 million, but the Company made several partial repayments in 2016 for a total amount of €406.0 million.

On 16 June 2017, the Company signed an amendment to the acquiree's syndicated loan agreement of 15 December 2013, initially for €1,400.0 million, of which €1,050.0 million in Tranche A was drawn down and a revolving credit facility. The amount drawn down on this loan was €753.8 million at 12 June 2017.

Through an amendment, the drawn-down amount was adjusted to €770.0 million and the revolving credit facility was cancelled. The maturity date of this loan agreement was extended by five years, to 16 June 2022.

The set-up costs of this loan restructuring, including the new revolving credit lines described below, totalled €5.9 million over the period. An early redemption fee amounting to 1.3 million euros was recognised as a financial expense.

The Company is careful to diversify its sources of funding and their maturities, and has set up a commercial paper programme for a maximum amount of €600 million. A new programme for an equivalent amount was filed by the merged company with the Banque de France on 29 June 2017. The commercial paper outstanding at end of December 2017 amounts to €60 million. This programme is backed by revolving credit facilities with top-tier banks under the loan agreements entered into on 16 June 2017 (see Note 7.2 "Commitments received").

Debt structure at 31 December 2017

Gross debt amounted to €1,970 million at 31 December 2017 and is comprised of the following two elements:

- €1,200.0 million in bonds; and
- €770.0 million in bank debt.

The Carmila Group also used €60.0 million of its commercial paper programme out of a maximum amount of €600 million.

Besides bonds and liabilities to banks, this account also includes an adjustment resulting from the contribution of the actual value of financial liabilities dated 31 December 2016. This €45,947 thousand adjustment will be recognised in income/(loss) the period covered by the underlying debt or over derivative instruments. After paying down €4,408 thousand in 2017, the remaining balance is €41,539 thousand (see Note 2.6 above).

Interest-rate risk management

The Company is exposed to the risk of a change in interest rates on its variable-rate borrowings. The aim of the interest-rate risk management policy in place is to limit the impact of from changes in interest rates on current and future income and cash flows using interest rate derivative products such caps or swaps.

The fixed-rate position stood at 79% of gross debt at 31 December 2017. The position includes swaps for a notional amount of €560 million. These hedging instruments qualify as cash-flow hedges. The total fair value of hedging instruments came out at -€14,189 thousand at 31 December 2017. A 0.50% increase in rates would result in an increase in the fair value of +€16,165 thousand. Conversely, a 0.50% fall in the rates would lead to a loss on the position of -€16,813 thousand.

Note 4.8 Trade payables

(in thousands of euros)	2017	Of which less than 1 year	Of more than 1 year and less than 5 years	Of which more than 5 years	2016	Of which less than 1 year	Of which more than 1 year and less than 5 years	Of which more than 5 years
Trade and other accounts receivable	21,558	21,558			5,627	5,626		
Tax and employee-related payables	1,321	1,321			1,632	1,632		
Other payables	967	967			81	16	65	
TOTAL	**23,845**	**23,845**	**0**	**0**	**7,274**	**7,275**	**65**	**0**

Trade accounts payable are essentially made up of fixed assets suppliers related to current projects under development.

Note 4.9 Prepaid income

Prepaid income consists of rent invoiced in advance.

Note 5 Notes to the income statement

Note 5.1 Net revenues

Revenue is primarily made up of rents invoiced to lessees of shopping centres owned by Carmila.

Revenue was up 19% from €5,964 thousand to €7,095 thousand. This increase stems from the new revenue generated by the delivery of extensions to existing sites (Saint-Egrève, Rambouillet) and full-year revenues from the Massena portfolio of six shopping centres acquired during the 2016 financial year.

Note 5.2 Depreciation and provisions reversals and expense transfers

Reversals of provisions concern various risks.

Note 5.3 Other income

Other income mainly concerns rebilling to tenants of co-ownership charges for €1,304 thousand and rebilling of €1,074 thousand in personnel costs to Almia Management.

Note 5.4 Purchases and external expenses

(in thousands of euros)	2017	2016
Purchases and subcontracting	-2,067	-89
Salaries	-746	-179
Social charges	-80	-85
Fees	-2,950	-1,103
Insurance		-43
Bank services	-227	-573
Other	-109	-2,354
TOTAL	**-6,179**	**-4,425**

Purchases and external expenses mainly comprise the following:

- salaries and benefits (€826 thousand) relating to the personnel employed by Carmila up to July 2017, as well as compensation paid to corporate officers;
- fees (€2,950 thousand) paid in consideration:
  - legal counsel and Statutory Auditors' services,
  - financial communication expenses as a result of the listing.

Note 5.5 Taxes

(in thousands of euros)	2017	2016
Waste removal tax	-83	-153
Land tax	-590	-370
Value-added contribution	4	-26
Miscellaneous taxes	-21	-22
TOTAL	**-690**	**-571**

Note 5.6 Allowance for depreciation and provisions

(in thousands of euros)	2017	2016
Depreciation and amortisation	-3,316	-2,675
Provisions	-1,691	-499
TOTAL	**-5,007**	**-3,175**

Note 5.7 Financial income/(expense)

(in thousands of euros)	2017	2016
Allowance for impairment and provisions for financial assets	-7,599	
Interest expense	-51,076	-51
Dividends received	44,228	
Interest on commercial paper	176	
Interests on loans to subsidiaries	33,388	0
Other interest income	4,877	
TOTAL	**28,995**	**-51**

Interest expense includes €28,500 thousand in interest on two bond issues, interest on bank borrowings, interest on swaps for €5,521 thousand, and credit issuance costs for €7,166 thousand.

Financial income consists primarily of dividends received from subsidiaries in the amount of (€44,228 thousand) and interest income received on loans to subsidiaries (€38,388 thousand).

Note 5.8 Extraordinary income/(loss)

(in thousands of euros)	2017	2016
Extraordinary loss on financing operations	-9,956	-3
Extraordinary loss on management operations	-185	-292
Extraordinary gain on capital operations	19	3
Extraordinary gain on management operations	185	265
TOTAL	**-9,937**	**-27**

The €9,956 thousand extraordinary loss relate mainly to the costs incurred for the merger in the amount of €6,015 thousand and to an extraordinary loss for which moreover a prior period provision was reversed.

Note 6 Associates

CARMILA VIS-À-VIS ITS SUBSIDIARY CARMILA FRANCE

Assets		Liabilities	
Fixed assets	2,131,604	Financial liabilities	
Receivables	1,501,563	Operating debts	
		Miscellaneous liabilities	
TOTAL ASSETS	**3,633,167**	**TOTAL LIABILITIES**	**0**

Expenses		Income	
Operating expenses		Operating income	
Financial expenses	391,064	Financial income	63,987
TOTAL EXPENSES	**391,064**	**TOTAL INCOME**	**63,987**

CARMILA VIS-À-VIS ITS SUBSIDIARY CARMILA SPAIN

Assets		Liabilities	
Fixed assets	315,248	Financial debt	
Receivables	664,085	Operating debts	
		Miscellaneous liabilities	
TOTAL ASSETS	**979,333**	**TOTAL LIABILITIES**	**0**

Expenses		Income	
Operating expense		Operating income	
Financial expenses		Financial income	16,214
TOTAL EXPENSES	**0**	**TOTAL INCOME**	**16,214**

CARMILA VIS-À-VIS ITS SUSIDIARY CARMILA ITALY

Assets		Liabilities	
Fixed assets	183,654	Financial debt	
Receivables	139,640	Operating debts	
		Miscellaneous liabilities	
TOTAL ASSETS	**323,294**	**TOTAL LIABILITIES**	**0**

Expenses		Income	
Operating expense		Operating income	
Financial expenses		Financial income	2,415
TOTAL EXPENSES	**0**	**TOTAL INCOME**	**2,415**

Note 7 Off-balance-sheet commitment

Note 7.1 Commitments awarded

Bank covenants

At 31 December, Credit agreements for a total initial principal amount of €770.0 million, which was drawn down in full at 31 December, and €759.0 and €250.0 in committed facilities, agreed between the Company and the lender Banks, are subject to compliance with the following covenants based on the consolidated financial statements:

- Interest Cover: the ratio of EBITDA to the net cost of financial debt must be greater than 2.00 on the test date;
- Loan to Value: the ratio of consolidated net financial debt to the fair value of investment properties, including transfer costs, may not exceed 55% on the same date (with the possibility for exceeding this ratio for one half-year, up to a maximum of 0.60);
- security interests granted may not exceed 20% of the total fair value of the investment properties;
- and this total value may not be less than €2,500,000 thousand.

Failure to comply with these covenants entitles the lenders to demand early repayment of their facilities.

At 31 December 2017, the Group complied with the applicable prudential ratios.

Notional outstanding amounts on derivative instruments on the closing date by maturity

(in millions of euros)	31/12/2017	< 1 year	1 to 5 years	> 5 years
Interest rate swap (Carmila pays a fix rate)				
Against Euribor/E/360 quarterly fixed-rate	560	0	275	285
Interest rate options (caps)				
Outstanding	300	0	300	0

Fair value of derivative instruments on the closing date

(in millions of euros)	31/12/2017
Interest rate swap (Carmila pays a fix rate) *(in millions of euros)*	
Euribor 3M/E360 quarterly fixed-rate	14.2
Interest rate options (caps)	0

The Group's interest rate hedging policy uses swaps to hedge against higher interest rates on its floating-rate debt over time. On an outstanding amount of €830 million in floating-rate debt at 31 December 2017, the Company has €560 million in swaps, of which €150 million only take effect in 2018. It also has €300 million in caps adjusted to the fair value through profit or loss at 31 December 2017.

Note 7.2 Commitments received

The Company has €1,009.0 million in committed facilities (a revolving credit facility), which has not been drawn down, and is available under the terms of two loan agreements entered into on 16 June 2017. The first agreement for €759.0 million matures in September 2022, and the second for €250.0 million in September 2020.

Note 7.3 Subsidiaries and other equity interests

(in thousands of euros)	Share capital	Shareholders equity other than share capital	Capital held *(%)*	Gross book value of shares	Net book value of shares	Last statutory result	Loans and advances not yet paid	Deposits and guarantees given	Turnover excluding VAT	Dividends received
A- DETAILED INFORMATION										
1. Subsidiaries (more than 50% owned)										
France										
Carmila France	606,193	1,277,998	100%	2,131,604	2,131,604	44,632	1,093,034	0	135,618	44,228
Total				**2,131,604**	**2,131,604**	**44,632**	**1,093,034**	**0**	**135,618**	**44,228**
Abroad										
Carmila Espagne	132,259	-15,994	100%	315,248	315,248	7,318	660,000	368	51,074	0
Carmila Italie	15,730	141,185	100%	183,654	183,654	587	140,100	3,000	0	0
Total				**498,902**	**498,902**	**7,905**	**800,100**	**3,368**	**51,074**	**0**
2. Investments (between 10% and 50% owned)										
France										
Abroad										
Total										
B- SUMMARIZED INFORMATION										
1. Other subsidiaries										
France				**1,801**	**1,801**					
Abroad				**0**	**0**					
Total				**1,801**	**1,801**					
2. Other investments										
France				**0**	**0**					
Abroad				**0**	**0**					
Total				**0**	**0**					
C- SUMMARY										
French subsidiaries and investments				2,133,405	2,133,405	44,632	1,093,034	0	135,618	44,228
Foreign subsidiaries and investments				498,902	498,902	7,905	800,100	3,368	51,074	0
TOTAL				**2,632,307**	**2,632,307**	**52,537**	**1,893,134**	**3,368**	**186,692**	**44,228**

Note 8 Consolidated financial statements

Carmila S.A. is the ultimate parent entity of the Carmila Group and prepares the Group's consolidated financial statements.

Note 9 Statutory Auditors' fees

The following fees were paid to the Statutory Auditors:

2017 (in thousands of euros)	KPMG	Deloitte	2017
Carmila S.A.'s and consolidated financial statements	132	76	208
Services other than certifying the financial statements – for Carmila S.A.[1]	402	62	464
TOTAL	**534**	**138**	**672**

(1) *These fees are mainly related to the services and work in connection with the Cardety-Carmila merger (comfort letters, report on pro forma information, report on forecasted information, report on CSR information) and within the scope of the transactions carried out on the share capital (comfort letter).*

Note 10 Subsequent event

On 2 February, Carmila announced the acquisition from Klépierre of two shopping centres Grand Vitrolles near Marseille and Gran Via de Hortaleza in Madrid for a total of €212.2 million.

The acquisitions will boost its portfolio with two leading shopping centres anchored by two high-powered hypermarkets.

7.3.3 Financial summary for the past five fiscal years

(data provided under the terms of Article R. 225-102 of the French Commercial Code)

	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013
SHARE CAPITAL AT YEAR-END					
Share capital	€810,360,174	€25,900,068	€15,938,508	€15,938,508	€5,312,836
Number of ordinary shares	135,060,029	4,316,678	2,656,418	2,656,418	2,656,418
TRANSACTIONS & INCOME					
Turnover excluding VAT	€7,095,000	€5,964,433	€4,305,178	€2,013,330	€752,957
Earnings before income tax, profit-sharing scheme and allowance for depreciation, amortisation, and provisions	€36,129,000	€3,971,538	€6,117,931	€23,571,861	€3,310,217
Income tax	€257,000	€-148,753	€-804,481	€-7,585,353	€-238,072
Profit-sharing scheme of the year	-	-	-	-	-
Earnings after income tax, profit-sharing scheme and allowance for depreciation, amortisation, and provisions	€21,443,000	€648,016	€2,794,241	€15,068,180	€2,621,774
AMOUNT DISTRIBUTED(1)					
• of which net income for the period:	€20,371,290.90	€615,604.66	€6,561,350.56	€3,559,600.12	-
• of which retained earnings:	€12,774.60	€7,161,187.57	-	-	-
• of which issue premium:	-	€338,562.41	-	-	€15,938,508
• of which merger premium:	€182,205,978.00	-	-	-	-
EARNINGS PER SHARE					
Earnings before income tax, profit-sharing scheme but before allowance for depreciation, amortisation and provisions	€0.20	€0.89	€2.00	€6.02	€1.16
Earnings after income tax, profit-sharing scheme and allowance for depreciation, amortisation, and provisions	€0.16	€0.15	€1.05	€5.67	€0.99
AMOUNT DISTRUBUTED PER SHARE(1)					
• of which net income for the period:	€0.15	€0.14	€0.65	€1.34	-
• of which retained earnings:	€0.00	€1.66	€0.87	-	-
• of which issue premium:	-	€0.08	-	-	€6.00
• of which merger premium:	€1.35	-	-	-	-
STAFF					
Average staff during the year	-	1.2	-	-	-
Payroll expenses for the fiscal year	€826,000	€263,654	-	-	-
Amount paid for social advantages	-	€6,876	-	-	-

(1) Regarding the 2017 fiscal year, must be approved by the Ordinary General Meeting of shareholders.

7.4 Management's report on Carmila S.A.

7.4.1 Key financial highlights for 2017

Key events during the 2017 financial year included the merger between Carmila S.A.S. and Cardety on 12 June, and the company name change to Carmila S.A. on the same date.

Cardety and Carmila S.A.S. signed a merger agreement on 4 April 2017. The merger creates a major listed real estate company dedicated to developing and enhancing the value of flagship shopping centres in France, Spain and Italy, by leveraging a strategic partnership with the Carrefour group, the benchmark food retailer and one of the world's leading retailers.

The new shares issued as a result of the merger were listed on 14 June 2017 on the Euronext Paris regulated market under ISIN code FR0010828137 (mnemonic code CARM). The company benefits from the special tax regime for listed property investment companies (SIIC). It is listed in Compartment A of Euronext Paris.

Carmila S.A.S. secured the approval to transfer the liabilities to Cardety from a qualified majority of bondholders for both bond issues (€600 million each, maturing on 18 September 2023 and 16 September 2024, respectively), convened in a first notice meeting on 24 May 2017. This agreement approval gave rise to payment of a €0.7 million fee to the bondholders.

Carmila also renegotiated its bank borrowings. It repaid all existing loans for a total of €21.6 million on 12 June and signed new loan agreements on 16 June for:

- a €770 million term loan maturing on 16 June 2022;
- two confirmed credit lines (the "Revolving Credit Facility"), the first for €759 million, maturing on 16 June 2022, and the second for €250 million, maturing on 16 June 2020.

Carmila also has a €600 million commercial paper program authorised by the Banque de France.

Carmila continued its interest rate hedging policy to protect itself against higher interest rates. In that respect, it purchased 11 interest rate swaps, including two forward swaps, for a notional amount of €560 million. Options in the portfolio, for a notional of €300 million and which are close to maturity, were disqualified as hedges during 2017.

7.4.2 Activity and earnings

Carmila S.A. plays a dual role since the Cardety S.A. – Carmila S.A.S. merger on 12 June 2017. It is responsible for the operational management of the 15 shopping centres it owns, and is also the holding and management company for the equity interests it holds in France and other countries.

Income from operations stood at €14.4 million.

- Rental activity, strictly speaking, contributed €6.5 million.
- The reversal of an extraordinary provision recorded as income for 3.8 million euros has its counterpart in expenses.
- Other income includes rebilling of rental expenses and services. The increase in this amount stems from invoicing management services due to the retroactive consolidation of the holding company's activities to 1 January 2017 (formerly an activity of Carmila S.A.S.).

Increase in rebilled rental expenses is partially offset by the 1.8 million euros rise in the other external costs. This rise is also linked to holding company fees, particularly financial and communication costs. This line item also includes personal costs, the bulk of which are rebilled, as explained in the previous paragraph.

Operating income totalled €2.1 million, up €1.2 million on the prior financial year. However, it is not strictly comparable as a result of the merger.

Financial income includes:

- income from rebilling of subsidiary loans and current accounts; and
- dividends received from subsidiaries. Carmila France paid €44.2 million in dividends to Carmila in 2017;
- moreover, the financial liabilities of the acquiree and its hedging instruments were contributed at their fair value on completion of the merger. In view of the continued decline in interest rates, the debt contributed was adjusted upwards. This increase will not result in an outflow of funds and is recognised in profit/(loss) for the remaining term of the debt. Thus €4.4 million in income was recognised for the financial year.

Financial expenses include interest on the bonds and bank borrowings, as well as allowances to financial provisions comprising:

- a provision of €4.8 million in respect of the share-based bonus plans; and
- a €1.6 million provision for impairment of equity interests in recorded to take account of Almia Management's as a result of the latter's operating loss.

In view of the dividends received from Carmila France, net financial gain/loss is a gain of €29.0 million.

Extraordinary profit/(loss) is a loss of €9.9 million, which included non-recurring merger expenses and an expense for which the reversal of provisions is recognised in operating income.

Net income for the financial year amounts to a profit of €21.4 million.

Trade payables by maturity

In accordance with the provisions of Article L. 441-6-1 of the French Commercial Code, the following table shows the balance of trade payables by maturity date:

Maturity *(in millions of euros)*	**Under 60 days**	**Over 60 days**
Overhead suppliers	0.0	0.1
Fixed asset suppliers	0.0	2.7
	0.0	**2.8**

7.4.3 Equity interests

Following the merger, the equity interests of Carmila France, Carmila Espana, Carmila Holding Italia and Almia Management were consolidated in Carmila's portfolio during the financial year.

7.4.4 Net income allocation

Shareholders will be asked at the Shareholders' meeting to be held on 16 May 2018 to approve the allocation of net income as follows:

Profit for the financial year	21,443,464.17
Prior period unallocated income	12,774.60
Distributable income	21,456,238.77
Allowance to legal reserve	-1,072,173.21
Dividends paid out of distributable income	-20,384,065.56
Balance of retained earnings after allocation	0.00

The total dividend distribution proposed for 2017 will be €1.50 per share, of which €0.75 per share was paid as an interim dividend in November 2017, and breaks down as:

Dividends paid out of distributable income	20,384,065.56
Dividends paid out of the merger premium	80,910,956.19
	101,295,021.75
Dividend paid out of the merger premium in November 2017	101,295,021.75
Total dividend distribution in respect of 2017 from which the dividends on treasury shares can be subtracted	**202,590,043.50**

In accordance with legal requirement, it is necessary to state the dividends, distributed in respect of the last three financial years which were as follows:

Year	**Euros/share**
2014	1.34
2015	1.52
2016	1.88

7.5 Auditors' Report on the statutory financial statements

Year ended December 31, 2017

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information specifically required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

To the Carmila S.A. Shareholders' Annual General Meeting

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying financial statements of Carmila S.A. for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities, and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1st, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of ethics *(Code de déontologie)* for statutory auditors.

Justification of assessments – key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements, accounts or items of the financial statements.

Key Audit Matters	Responses as part of our audit
Valuation of equity interests *(Notes 2.2, and 4.2 to the financial statements)* As of December 31, 2017, equity interests are recorded on the balance sheet for a net carrying amount of €2,631 million, or 50% of total assets. They are recorded as of their entry date at acquisition cost and impaired when their acquisition cost is greater than their book value. As indicated in Note 2.2 to the financial statements, the book value corresponds to the value in use, determined by taking into consideration revalued equity. Revalued equity of real estate companies is estimated based on valuations of investment property carried out by independent experts. The estimate of the value in use of equity interests is based on the fair value of the investment property held by the subsidiaries. The valuation of investment property is carried out by independent experts who take into account specific information of the assets as well as market returns. The valuation of equity interests is considered to be a key audit matter due to the importance: • of this account heading compared to total assets; • use of judgments of Management and independent experts to determine the fair value of investment property, • and, the sensitivity of these fair values to assumptions adopted by the experts.	To assess the reasonableness of the value in use estimates of equity interests, based on the information communicated to us, our work mainly consisted in: • verifying that the estimate of these values in use made by Management is based on an appropriate valuation method; • verifying the calculation of the share of the revalued equity which notably takes into account the underlying capital gains or losses on investment property. Our work relating to the valuation of investment property has mainly consisted in: • conducting interviews with independent appraisers and Management to assess the pertinence of the valuation methodology and assumptions used; • verifying, notably in the valuation reports, the qualifications, certifications and independence of external appraisers; • analyzing the changes in fair value of each investment property and assessing the basis with respect to market changes and the rental situation of the building; • analyzing the methods for estimating fair values and the valuation assumptions adopted by the independent experts, notably return rates and market rental values, and reviewing sensitivity analyses; • substantiating the main information provided by the Company to independent experts with the rent schedule and investments. We have also assessed the appropriateness of the disclosures presented in Note 2.2 to the financial statements.

Key Audit Matters	Responses as part of our audit
Merger of Carmila S.A.S. by Carmila S.A. (formerly Cardety S.A.) *(Notes 3.1 and 4.5 to the financial statements)* In accordance with the merger agreement of April 4, 2017, approved by your Shareholders' Meeting on June 12, 2017, Carmila S.A.S. was merged into Carmila S.A. leading to the transfer of the actual value of all its assets and liabilities. This net transfer of €2,556 million was detailed in a specific report by the asset transfer auditors and pursuant to an exchange ratio which resulted in the recognition of a capital increase of €627 million and a merger premium of €1,929 million. In accordance with the provisions of Article L.236-4 2° of the French Commercial Code, the merger had retroactive effect to January 1, 2017, such that correlatively, the results of all transactions carried out by Carmila S.A.S. as of January 1, 2017 until the completion date of the merger, were taken over by Carmila S.A. We have identified this topic to be a key audit matter given the impact of this transaction on the presentation of the accounts of your Company and on its equity (impact of €2,556 million).	We have assessed the compliance of the accounting treatment applied by the Company to French accounting principles and the pertinence of the disclosures presented in Note 3.1 to the financial statements. Our work notably consisted in: • assessing the factual elements considered and the pertinence of the analysis of the transaction carried out by Carmila S.A. which led it to consider that it meet the definition of a merger implying that the transfers were valued at actual value; • substantiating the accounting entries of the merger with the actual values of the assets and liabilities appearing in the merger agreement.

Verification of the management report and other documents provided to shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to shareholders with respect to the financial position and the financial statements.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance contains the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code *(Code de commerce)*.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Report on other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed statutory auditors of Carmila S.A. by the Shareholders' Meeting of June 25, 2010 for KPMG and June 25, 2009 for Deloitte & Associés.

As of December 31, 2017, KPMG was in its 8th year of uninterrupted engagement and Deloitte & Associés in its 9th year.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified by Article L.823-10-1 of the French Commercial Code *(Code de commerce),* the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluate the overall presentation of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular as description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) N° 537/2014, confirming our independence in the sense of the rules applicable in France as defined in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and or in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards

Paris-La Défense and Neuilly-sur-Seine, February 14, 2018

The Statutory Auditors

KPMG SA		Deloitte & Associés
Eric Ropert	Adrien Johner	Stéphane Rimbeuf
Partner	*Partner*	*Partner*

7.6 Statutory Auditor's special Report on regulated agreements and commitments

Annual General Meeting held to approve the financial statements for the year ended December 31, 2017

This is a free translation into English of the Statutory auditors' special report on regulated agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements and commitments reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Carmila S.A. Shareholders' Annual General Meeting

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the Annual General Meeting

Agreements and commitments authorized and/or entered into during the year

Pursuant to Article L. 225-40 of the French Commercial Code, the following agreements and commitments, entered into during the year and previously authorized by the Board of Directors, have been brought to our attention.

Underwriting and guarantee contract with BNP Paribas

Person concerned

C Commerce 2, whose permanent representative is Nathalie Robin, as a director and shareholder holding more than 10% of voting rights in the Company and controlled by Cardif Assurance Vie, in turn controlled by BNP Paribas.

Nature and purpose

The Board of Directors' meeting of June 23, 2017 approved the signature of an underwriting and guarantee contract with a group of financial institutions, including BNP Paribas, with a view to the placement of new shares totaling approximately €503 million, through share capital increase transactions.

Terms and conditions

Pursuant to the placement of new shares, this underwriting and guarantee contract dated July 6, 2017 provides that each financial institution, as guarantor, undertakes to (i) purchase free warrants from shareholders' selling warrants, (ii) exercise the free warrants sold by shareholders selling warrants and (iii) waive the exercise of free warrants purchased from shareholders selling warrants for the excess amount. This would enable them to subscribe for new shares for an amount equal to the amount of the placement and ensure that the shares placed are purchased, paid, subscribed and paid-up or purchase, pay, subscribe or pay-up such shares themselves, at the offer price at the settlement-delivery date.

The contract provides for the payment of remuneration to the financial institutions, notably comprising a base fee of 1.5% of the gross amount of the share capital increase, allocated between Guarantors pro rata to their guarantee commitments. In addition, the Company can decide to pay a discretionary fee of a maximum of 1.25% of the gross amount of the share capital increase.

BNP Paribas guaranteed 3.7% of the share capital increase and received total remuneration of €304,794.95.

Reasons justifying the agreement is in the Company's interest

In the Board of Directors' opinion, the underwriting and guarantee agreement was an inseparable part of the Company's share capital increase and in accordance with market practice and was therefore in the Company's interest.

Acquisition by the Company from Immobilière Carrefour of three lots and construction rights covering a total area of 1,477 m² with a view to the construction of a road link to the Saran retail park

Person concerned

CRFP 13 (company indirectly controlled by Carrefour SA), a shareholder holding more than 10% of the voting rights of the Company and with the same controlling shareholder as Immobilière Carrefour.

Nature and purpose

The Board of Directors' meeting of September 7, 2016 authorized the signature by the Company of a deed of acquisition for three lots and construction rights covering a total area of 1,477 m^2 with a view to the construction of a road link to the Saran retail park

Terms and conditions

The deed of acquisition was signed on November 30, 2017 with Immobilière Carrefour and comprises:

- the partial conversion of the acquisition price for the sections into an obligation to perform repair work on the existing car park on the premises, on behalf of Carrefour;
- the partial conversion of the acquisition price into an obligation to build a parking area on the land belonging to the Company and provision of access to this car park by granting an easement in favor of Immobilière Carrefour.

The construction rights were acquired from Immobilière Carrefour for a total consideration of €296,000 (excluding duties).

Reasons justifying the agreement is in the Company's interest

In the Board of Directors' opinion, this transaction is in the Company's interest as the land area is attractive and market terms and conditions were applied.

Agreements and commitments previously approved by Annual General Meeting

A. Previously approved agreements and commitments that remained in force during the year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by annual general meetings of prior years, remained in force during the year.

Warranty agreement covering the Mondevillage asset and Société du Centre Commercial de Lescar shares, in effect to June 12, 2017

Person concerned

CRFP 13 (company indirectly controlled by Carrefour SA), a shareholder holding more than 10% of the voting rights of the Company.

Nature and purpose

The Board of Directors' meeting of January 22, 2014 authorized the signature, on April 16, 2014, of a warranty agreement between the Company and Carmila S.A.S.

Terms and conditions

This warranty agreement sets out the Company's warranty and compensation obligations during the legal limitations periods pursuant to the sale to Carmila France, a wholly-owned subsidiary of Carmila S.A.S., of the Mondevillage asset and Société du Centre Commercial de Lescar shares.

This agreement expired on June 12, 2017, on the merger-absorption of Carmila S.A.S. by the Company.

Employment contract with Anne-Marie Aurières-Perrin, Development and Operations Director, in effect to June 12, 2017

Person concerned

Anne-Marie Aurières-Perrin, corporate officer of the Company as Deputy CEO until June 12, 2017.

Nature and purpose

The Board of Directors' meeting of September 7, 2016 authorized the signature of an employment contract with Anne-Marie Aurières-Perrin, corporate officer of the Company as Deputy CEO until June 12, 2017, for her technical expertise as Development and Operations Director of the Company.

Terms and conditions

The employment contract was signed on September 8, 2016 with retroactive effect from July 1, 2016 for an unlimited term. It provides for fixed and variable compensation and the provision of a company car.

Anne-Marie Aurières-Perrin received gross compensation pursuant to her employment contract for the period January 1 to June 12, 2017, during her term as a corporate officer, of €172,662.00.

Exclusive asset management and development mandate agreement with CPF Asset Management, in effect to June 12, 2017

Person concerned

CRFP 13 (company fully controlled by Carrefour SA), a shareholder holding more than 10% of the voting rights of the Company and a sister company of CPF Asset Management.

Nature and purpose

The Board of Directors' meeting of April 18, 2016 authorized the signature of an exclusive asset management and development mandate agreement covering the management of the Company's real estate assets and delegated project management.

Terms and conditions

This exclusive asset management and development mandate agreement, dated May 2, 2016, sets out the terms and conditions of the real estate asset management and development services to be provided by CPF Asset Management. It was entered into for a three-year period, automatically renewable for three years and provides for payment of the following fees:

- for asset management services, a fixed amount of €10,000, excluding taxes, per annum and per building,
- for delegated project management services, an amount equal to 4%, excluding taxes, of the net of tax amount of work and technical fees of service providers.

CPF Asset Management invoiced the Company €42,750, excluding taxes, in respect of this agreement for the period January 1 to June 12, 2017.

The mandate agreement was terminated early by the merger-absorption of Carmila S.A.S. by the Company, in accordance with the agreement of May 17, 2017. This agreement was authorized beforehand by the Board of Directors' meeting of March 31, 2017 and approved by the Combined Shareholders' Meeting of June 12, 2017 based on the Statutory Auditors' special Report of May 22, 2017.

Lease management and commercialization mandate agreement with Carrefour Property Gestion, in effect to June 12, 2017

Person concerned

CRFP 13 (company fully controlled by Carrefour SA), a shareholder holding more than 10% of the voting rights of the Company and a sister company of Carrefour Property Gestion.

Nature and purpose

The Board of Directors' meeting of April 18, 2016 authorized the signature of a lease management and commercialization mandate agreement covering the management of the private commercial premises of the Company's real estate properties which it owns or which it occupies pursuant to a construction or emphyteutic lease.

Terms and conditions

The lease management and commercialization mandate agreement, dated May 2, 2016, sets out the terms and conditions of the lease management and commercialization assignments entrusted to Carrefour Property Gestion comprising notably, the keeping of a rental schedule, the issue of lease expiry notices, revenue collection, negotiating rental terms and conditions and lease renewal and assisting the Company with leasing premises. The mandate agreement was entered into for a one-year period automatically renewable for a period of one year and provides for the following remuneration:

- for commercialization services, an amount equal to 15%, excluding taxes, of the guaranteed minimum rent stated in the signed lease and 10%, excluding taxes, of entry duties received for each lease signed,
- for rental management services, fixed annual remuneration, excluding taxes, equal to 2.5% of net annual rent received.

Carrefour Property Gestion invoiced the Company €49,248, excluding taxes, in respect of this agreement for the period January 1 to June 12, 2017.

The mandate agreement was terminated early by the merger-absorption of Carmila S.A.S. by the Company, in accordance with the agreement of May 17, 2017. This agreement was authorized beforehand by the Board of Directors' meeting of March 31, 2017 and approved by the Combined Shareholders' Meeting of June 12, 2017 based on the Statutory Auditors' special Report of May 22, 2017.

B. Agreements and commitments authorized during the year

We also been informed of the implementation, during the past year, of the following agreements and commitments, previously approved:

(a) by the Annual General Meeting of your Company held on June 12, 2017, based on the Statutory Auditors' special Report of May 22, 2017

Lease and asset management mandate agreement with Carrefour Property Gestion

Person concerned

CRFP 13 (company indirectly controlled by Carrefour SA), a shareholder holding more than 10% of the voting rights of the Company and a sister company of Carrefour Property Gestion.

Nature and purpose

The Board of Directors' meeting of March 31, 2017, authorized, subject to the condition precedent of the merger-absorption of Carmila S.A.S. by the Company, the conclusion of a lease and asset management mandate agreement, covering the lease and asset management of all real estate assets held by the post-merger Company, or occupied by the Company under a construction or emphyteutic lease.

Terms and conditions

This exclusive lease and asset management mandate agreement, dated May 17, 2017, sets out the terms and conditions of the real estate lease and asset management services to be provided by Carrefour Property Gestion. The agreement extends to December 31, 2020, commencing the effective date of the merger, and provides for payment of a fixed amount of 3.5% of the annual rents billed and collected, excluding taxes, expenses and insurance.

Carrefour Property Gestion invoiced the Company €85,907.36, excluding taxes, in respect of this agreement for the period June 13 to December 31, 2017.

(b) by the Annual General Meeting of Carmila S.A.S. held on June 12, 2017, prior to its merger-absorption by the Company

As part of the merger-absorption of Carmila S.A.S. by the Company on June 12, 2017, the Company assumed the rights and obligations of Carmila S.A.S. under the agreements approved by the latter's shareholders pursuant to Article L. 227-10 of the French Commercial Code.

Amendment to the Renovation and Development Agreement with Carrefour

Person concerned

CRFP 13 (company indirectly controlled by Carrefour SA), a shareholder holding more than 10% of the voting rights of the Company.

Nature and purpose

Wishing to implement a strategy designed to boost the appeal of shopping centers and optimize their value, Carmila S.A.S. and Carrefour (acting in their own name and in the name and on behalf of their subsidiaries), entered into a renovation and development agreement on April 16, 2014 (the "Renovation and Development Agreement").

On May 3, 2017, Carmila S.A.S. and Carrefour amended the Renovation and Development Agreement in order to:

- incorporate the new assets acquired by the Carmila Group in France, Italy and Spain since April 16, 2014 within the scope of assets covered by the Renovation and Development Agreement; and
- subject to the merger-absorption of Carmila S.A.S. by the Company, (i) incorporate the assets held by the Company and the principles applicable to the development and renovation transactions relating to these assets in the Renovation and Development Agreement, and (ii) extend the initial term of the Renovation and Development Agreement to December 31, 2027.

Terms and conditions

In this context, eight agreements were signed in 2017 between Immobilière Carrefour and several companies of the new Carmila Group. The transactions covered three standard sales, comprising construction rights and various lots, four sale before completion (VEFA) contracts, and a share purchase.

On June 9, 2017, the French property company (SCI), Centre Commercial de Lescar, acquired a lot and construction rights from Immobilière Carrefour as part of an extension project. On November 30, 2017, the Company acquired three commercial premises with a surface area of 1,477 m² from Immobilière Carrefour, as well as Carmila France, which also acquired a commercial surface area, both of which located at the Saran site. These three transactions were valued at €2.4 million, taxes included.

In addition, on December 22, 2017, the Company and Immobilière Carrefour signed a sale and purchase agreement (*promesse synallagmatique*), under which the Company undertakes to purchase and Immobilière Carrefour undertakes to sell a project to extend the Chalezeule (Besançon) site, under a VEFA contract, for an amount of €23.6 million, excluding taxes.

Carmila Crêche-sur-Saône S.A.S. and Carmila Evreux S.A.S. also purchased and Immobilière Carrefour sold extensions, under VEFA contracts, in their respective regions on June 23 and 28, 2017, for €16 million and €69.2 million, excluding taxes. On December 22, 2017, Carmila France undertook to acquire, under a VEFA contract, the extension of the Athis Mons site from the seller Immobilière Carrefour, for €21.3 million.

Lastly, in December 2017, Carmila Holding Italia Srl acquired, from Carrefour Property Italia Srl, 49.90% of the shares of Galleria Commerciale Nichelino Srl, a company that holds the I Viali asset south of Turin, delivered in October 2017.

Secondment agreement covering Jacques Ehrmann

Person concerned

CRFP 13 (company indirectly controlled by Carrefour SA), a shareholder holding more than 10% of the voting rights of the Company.

Nature and purpose

At its meeting of March 31, 2017, the Board of Directors of Carmila S.A.S. authorized a new agreement covering the secondment of Jacques Ehrmann.

As part of the merger-absorption of Carmila S.A.S. by the Company on June 12, 2017, the Company assumed the rights and obligations of Carmila S.A.S. with respect to the partial secondment agreement concluded with Carrefour and covering Jacques Ehrmann. In addition, the compensation structure attributable to Jacques Ehrmann, as Chief Executive Officer, were approved by the Company's Ordinary Meeting of Shareholders on June 12, 2017.

Terms and conditions

On April 12, 2017, Carmila S.A.S. and Carrefour entered into a four-year partial secondment agreement, under which Jacques Ehrmann, an employee of Carrefour, is seconded to Carmila S.A.S. and then the Company by Carrefour for a portion of his activity, valued at half the time he devotes to all his duties.

During the secondment period, the Company will repay to Carrefour half the remuneration paid to Jacques Ehrmann, the related social security contributions and the business expenses reimbursed with respect to the secondment. Considering that Jacques Ehrmann's objectives will include, throughout the secondment period, components relating to his duties and performance with the Company, the reimbursed wages will include the variable annual remuneration attributed to M Jacques Ehrmann in this respect.

Under this agreement, the Company repaid €1,167,985 excluding taxes for fiscal year 2017.

Service agreement with Carrefour

Person concerned

CRFP 13 (company indirectly controlled by Carrefour), a shareholder holding more than 10% of the voting rights of the Company.

Nature and purpose

On April 16, 2014, Carmila S.A.S. and Carrefour entered into a five-year service agreement under which Carrefour provides Carmila S.A.S. with the expertise and resources necessary to assist it with accounting, tax consolidation and legal monitoring, for a fee of €62,000 per calendar year excluding taxes.

On May 17, 2017, Carmila S.A.S. and Carrefour amended this agreement, subject to the merger-absorption of Carmila S.A.S. by the Company, in order to (i) increase the fee to €102,000 per calendar year excluding taxes, and (ii) extend the initial term of the agreement to December 31, 2020.

Under this agreement, Carrefour invoiced the Company €102,000 excluding taxes for fiscal year 2017.

Paris-La Défense and Neuilly-sur-Seine, April 4, 2018

The Statutory Auditors

KPMG SA		Deloitte & Associés
Eric Ropert	Adrien Johner	Stéphane Rimbeuf
Partner	*Partner*	*Partner*

8. ADDITIONAL INFORMATION

8.1 Information on the Company

8.1.1 Company name and corporate purpose

The Shareholders' Meeting of 12 June 2017 approved the change of the Company's name from its prior name "Cardety" to "Carmila".

8.1.2 Registration place and number

Carmila is registered in the Nanterre Trade and Companies Register under registration number 381 844 471.

8.1.3 Date of incorporation and term

The Company was incorporated on 6 March 1991 for a term to expire on 1 May 2090, except in the event of an early dissolution or an extension provided for in the By-laws.

8.1.4 Registered office, legal structure and applicable jurisdiction

The Company's registered office is at 58, avenue Émile Zola, 92100 Boulogne-Billancourt, France (Tel: +33 1 58 33 64 99).

The Company is a limited liability company *(société anonyme)* incorporated under French law with a Board of Directors, and is governed by the laws and regulatory provisions of the French Commercial Code.

8.2 Articles of incorporation and By-Laws

The Company's by-laws were modified on 12 June 2017, following the Merger of the same date. These amendments were mainly related to (i) the extension of directors' terms from three to four years and the inclusion of an option to shorten terms in order to allow for the staggered renewal of the Board of Directors, in accordance with the recommendations of the AFEP/MEDEF Code, (ii) the option to appoint non-voting directors to assist the Board of Directors and (iii) a number of drafting changes and amendments in response to new provisions of the French Civil Code or certain conditions concerning the Company's distributions.

The description below covers the main provisions of the By-laws as modified, effective from the Merger of 12 June 2017.

Corporate Purpose (Article 3 of the By-laws)

Pursuant to Article 3 of the By-laws, the Company's main purpose is to acquire or construct commercial or industrial buildings or groups of buildings for leasing or rental purposes, to directly or indirectly hold equity interests in legal entities whose purpose is to acquire or construct buildings or groups of commercial buildings for leasing or rental purposes, and, more generally, to hold and operate sites, commercial or industrial buildings or groups of buildings, and in particular, shopping centres, located in France and abroad, for leasing or rental purposes, and, to that end:

- to acquire by any means (including through exchange or contribution or any other type of transfer) and/or construct any sites, buildings, assets and property rights for leasing or rental purposes; to manage, administrate, rent, lease and develop any sites, assets and property rights; to furnish and equip all building complexes for rent; and any other activities associated with or related to the abovementioned business, directly or indirectly, acting alone or through an association, joint venture, group or company with any other persons or companies;
- to participate, by any means, in transactions relating to its purpose by way of acquisition of equity interests or investments, by any means and in any form, in any French or foreign real estate, industrial, financial or commercial company, in particular by way of acquisition, creation of new companies, subscription or purchase of securities or corporate rights, contributions, mergers, alliances, joint ventures, economic interest groups or otherwise, as well as to administer, manage and control these equity interests or investments;
- on an exceptional basis: to exchange or dispose of securities held, property rights or assets or real estate acquired or built for leasing or rental purposes in accordance with the Company's main purpose by way of sale, contribution or otherwise; and
- generally, all commercial, financial and industrial transactions and all transactions in movable or real property relating directly or indirectly to the purpose of the Company and any similar or connected purpose likely to facilitate the completion thereof or promoting its extension or development (including, in particular, concerning buildings or groups of buildings for leasing or rental purposes, other than for commercial purposes).

Fiscal year (Article 6 of the By-laws)

The fiscal year of the Company lasts for twelve months, starting on 1 January and ending on 31 December of each year.

Board of Directors and Executive Management

Members of the Board of Directors (Article 12 of the By-laws)

The Company is managed by a Board of Directors consisting of three to eighteen members, subject to derogations provided for by law in the event of a merger.

The Board of Directors will be renewed on a rolling basis, so that a certain number of members of the Board of Directors are renewed each year. The Directors' term of office is four years. Exceptionally, the Shareholders' Meeting may appoint one or more directors for a term of less than four years in order to ensure the staggered renewal of directors' terms of office.

The number of members of the Board of Directors over the age of 70 cannot exceed one third of the members in office.

Chairman (Article 13 of the By-laws)

The Board of Directors elects a Chairman from among its members, who must be a natural person. The Chairman organises and supervises the work of the Board of Directors and reports on its activities to the Shareholders' Meeting. He ensures the proper functioning of the Company's corporate bodies and, in particular, that the Directors are able to fulfil their duties.

Chief Executive Officer (Article 14 of the By-laws)

Depending on the decision made by the Board of Directors, the executive management of the Company is the responsibility of either the Chairman of the Board of Directors or a natural person appointed by the Board of Directors as Chief Executive Officer. The Chief Executive Officer is given the most extensive powers to act under all circumstances in the name of the Company. He exercises these powers within the limits of the Group's corporate purpose and subject to the powers expressly granted to the Shareholders' Meetings and the Board of Directors by law and the By-laws.

The Chief Executive Officer represents the Company in its relationships with third parties.

Convening Notices and Deliberations of the Board of Directors (Article 12.3 of the By-laws)

The Board of Directors meets as often as required to properly serve the interests of the Company. The Chairman convenes meetings of the Board of Directors. When the Board of Directors has not met for more than two months, one third (or more) of the members of the Board of Directors may request the Chairman to convene a meeting with respect to a specified agenda. The Chief Executive Officer may also request that the Chairman convene the Board of Directors with respect to a specified agenda. Unless the Board's internal regulations, established in accordance with these By-laws, require a larger majority, the decisions of the Board of Directors are adopted by a majority of its present or represented members. In the event of the tie, the Chairman of the applicable meeting does not have a deciding vote.

Powers of the Board of Directors (Article 12.4 of the By-laws)

The Board of Directors determines the Company's business strategy and ensures its implementation. Subject to the powers expressly attributed to the Shareholders' Meetings and within the scope of the Group's corporate purpose, it handles all matters relating to the proper functioning of the Company and settles all matters concerning it through its deliberations.

The internal regulations set the limit of the Chief Executive Officer's powers and identify the transactions for which the Board's authorisation is required.

Compensation of the Directors (Article 16 of the By-laws)

Members of the Board of Directors may be compensated through directors' fees, the overall amount of which is determined by the Shareholders' Meeting and remains effective until the Shareholders' Meeting determines otherwise.

The Board may allocate directors' fees from this overall amount to its members in a manner that it deems appropriate. In particular, it may allocate a larger share to Directors who are members of committees.

Non-voting Members (Article 17 of the By-laws)

The Shareholders' Meeting may appoint non-voting directors (natural persons or legal entities) to assist the Board of Directors. Non-voting directors may be, but are not required to be, chosen from among shareholders, up to a maximum of three. Non-voting directors are invited to all the meetings of the Board of Directors, under the same terms and conditions as voting members, and take part in the Board of Directors' deliberations but only in an advisory capacity. They provide their observations during meetings of the Board. They may not substitute for members of the Board of Directors and may only issue opinions.

Rights, Privileges and Restrictions with respect to Shares

Voting rights (Article 10 of the By-laws)

Each share will entitle its holder to one vote, notwithstanding any non-mandatory legal or regulatory provision to the contrary (including the double voting right provided for by Article L. 225-123 of the French Commercial Code).

Limitation of voting rights

No provision of the By-laws will limit the voting rights attached to the shares.

Preferential Subscription Rights

Shares of the Company will carry preferential subscription rights to capital increases under the conditions set out in the French Commercial Code.

Participation in Shareholders' Meetings (Article 19 of the By-laws)

Shareholders may attend meetings in person or by proxy. Any shareholder may be represented or vote by mail, in accordance with the terms and conditions provided for by applicable law.

The ability to participate in Shareholders' Meetings is subject to the registration of the shares in the name of the shareholder or intermediary registered on the shareholder's behalf, two business days before the applicable meeting at 12:00 midnight, Paris time, either in the registered share accounts held by the Company or in the bearer share accounts held by the authorised intermediary. For holders of bearer shares, the certificate of participation justifying the ownership of their shares will be issued by the authorised intermediary holding their account and will allow them to participate in the Shareholders' Meeting.

Upon the decision of the Board of Directors in its convening notice, any shareholder may also participate and vote in Shareholders' Meetings by videoconference or any other means of telecommunication, including by Internet, provided that the means of communication permits the identification of the shareholder in question in accordance with the terms and conditions set out by applicable law and regulations.

Identifiable Bearer Shares (Article 8 of the By-laws)

The Company may use means authorised by applicable law and regulations for the identification of holders of shares conferring an immediate or future right to vote in its Shareholders' Meetings, and may apply any sanctions related to such shares.

Holders who fail to comply with requests for information within the time period provided for by applicable laws and regulations or who transmit incomplete or inaccurate information as to their capacity or as to the owners of the shares or the quantity of shares held by each of them, securities giving current or future access to the share capital and on behalf of whom such holders are registered by book-entry, will be stripped of voting rights for any Shareholder's Meeting held before such identification is corrected, and the payment of any corresponding dividend will be deferred until such date.

Modification of Shareholders' Rights

Shareholders' rights may be modified under the conditions set out by applicable legal and regulatory provisions. The By-laws do not contain a specific provision providing for modifications of shareholders' rights beyond such laws or regulations.

Procedures for Convening and Conducting Ordinary and Extraordinary Shareholders' Meetings (Articles 20 and 22 of the By-laws)

The deliberations of ordinary and extraordinary Shareholders' Meetings are subject to the quorum and majority conditions prescribed by law and such meetings exercise the powers granted to them under law. They will be convened by the Board of Directors under the conditions and within the time frame set out by law.

Crossing of Statutory Thresholds (Article 8 of the By-laws)

In addition to the thresholds pursuant to applicable legal and regulatory provisions, any natural person or legal entity, acting alone or in concert, that comes to hold a number of shares equal to or greater than 1% of the share capital or of voting rights, or any multiple of this percentage, up to 30% of the share capital or voting rights, must inform the Company of the total number of shares and voting rights held, as well as the number of securities giving future access to the share capital and voting rights potentially attached to these shares, and the shares that such person may acquire by virtue of an agreement or financial instrument, in each case by registered letter with acknowledgement of receipt, within five trading days after crossing the applicable threshold.

The obligation to inform the Company shall also apply in cases where the interest of the shareholder in the share capital or voting rights falls below the thresholds mentioned above.

Subject to the foregoing obligations, this obligation to report the crossing of thresholds will be governed by the same legal obligation pursuant to applicable law and regulations, including legal or regulatory provisions with respect to assimilation of the shares and voting rights with previously owned shares.

At the request of one or several shareholders holding at least 5% of the capital or voting rights of the Company and recorded in the minutes of the Shareholders' Meeting, the sanctions provided for by law in the event of failure to declare the crossing of legal thresholds will also apply in the event of a failure to declare the crossing of thresholds pursuant to these By-laws.

Financial Statements (Article 23 of the By-laws)

Legal Reserve

No less than 5% of the profits for the year, adjusted for any prior year losses, are allocated to a reserve fund referred to as the "legal reserve". This allocation will no longer be required once the legal reserve reaches 10% of Carmila's share capital. The obligation will apply once more if, for any reason, the legal reserve falls below this percentage of share capital.

Approval of dividends

After approval of the annual financial statements and acknowledgement of the availability of distributable amounts, the Shareholders' Meeting determines the portion to be allocated to shareholders in the form of dividends.

In addition to allocating distributable profit, the Shareholders' Meeting may decide to distribute amounts drawn from available reserves by expressly indicating the specific reserves from which those amounts are to be drawn. However, dividends must first be paid out of the distributable profits for the year.

The Shareholders' Meeting called to approve the annual financial statements may grant an option to the shareholders to receive all or part of their dividends or interim dividends in cash or shares.

The Board of Directors may, subject to applicable legal or regulatory provisions, distribute interim dividends in cash or in shares, including during a fiscal year. In addition, the Shareholders' Meeting may decide, for some or all dividends, interim dividends, reserves or premiums or, for any capital decrease, that the distribution of these dividends, reserves or premiums or such capital decrease will be carried out in kind by delivery of assets or securities from the Company's portfolio.

Upon the proposal of the Board of Directors, the Shareholders' Meeting may also decide, for any distribution of profits or reserves, to grant assets in kind, including negotiable securities. In the event of the grant of negotiable securities not listed on a regulated market or an organised multilateral trading facility or whose listing on such a market or multilateral trading facility is not carried out as part of such distribution, shareholders will have the choice of a payment of the dividend in cash or in these securities.

Control of the issuer

There will be no provision in the By-laws of the Company, nor in any charter or internal regulations, that may delay, defer or prevent a change of control of the Company.

8.3 Person responsible for the Registered Document and certification

8.3.1 Surname and first name

Mr. Jacques Ehrmann

Chairman and Chief Executive Officer of Carmila

8.3.2 Certification by the person responsible for the Registration Statement and the Annual Financial Report

"I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Statement is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its meaning.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and of all the companies included in the scope of consolidation, and that the Management Report to Shareholders faithfully reflects the changes in the business, results and financial position of the Company and of all companies included in the scope of consolidation, while presenting the main risks and uncertainties faced by them (correspondence table that allows to find out sections of the Management Report in this Registration Document is presented on page 243).

I have obtained a completion letter from the Statutory Auditors affirming that they have verified the information concerning the financial position and financial statements provided in this document, and have read all of the information contained herein."

Mr. Jacques Ehrmann, Chairman and CEO of Carmila

8.4 Statutory Auditors

8.4.1 Principal Statutory Auditors

Deloitte & Associés, 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine

KPMG S.A., 2, avenue Gambetta (Tour Eqho), 92066 Paris La Défense Cedex

8.4.2 Alternate Statutory Auditors

BEAS, 7-9, villa Houssay, 92200 Neuilly-sur-Seine

Salustro Reydel, 2, avenue Gambetta (Tour Eqho), 92066 Paris La Défense Cedex

8.5 Person responsible for the information

Patrick Armand

Chief Financial Officer of Carmila

8.6 Documents available to the public

Copies of this document and other documents related to the Company, in particular its By-laws, financial statements, reports submitted to its Shareholders' Meetings by the Board of Directors and the Statutory Auditors, are available free of charge at the Company's registered office (58, avenue Émile Zola – 92100 Boulogne-Billancourt). These documents may also be found on the Company's website (www.carmila.com/fr).

This document can also be consulted on the Company's website (www.carmila.com/fr) and the website of the French *Autorité des marchés financiers* (www.amf-france.org).

8.7 Correspondence tables

8.7.1 Correspondence table of the Registered Document

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8.7.3 Correspondence table of the Management report to Shareholders

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Reference texts			Page No.	Chapter/section No.
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French Commercial Code	R. 228-90	Any adjustments for securities giving access to the share capital in the event of share repurchases or financial transactions	157	6.3.1.6
French Commercial Code	L. 225-102	Status of employee shareholding in the share capital on the last day of the financial year and proportion of the share capital represented by shares held by employees through company savings plans and by employees and former employees as part of company mutual funds	158	6.3.2.1
French Commercial Code	L. 464-2	Injunctions or monetary penalties for anti-competitive practices		NA
French Commercial Code	L. 233-13	Identity of natural or legal persons holding, directly or indirectly, more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the share capital or voting rights at General Meetings of Shareholders	158	6.3.2.1
French Monetary and Financial Code	L. 511-6	Amount of loans with terms of less than two years granted by the Company, as an ancillary activity to its main business, to micro-enterprises, SMEs or intermediate-size companies with which it has business links justifying such loans		NA
ELEMENTS RELATING TO THE FINANCIAL STATEMENTS				
French Commercial Code	L. 232-6	Any changes to the presentation of the financial statements or valuation methods used	170	7.1.5 Note 2
French Commercial Code	R. 225-102	Company's results over the last five financial years	224	7.3.3

8.7.4 Correspondence table to the Corporate governance report

Reference texts			Page No.	Chapter/section No.
COMPENSATION				
French Commercial Code	L. 225-37-2	Presentation of draft resolutions related to the compensation policy	151	6.2.3
French Commercial Code	L. 225-37-3 L. 225-100, II R. 225-29-1 Com. Code	Total compensation and benefits of all kinds paid during the financial year to each corporate officer Compensation and benefits received from companies controlled or controlling the Company for an office held within the Company	142	6.2
French Commercial Code	L. 225-37-3	Commitments of all kinds made by the Company in favour of its corporate officers, corresponding to components of compensation, payments or benefits due or likely to be due in the event of taking up, terminating or changing position or subsequent to such events	142	6.2
French Commercial Code	L. 225-37-3	Suspension where applicable of directors' fees on account of breach of parity obligations		NA
French Commercial Code	L. 225-37-3	Reference to resolutions voted in the course of the ex ante vote	151	6.2.3
INFORMATION ABOUT THE COMPANY AND THE SHARE CAPITAL				
French Commercial Code	L. 225-37-4	List of all offices and positions held in any company by each of these officers during the financial year	124	6.1.2
French Commercial Code	L. 225-37-4	Agreements concluded between a corporate officer or a shareholder holding more than 10% of the voting rights and a subsidiary	102	5.1.5.3
French Commercial Code	L. 225-37-4	Choice of methods of exercising executive management	141	6.1.3
French Commercial Code	L. 225-37-4	Summary table of currently valid delegations granted by the General Meeting of Shareholders to the Board of Directors or the Executive Board with regard to capital increases	154	6.3.1.3
French Commercial Code	L. 225-37-4	Composition, conditions of preparation and organisation of the Board	124	6.1.2
French Commercial Code	L. 225-37-4	Application of the principle of gender equality	124	6.1.2
French Commercial Code	L. 225-37-4	Limitations to the powers of the Chief Executive Officer	138/141	6.1.2.4 (2)/6.1.3
French Commercial Code	L. 225-37-4	Compliance with the Corporate Governance Code	124	6.1.1
French Commercial Code	L. 225-37-4	Specific arrangements for the participation of shareholders in Shareholders' Meetings	237	8.2
French Commercial Code	L. 225-37-5	Rules applicable to the appointment and replacement of members of the Board of Directors or the Executive Board as well as to changes to the Company's articles of association	236	8.2
French Commercial Code	L. 225-37-5	Powers of the Board of Directors or Executive Board, in particular relating to the issuance or repurchase of shares	138/156	6.3.1.5 6.1.2.4
INFORMATION ON SHARE CAPITAL				
French Commercial Code	L. 225-37-5	Structure and changes in the Company's share capital	153	6.3
French Commercial Code	L. 225-37-5	Statutory restrictions on the exercise of voting rights and the transfer of shares or agreement clauses brought to the Company's notice		NA
French Commercial Code	L. 225-37-5	Direct or indirect holdings in the Company's share capital of which it is aware	158	6.3.2.1

Reference texts			Page No.	Chapter/section No.
French Commercial Code	L. 225-37-5	List of holders of any securities bearing special control rights and description of such rights	161	6.3.5
French Commercial Code	L. 225-37-5	Control mechanisms provided for in any shareholding system for employees, when the control rights are not exercised by the latter	161	6.3.5
French Commercial Code	L. 225-37-5	Shareholder agreements of which the Company is aware and which may give rise to restrictions on the transfer of shares and the exercise of voting rights	159	6.3.2.4
French Commercial Code	L. 225-37-5	Agreements concluded by the Company that are modified or end in the event of a change of control of the Company, unless such disclosure, other than when there is a legal obligation to disclose, would be seriously prejudicial to the Company's interests	161	6.3.5
French Commercial Code	L. 225-37-5	Agreements providing for payments to members of the Board of Directors or Executive Board or employees, in the event that they resign or are dismissed without actual and serious basis or if their employment ends on account of a tender offer	161	6.3.5

8.8 Glossary

Continuation NAV: the continuation NAV (NAV including transfer taxes) includes the property transfer taxes in consolidated shareholder equity – Group share (corresponding to the consolidated net assets) and does not take into account the deferred taxes on unrealised capital gains, as well as the fair value recognition of hedging instruments.

Temporary stores: Carmila leverages the attractiveness of its shopping centres to offer tenant retailers the opportunity to open temporary stores in premises of between 50 and 3,000 m^2, for durations of between 4 and 34 months.

BREEAM (Building Research Establishment Environmental Assessment Method): developed by the Building Research Establishment (BRE) in the United Kingdom in 1990, BREEAM is recognised as the leading appraisal and certification system for the environmental performance of buildings.

CDAC (Commission départementale d'aménagement commercial or Departmental commission on retail development): opening a retail area greater than 1,000 m^2 in France requires prior administrative authorisation from CDAC.

Leader shopping centre: a shopping centre is defined as a "leader" if (i) it is the leader in its commercial area by number of commercial units (Source: Codata database, 2016) or (ii) it includes, for shopping centres in France, more than 80 commercial units or, for shopping centres in Spain or Italy, more than 60 commercial units.

Co-leader shopping centre: a shopping centre is defined as a "co-leader" if (i) it is not a "leader" and (ii) (x) it includes the leading hypermarket in its commercial area (for France and Italy) in terms of revenues or (for Spain) in terms of surface area (Source: Nielsen database, 2016) or (y) the annual revenue of the hypermarket adjoining it is over €100 million for hypermarkets in France or €60 million for hypermarkets in Spain or Italy.

CNCC (Conseil National des Centres Commerciaux, or National Shopping Centre Advisory Board): for 30 years, the CNCC has been the French professional organisation for all professionals operating in the shopping centre sector.

Average cost of debt: the average cost of debt represents the average effective rate that a company pays on its borrowings from financial institutions or other sources. This debt may be in the form of bonds, loans or any other liabilities.

EBITDA (excluding fair value adjustments): EBITDA is the acronym for Earnings before Interest, Taxes, Depreciation, and Amortization. It therefore measures the wealth creation from operating the assets. Its French equivalent is EBE (Gross Operating Surplus).

EPRA (European Public Real Estate Association): created in 1999, the EPRA is a European association representing real estate companies, whose role is to promote, develop and represent the listed companies in the real estate sector at the European level.

EPRA NAV: the EPRA NAV (Net Asset Value) is an indicator of the fair value of a real estate company. The NAV is calculated by adding the unrealised capital gains or losses on the assets to the consolidated shareholder equity Group share (corresponding to consolidated net assets). This indicator excludes the deferred tax on unrealised capital gains as well as the fair value of hedging instruments.

EPRA NNNAV: the triple net asset value is calculated by deducting the fair value of fixed rate debt and deferred taxes on unrealised capital gains, which would be owed if the assets were sold, from the EPRA NAV. Financial instruments are recognised at fair value.

EPRA NIY (Net Initial Yield): the EPRA Net Initial Yield is the ratio between net annualised rental income based on the rental status and market value, including transfer taxes, of the assets.

NPY (Net Potential Yield): the Net Potential Yield is the ratio between net annualised rental income (with reintegration of step increases and rent-free periods) plus the market rental value of the vacant lots defined by the experts and the market value, including transfer taxes, of the assets.

EPRA topped-up Net Initial Yield: the EPRA Topped Up Net Initial Yield adds back reductions and step rents into rental income.

Grenelle Environment Roundtable: the Grenelle Environment Roundtable is a series of political meetings organised in France in September and December 2007 with the aim of taking long-term decisions on environmental and sustainable development issues, in particular to restore biodiversity through the implementation of green and blue "belts" and ecologically coherent regional schemes, while reducing greenhouse gas emissions and improving energy efficiency. The Grenelle commitments have been put into practice mainly through two specific laws (i) Law no. 2009-967 of 3 August 2009, programming the implementation of Grenelle (known as Grenelle I) and (ii) Law no. 2010-788 of 12 July 2010 covering the national environmental commitment (known as Grenelle II).

ICC (Cost of Construction Index): the Cost of Construction Index measures the quarterly change in the price of new, primarily residential buildings in France. VAT is included, paid by the project managers to the construction companies. It applies exclusively to construction works. It excludes the prices and costs of land (viability studies, special foundations, etc.) as well as fees, promotion and financial costs. Moreover, it does not cover maintenance and improvement works.

ICR (Interest Cover Ratio): EBITDA Ratio (excluding fair value adjustments)/Cost of net financial debt. This ratio measures the company's ability to cover the cost of its debt from its cash flows from operations.

ILC (Indice des Loyers Commerciaux, or French Commercial Rent Index): the quarterly ILC was created by Law no. 2008-776 of 4 August 2008 on the modernisation of the economy and comprises indices representing the changes in consumer prices, new building construction prices and revenues from retail activities. In France, base rent, whether solely fixed or with a minimum guarantee, is contractually indexed to INSEE's commercial rent index.

LMG (Minimum Guaranteed Rent): the minimum guaranteed rent (or annual base rent) in the lease contract.

Loan-to-Value including transfer taxes: the ratio of Consolidated net financial debt/Fair value of investment properties including transfer taxes (and including the share of the fair value of assets of equity-accounted companies).

Loan-to-Value excluding transfer taxes: the ratio of Consolidated net financial debt/Fair value of investment properties excluding transfer taxes (and including the share of the fair value of assets of equity-accounted companies).

Net rental income: Gross Rental Income less land tax expenses, property expenses and unrecovered rental expenses (expenses payable by tenants but not rebilled by the lessor because of vacant premises or specific contractual provisions).

Variable rents: variable rents comprise a fixed portion, the minimum guaranteed rent (or base rent), and an additional variable rent, calculated as a percentage of the tenant's annual revenue, excluding taxes.

Constant/current scope: Carmila reviews the change in certain indicators, whether at current scope (including the entire property portfolio on a given date) or at constant scope. Growth at constant scope is calculated on a comparable basis of shopping centres. The elements adjusted in order to analyse data at constant scope are (i) the contribution of acquisitions in the years in question as well as negative reversion linked to acquisitions in previous years, (ii) the impact of current restructurings and (iii) and the impacts of extensions delivered during the periods in question.

Proforma: proforma data at 31 December 2016 includes Cardety in order to be comparable. This information is shown in the Appendix to Document E filed on 5 May 2017 with the AMF under filing number E.17-040.

EPRA Earnings: operational performance measure excluding fair value adjustments, the impact of asset disposals and other non-cash items in the Company's result.

Recurring earnings: recurring earnings are equal to EPRA earnings excluding certain non-recurring items (restatement of debt issuance costs related to the Carmila/Cardety merger in 2017, restatement of property development margins and disposal proceeds and other non-recurring expenses).

Gross Rental Income: minimum guaranteed rent billed by Carmila to its tenants, to which additional variable rent and front-end fees and other despecialisation indemnities are added, where appropriate.

Reversion: the change (positive or negative) in the minimum guaranteed rent (LMG) obtained on renewal of a lease compared to its former LMG.

REIT (Real Estate Investment Trust): company benefiting from ad-hoc tax treatment subject to certain distribution constraints:

- requirement to distribute at least 95% of its recurring income and 60% of its capital gains (and 100% of the dividends received from its REIT subsidiaries); in exchange, its result is exempt from tax at the REIT level;
- regarding shareholders: a shareholder may not hold more than 60% of the share capital and 15% of the share capital must be held by shareholders holding less than 2% each.

Speciality leasing: speciality leasing refers to a set of services provided to commercial and advertising initiatives that generate additional revenue and energise the shopping centres. The Speciality leasing department operates in two segments: leasing of space in the shopping centres and car parks, and managing the advertising partnership agreement with Clear Channel, which aims to digitalise shopping centres and assist in jointly designing solutions that closely match new consumer behaviour.

Occupancy cost ratio: Carmila takes each tenant's occupancy cost ratio into account in determining its rent levels. The occupancy cost ratio is defined as the ratio between (i) the total amount charged to tenants (fixed rent, variable rent and rental expenses passed on to the tenant) and (ii) the tenants' revenues.

Financial Occupancy Rate: the financial occupancy rate corresponds to the ratio between the minimum guaranteed rent of the portfolio on a given date and the amount of rent that Carmila would collect if its entire operating property portfolio were leased (with the assumed rent for vacant lots determined on the basis of rental values set by the appraiser). The financial occupancy rate is stated excluding strategic vacancies, which are the vacant premises necessary in order to implement renovation, extension, or restructuring projects in shopping centres.

Developer yield on cost: expected net annualised rents divided by the estimated amount of the developer investment.

Yield (Carmila share): expected net annualised rents, divided by the total amount of Carmila's investment (including transfer taxes), including Carrefour's share (50%) to be acquired upon delivery at a market value agreed by the parties and based on an independent appraisal.

EPRA vacancy rate: the EPRA vacancy rate is the ratio between the market rent of vacant surface areas and the total market rent (of vacant and let surface areas).

8.9 Information incorporated by reference

In compliance with Article 28 of Commission Regulation (EC) No. 809/2004 of the European Commission dated 29 April 2004, the following information is incorporated by reference into this registration document:

- for the year ended 31 December 2016: consolidated financial statements, annual statutory financial statements and related auditor's reports, along with all document related to this financial year are disclosed in section 9 and 20 of the Registration Document 2016 filled with the Financial Market Authority ("AMF") on the 25 April 2017 with reference D. 17-0428;
- for the year ended 31 December 2015: consolidated financial statements, annual statutory financial statements and related auditor's reports, along with all document related to this financial year are disclosed in section 9 and 20 of the Registration Document 2015 filled with the Financial Market Authority ("AMF") on the 22 March 2016 with reference D. 16-0181.

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