2018

REGISTRATION DOCUMENT

including the annual financial report and the integrated report

CARMILA

CONTENTS

2018 REGISTRATION DOCUMENT

including the annual financial report
and the integrated report

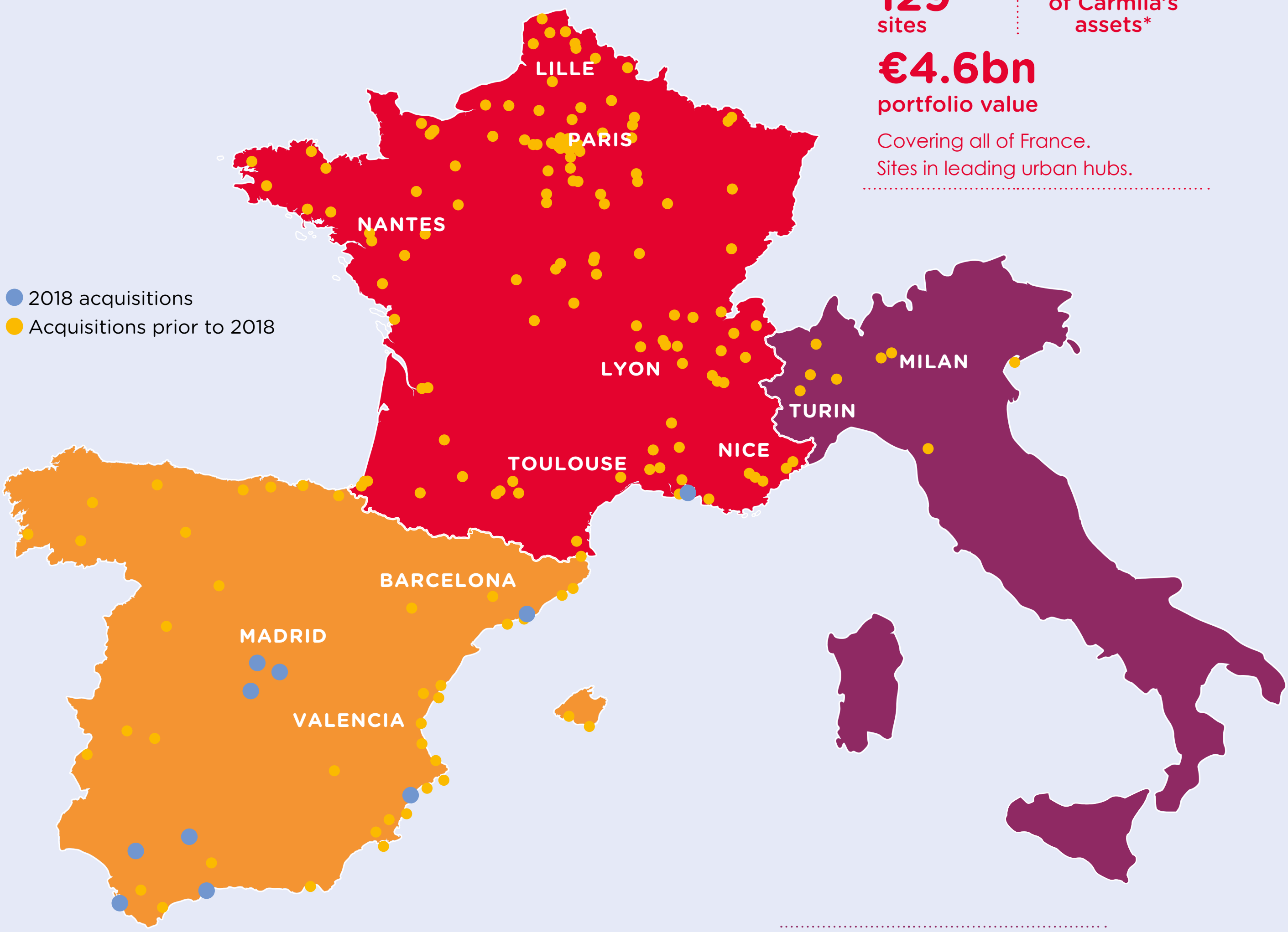
This Registration document was filed with the French Financial Market Authorities (AMF) on 23 April 2019, in accordance with article 212-13 of the AMF general regulations. It may be used in support of a financial transaction only if supplemented by a transaction memorandum that has received approval from the AMF. This document has been established by the issuer and is binding upon its signatories.

INTEGRATED REPORT

Connected

Connected places for living and meeting, shopping centres now combine physical and digital footfall. Carmila is keeping pace with this change, meeting consumers' new aspirations, seeking to build sustainable links, offering high-quality services and omni-channel solutions. Its growth strategy is based on transforming its portfolio with properties rooted in their local area, optimising the merchandising mix at its centres and working with retailers to create drive-to-store momentum. Carmila also offers digital marketing solutions to boost the local attractiveness of modern, welcoming centres that are connected to consumers and their environment.

Carmila, the third-largest listed shopping centre company in mainland Europe, was founded in 2014 by Carrefour and major institutional investors to create value from shopping centres attached to Carrefour hypermarkets in France, Spain and Italy. In 2018, Carmila delivered strong growth, demonstrating the success of its business model based on the local leading position of its properties and the energy of its teams.



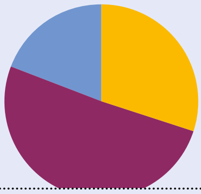
FRANCE
129 sites
71.8% of Carmila's assets*
€4.6bn portfolio value
Covering all of France.
Sites in leading urban hubs.

SPAIN
78 sites
22.7% of Carmila's assets*
€1.45bn portfolio value
Strategic locations on the outskirts of major European cities (Madrid, Barcelona etc.) and on the Mediterranean coast.

ITALY
8 sites
5.5% of Carmila's assets*
€0.35bn portfolio value
Present primarily in Northern Italy, which is more attractive.

* Market value including transfer taxes.

215 SITES



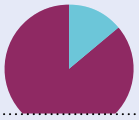
19%
124 LOCAL SHOPPING CENTRES

30%
15 REGIONAL SHOPPING CENTRES
80 to 150 stores

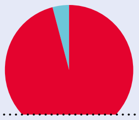
51%
76 LARGE SHOPPING CENTRES
40 to 79 stores

€6.4 bn*

portfolio value,
up 10.3% over 12 months
(appraisal value including transfer taxes)



87%
of shopping centres are leaders or co-leaders** in their area



96.2%
financial occupancy rate***

6,279
partner retailers

** Leaders: leading shopping centre in its area in terms of number of commercial units (Codata) or shopping centre with more than 80 commercial units in France and 60 in Spain and Italy.
Co-leader: non-leading shopping centre attached to a leading hypermarket in its commercial area in terms of revenue (Nielsen) or generating revenue of over €100M in France and €60M in Spain and Italy.
*** Excluding 1.9% strategic vacancy rate at end-2018.

FROM YESTERDAY **TO TODAY**

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*", a set of local marketing and digital solutions to support retailers' activity.

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 owned 206 shopping centres with an asset value of €5.8 billion.

2018 –

With growth of +13.5% in recurring earnings and a significant increase in local digital marketing, Carmila enjoyed a successful year.

"Carmila enjoyed an exceptional year. Thanks to its strategy, energy and teams with their in-depth knowledge of connected retail."

JACQUES EHRMANN
Chairman and Chief Executive Officer

In 2018, despite challenging conditions in France, Carmila enjoyed an exceptional year with growth in recurring earnings of +13.5%. This growth was the result of the dynamic approach of our teams and those of our partner Carrefour Property, who demonstrate their considerable professionalism and feeling for the retail sector on a daily basis. It also proves that our strategy is the right one. It consists of looking at our business not as just an investment fund, but as a company specialising in retail and local attractiveness.

The majority of Carmila's properties are leaders, all of which are connected to their local region and attached to a Carrefour hypermarket which acts as a real food anchor. Working closely with retailers, our teams transform our centres to create sustainable improvements in their attractiveness.

Over and above the customer experience and the retail offering we provide, over and above our ability to carry out ambitious programmes of renovation and expansion, our specific advantage lies in supporting the local performance of our retailers. Thanks to our tech expertise, combining digital and data, we have successfully rolled out our distinctive BtoBtoC marketing, with a drive-to-store approach, to support the transformation of our shopping centres. This strategy is essential in a world where new ways of consuming and an omni-channel approach prevail. We stepped up this strategy in 2018 as demonstrated by the exponential growth in the number of "*Le Kiosque*" local digital marketing campaigns, with the aim of boosting the revenues of retailers at our sites.

This dynamic approach was also successfully implemented for our three other value creation drivers of renovation and extension projects, lettings and acquisitions. Highlights of the year were the completion of seven extension/redevelopment projects and the acquisition of eight shopping centres in Spain, our most buoyant market with centres offering potential for significant value creation, as well as Grand Vitrolles in France. As a committed company, Carmila ensures its actions are designed to promote the highest levels of social and environmental responsibility.

“We know how to find growth wherever we operate.”

In 2018, Carmila also enhanced its ability to find growth in a lucrative retail mix. Our sales teams signed up some excellent retailers in expanding sectors such as restaurants, leisure and services. Building on their regional links and their understanding of the fabric of local retail, they demonstrated remarkable energy in attracting very strong franchises and local retailers to our centres.

In addition, Carmila has created Carmila Ventures, a company to support the development of promising new concepts. We give financial support to talented, dynamic entrepreneurs wanting to establish their presence in our centres, such as “*La Barbe de Papa*”, a barber/hairdresser that has enjoyed huge success.

To drive future growth, Carmila is also planning to create value from the land of some of its high potential sites in partnership with Carrefour. We will thus take on associated activities focusing on mixed urban developments. Enveloped by rising urban density, some of our sites could be developed for housing, offices, health centres or logistics platforms serving the centres of their local cities. In 2019, we need to capitalise on our strengths as much as possible in order to consolidate strong and lasting growth.

TRANSFORMING PROPERTIES WITH A LASTING CONNECTION TO THEIR LOCAL REGION

RESOURCES

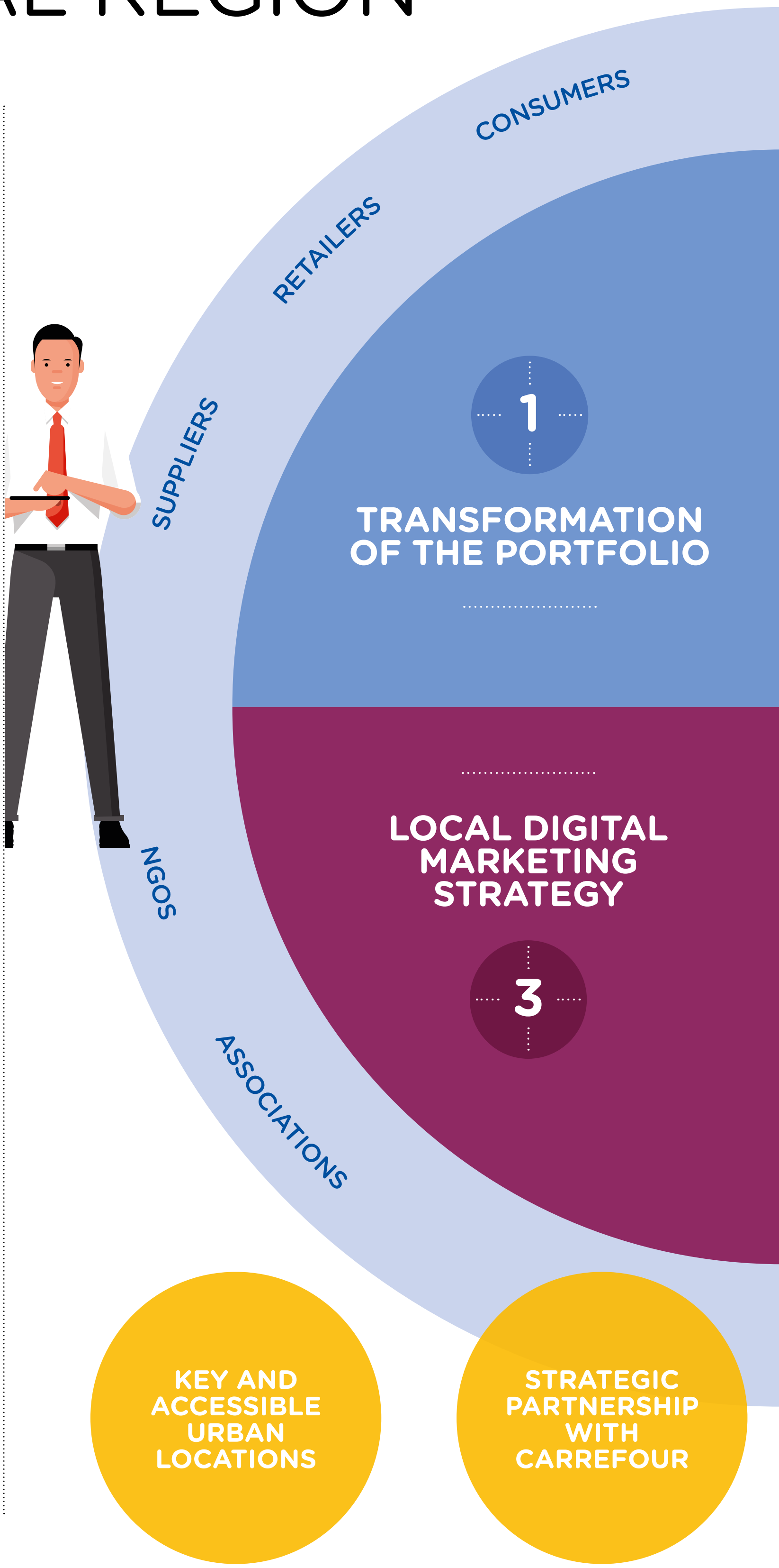
HUMAN
- A business culture based on dynamism, innovation and entrepreneurship
- **209** employees
- **33%** of employees in regional areas

FINANCIAL
- Shareholders' equity – Group share of **€3,646.9** million
- Gross debt of **€2,390** million with an average term of 5.5 years
- LTV* at **34.0%**

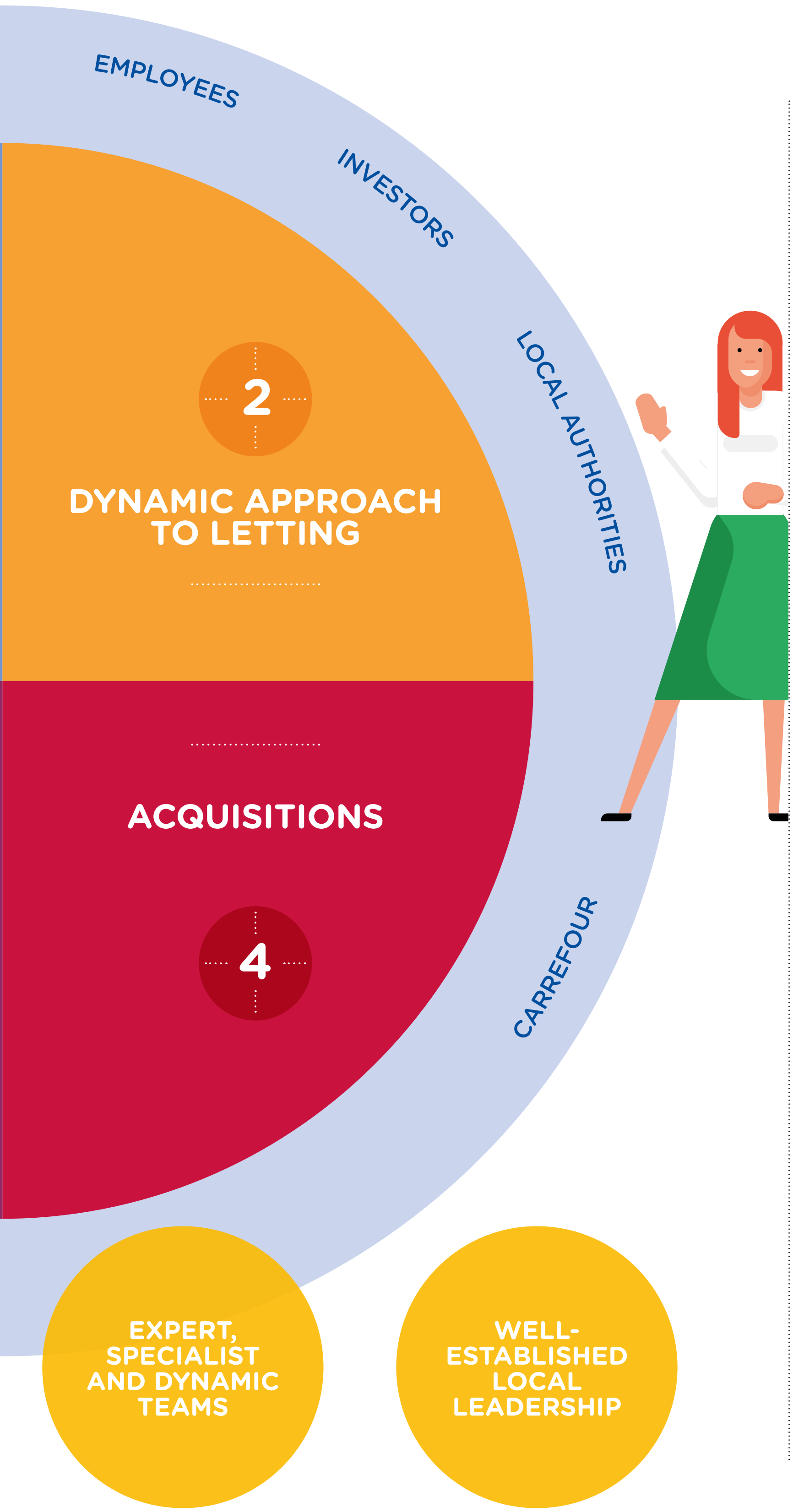
REAL ESTATE
- **215** sites in 3 countries (129 in France, 78 in Spain, 8 in Italy)
- **87%** of properties leaders or co-leaders
- 2019-2024 extensions pipeline: **27** projects representing projected investment of **€1.4bn**
- Portfolio valued at **€6.4bn****
- **6,279** leases

ENVIRONMENT
- Rolling out environmental certifications
- Limiting effects on the environment
- Protecting biodiversity

COMPANY
- Presence in **3** countries
- **460** partner associations
- Partnerships with start-ups and local incubators
- **75%** of local suppliers



* Loan to value.
** Market value including transfer taxes.



IMPACTS

HUMAN

- **87%** of employees satisfied
- **4,480** hours of training
- **52%** women
- **48%** men

FINANCIAL

- Rental income of **€340.3 million**, up 13.1% vs. 2017
- Recurring earnings of **€207.5 million,** up 13.5% vs. 2017

REAL ESTATE

- Renovation programme **100%** complete
- **17 extension projects** completed since 2014 representing annual rental income of €29M
- Annualised minimum guaranteed rent of **€358.4** million

ENVIRONMENT

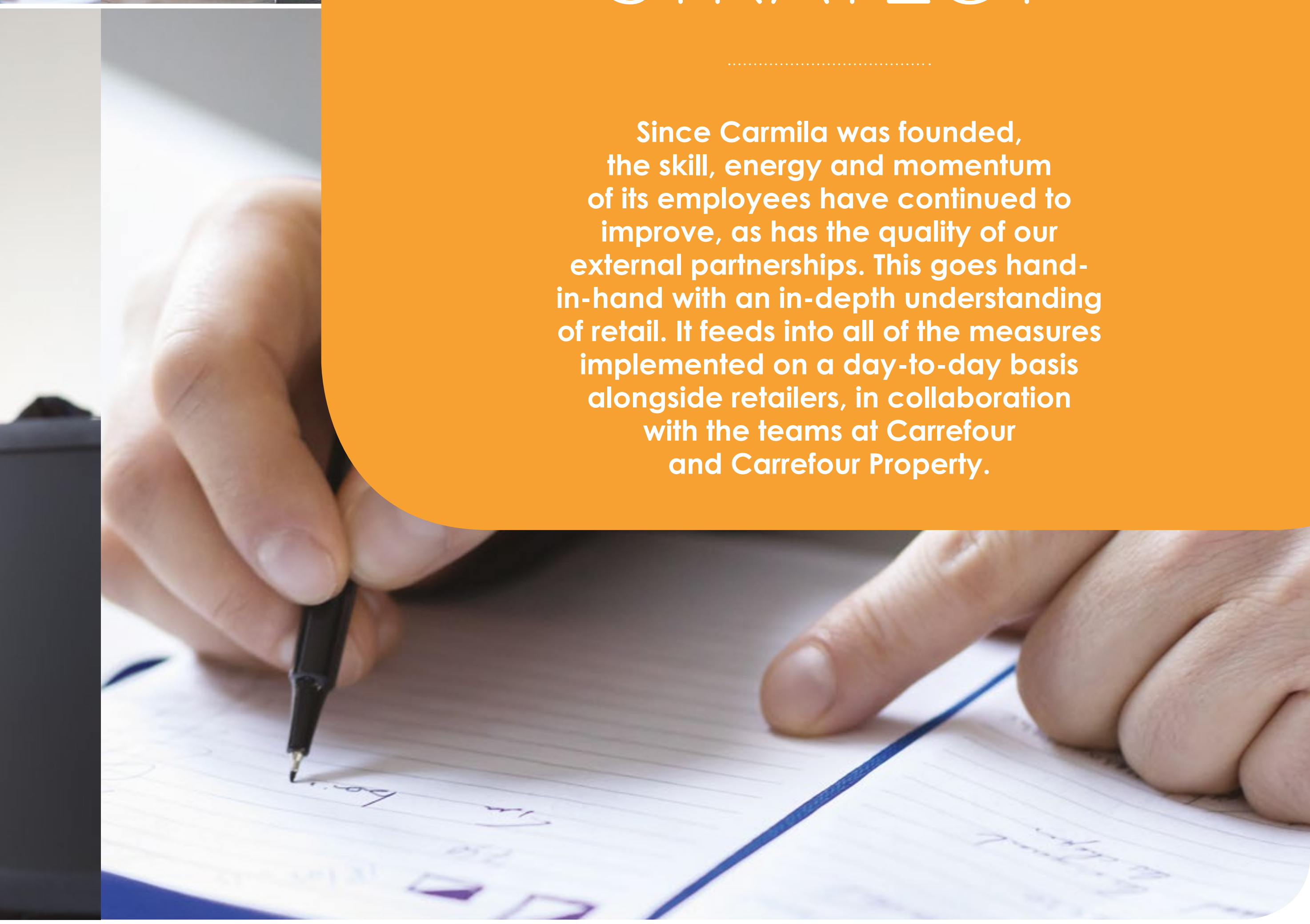
- 2021 target: **75%** of the portfolio certified
- 2025 target: energy consumption per m^2 **reduced by 15%** vs. 2017
- One tree planted per m^2 built, representing **30,000** trees since 2017

COMPANY

- **1,340** CSR events at shopping centres in 2018
- **750** jobs created within extensions opened in 2018
- **87%** of customers satisfied with their visit
- **420** marketing campaigns each month to support retailers

A TALENTED TEAM
TO SUPPORT OUR TRANSFORMATION STRATEGY

Since Carmila was founded, the skill, energy and momentum of its employees have continued to improve, as has the quality of our external partnerships. This goes hand-in-hand with an in-depth understanding of retail. It feeds into all of the measures implemented on a day-to-day basis alongside retailers, in collaboration with the teams at Carrefour and Carrefour Property.



The year according to **the Executive Committee**

1 —

"2018 saw the exponential development of our local digital marketing strategy among retailers who are increasingly interested in such solutions"

QUENTIN JONAS
Chief Customer, Digital & Innovation Officer

2 —

"With rental income up +13.1% and recurring earnings up +13.5%, the year exceeded our targets"

PATRICK ARMAND
Chief Financial Officer

3 —

"The strategy of strengthening of local leading position is paying off with the opening of extensions in Evreux, Orléans Cap Saran, Athis-Mons in the South of Paris and Besançon-Chalezeule, all of which are particularly promising"

FRÉDÉRIC DESPRES
Value Creation Director for Northern France Portfolio

4 —

"Thanks to the involvement of our teams and the momentum of Northern Italy, our Italian property portfolio presents a financial occupancy rate of 99%"

MARYSE BEUCHER
Director Carmila Italy

5 —

"We enjoyed an exceptional year, thus demonstrating the effectiveness of our value creation strategy, based on enhancing assets with strong local roots."

GÉRY ROBERT-AMBROIX
Deputy Chief Executive Officer

6 —

"2018 was a year of strong growth for Carmila thanks to the efforts of our teams, all of whom are are committed to supporting retailers and making local regions more attractive"

JACQUES EHRMANN
Chairman and Chief Executive Officer

7 —

"Spain enjoyed a remarkable year with retailers' revenue up 3.2% and 8 strategic acquisitions"

SEBASTIAN PALACIOS
Director Spain

8 —

"The transformation plan initiated by Carrefour creates new possibilities in terms of operational excellence, digitisation and transformation of our portfolio"

SÉBASTIEN VANHOOVE
Deputy Chief Executive Officer

9 —

"In 2018, we strengthened our partnership with franchises and local independents, while also developing the presence of new concepts and welcoming structural anchors"

ÉRIC ROBERT
Leasing Director

10 —

"With two new Board members, Carmila's governance has been enhanced with the additional of experts committed to our strategy and our stakeholders"

MARIE-FLORE BACHELIER
General Secretary

11 —

"Our teams have worked hard to improve the merchandising mix of our properties, while also ensuring operational excellence on a day-to-day basis"

PIERRE L'HELGOUALC'H
Value Creation Director for Southern France Portfolio

Fostering retailer spirit

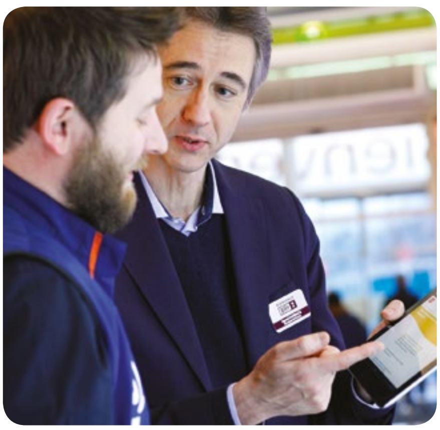
With teams offering complementary strengths committed to helping retailers succeed, Carmila's talented staff offer a high level of retail sensitivity. It has a number of employees with past experience at retailers.

BRINGING PEOPLE TOGETHER WITH *"UN AIR DE FAMILLE"*

Since Carmila was formed, the common theme of "*Un air de famille*" has brought together customers, retailers and employees. Connected to the teams at Carrefour and Carrefour Property, Carmila's teams share the same retailer DNA and optimistic way of thinking, seeing things and doing things. Together, their sights are set in the same direction – that of the customer. Or when everyone's commitment to achieving the same aim creates a shared culture.

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 close to the ground, 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 digital tools, the manager defines and implements marketing and advertising campaigns that aim to attract new customers and foster the loyalty of existing customers. The manager helps retailers to develop their attractiveness on a local level each and every day, by offering targeted digital solutions.



IN SPAIN, A "DOCTORA RETAIL" TO TRAIN RETAILERS

In order to cultivate the close relationship between Carmila and its retailers, Carmila Spain has taken the innovative step of offering free training. The aim? To help them to increase their revenues. "Doctora Retail", a well-known consultant in the sector, works with retailers, who benefit from her expertise and know-how.

"We'd like to thank Carmila for offering this kind of training, which has helped us to improve our growth."

NATURHOUSE

"The training was very interesting and we learned techniques to foster customer loyalty and be able to offer more digital campaigns."

DECIMAS

Getting involved in local life

With its extensive experience, effective teams and strong local roots, Carmila has developed expertise in close collaboration with local regions. It now benefits from the unique coverage of its shopping centres in France, Spain and Northern Italy.

"BAB2, the Basque Country's leading shopping centre, has launched an innovative project centred around the theme of space exploration, derived from the imagination of the Izarbel technology park's "Labo", ESTIA engineering school and "*La Confrérie du Gâteau Basque*". We sent the first traditional Basque cake into the stratosphere, to an altitude of around 38,000 metres. This daring move brought together students and engineers as well as local elected representatives and residents!"

STÉPHANE BRIOSNE,
Manager of the BAB2-Anglet shopping centre

75%
of capital expenditure for works carried out by local companies

SUPPORTING THE DEVELOPMENT OF LOCAL EMPLOYMENT

Whether to help its retailers to find employees or boost the economic and social momentum of its shopping centres, Carmila plays an active role in developing local employment in partnership with local operators. It discovers the talent of the future by setting up job fairs and installing connected job terminals like at Nice-Lingostière and job dating events like in Évreux. In 2019, half of Carmila's sites will organise at least one job forum.

"Opened in April 2018, the Cap Saran retail park is a real economic and social driver for the town and the entire north of Orléans. Creating more than 300 jobs and working with a number of local partners, the centre supports the development of the local region and its attractiveness. Carmila has upheld its commitments in terms of local lettings and integration into the local environment".

MARYVONNE HAUTIN,
Mayor of Saran

Accelerating digital transformation

**Feeding into all activities, digital transformation enables Carmila to better understand its customers and develop the innovative solutions that meet their needs.
The aim? To help retailers increase their local attractiveness to consumers.**

"Data has become the cornerstone of retail. To perform well, you need to be able to reach the right customers at the right time by offering a personalised experience. This means implementing effective digital campaigns combining true local knowledge, which Carmila has, and the Store Visits measurement, for which Carmila is one of our key partners!"

CYRIL GRIRA

Industry Director Retail & Omnichannel
Google France

MARIE CHEVAL

Member of the Board of Directors,
Executive Director Hypermarkets Carrefour France

Marie Cheval joined the Carrefour group as Executive Director for Digital Transformation after having been involved in transformation projects at major asset management companies like La Banque Postale, la Société Générale and Boursorama. Having become head of hypermarkets for Carrefour France, she has lent her digital transformation expertise to Carmila while also stepping up the rate of synergies with the retailer's hypermarkets.

A COMMUNITY DEDICATED TO LOCAL DIGITAL MARKETING

Experts in local marketing, Carmila's teams and their digital partners pass on their skills and know-how to retailers on the "smart shopping news" blog. They also organise meetings throughout the year in Paris and regional areas. A total of 12 meetings were held in 2018, bringing together 600 participants in charge of marketing or retailer development.

Encouraging innovation and entrepreneurship

Firmly embedded in the values of its teams, innovation is central to Carmila's projects. It is also reflected in the promotion of employee initiatives and business development.

Carmila has launched Carmila Ventures, the aim of which is to support the development of promising retailers in its shopping centres, such as "*La Barbe de Papa*" and Cigusto. At the same time, Carmila's teams are looking into new growth drivers with Carrefour thanks to creating value from properties offering significant potential. The aim? To transform assets by increasing urban diversity (offices, housing, sports facilities, health centres etc.) and offering urban logistics.

MARIA GARRIDO

Member of the Board of Directors, Chief Insights & Analytics Officer / HAVAS Senior Vice President / VIVENDI Brand Marketing

Maria Garrido leads the teams in charge of consumer, sector and brand studies worldwide for the Havas group. She has in-depth knowledge of the mechanisms currently guiding the relationship between brands, their target audiences and their performance. Maria also plays a cross-functional role within the Vivendi group, responsible for development of the new content market. A new member of the Board, she offers Carmila her extensive experience in innovation to support marketing.

HAND-IN-HAND WITH LOCAL INCUBATORS

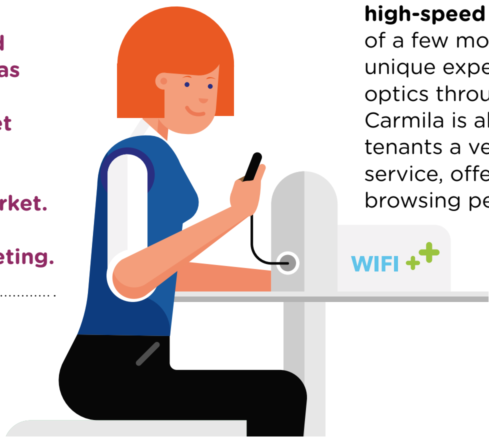
In Lyon, Rennes, Orléans and Toulouse, Carmila forms close partnerships with local incubators in order to improve customer experience and support innovative start-ups.

"As a start-up incubator, we support young entrepreneurs with rolling out solutions for their customers, just as Carmila can help its retailers to become more attractive. We have shared our respective areas of expertise in order to give rise to new projects, through dialogue with teams, head office and on the ground. Carmila is the perfect example of a company that adapts the rate of start-ups to "test and learn" quickly. This working methodology is now recommended to all of our new partners."

BERTRAN RUIZ,
Director of IoT Valley

CUTTING-EDGE CONNECTIVITY IN RECORD TIME

For shopping centres, some of which are located in areas without very high-speed internet access, in the space of a few months Carmila has developed unique expertise in its market in fibre optics through its company Louwifi. Carmila is able to offer all its retail tenants a very high quality internet service, offering visitors optimum browsing performance.



Enriching ourselves with complementary expertise

In terms of transforming the portfolio, Carmila's teams are able to put together complex real estate projects in record time and on a large scale. They can also provide bespoke solutions, with extensions adapted to each region, always in partnership with local elected representatives and companies.

"The partnership between Carmila and Carrefour Property allows for operational excellence to be maintained throughout the customer experience. It also relies on the strategic fit and synergies with Carrefour hypermarkets in terms of social action and innovation. Lastly, the real estate teams strive to ensure that retailers and customers are satisfied, even during extension works, when maintaining commercial activity is a priority for everyone".

PIERRE-BENOÎT ROBERT

Asset Management Director Carrefour Property France

ARCHITECTURES ADAPTED TO THE LOCAL REGION

For each renovation or extension project, Carmila makes sure to work with the best architects, able to draw on the local heritage of the regions where its shopping centres are located. This includes renowned architects such as Jean-Michel Wilmotte, who is working with Carmila on the Nice-Lingostière shopping centre extension project currently at the works stage, creating welcoming and functional spaces that blend sustainably into their environment.

CARMILA AND CARREFOUR PROPERTY, A WINNING TEAM

Experts in retail and the local area, Carmila's employees work in perfect synergy with the teams at Carrefour Property, the Carrefour group's real estate expert. These teams include activities such as property and rental management, real estate development and project management. They also use shared support functions such as legal and human resources, which in turn are supported by the best practices of the Carrefour group.

Committing to social and environmental responsibility

In terms of CSR, Carmila's talented employees work together to support three main objectives: commitment to society, by means of charitable events, such as with Secours Populaire, and initiatives relating to employment and solidarity, making shopping centres environmentally friendly and developing the wellbeing of its employees.

35%*

of our portfolio is BREEAM certified, the leading environmental certification programme

Target: 75%* of Carmila's portfolio certified by 2021

87%

of employees are satisfied with their job

1,340

events at shopping centres in partnerships with local and charitable associations

460 PARTNER ASSOCIATIONS

In order to step up the implementation of the company's corporate social responsibility policy, Carmila's teams work with associations to come up with initiatives in a variety of areas, including sustainable development, healthcare, culture and sport. Particular attention is paid to developing biodiversity, in particular with the creation of shared vegetable gardens such as in I Viali near Turin.

30,000 TREES PLANTED

In partnership with Reforest'Action, Carmila plants one tree for each square metre of retail space created at its shopping centres.

"Carmila's undertaking to plant one tree for every square metre has helped restore forests affected by natural factors and encouraged the adaptation of our sites to climate change."

STÉPHANE HALLAIRE,
Chairman and Founder of Reforest'Action

"Thanks to the commitment of our teams, CSR now forms part of Carmila's DNA. From day to day, the involvement of our employees is growing to the point that they are now a true driving force in the implementation of our CSR strategy. We surround ourselves with leading experts and work in close collaboration with Carrefour in order to come up with innovative solutions in our areas of responsibility."

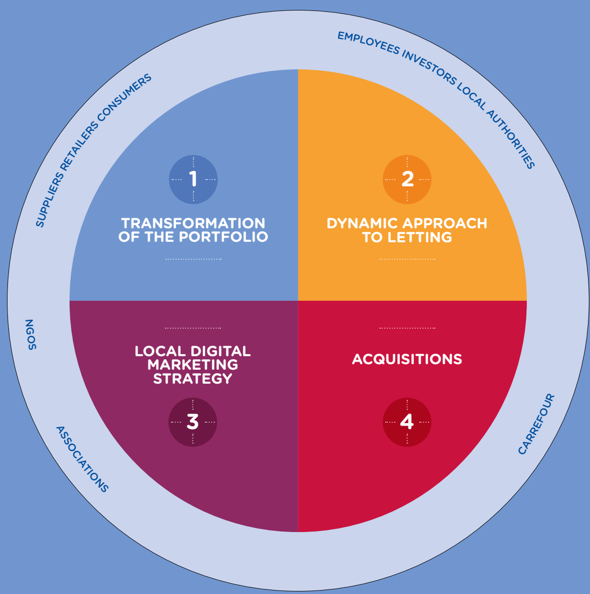
SOPHIE CHEVILLARD
CSR Director Carmila

* Market value including transfer taxes.


SPRINT

A FLEXIBLE AND INNOVATIVE GROWTH **STRATEGY**

With more digital technology, more innovation and a stronger local footing, Carmila's strategy is based on four core principles: transforming the portfolio, lettings momentum, local digital marketing and a strategy of targeted acquisitions.



FROM SHOPPING CENTRE TO PLACES FOR LIVING CONNECTED AND ANCHORED TO THE LOCAL REGION

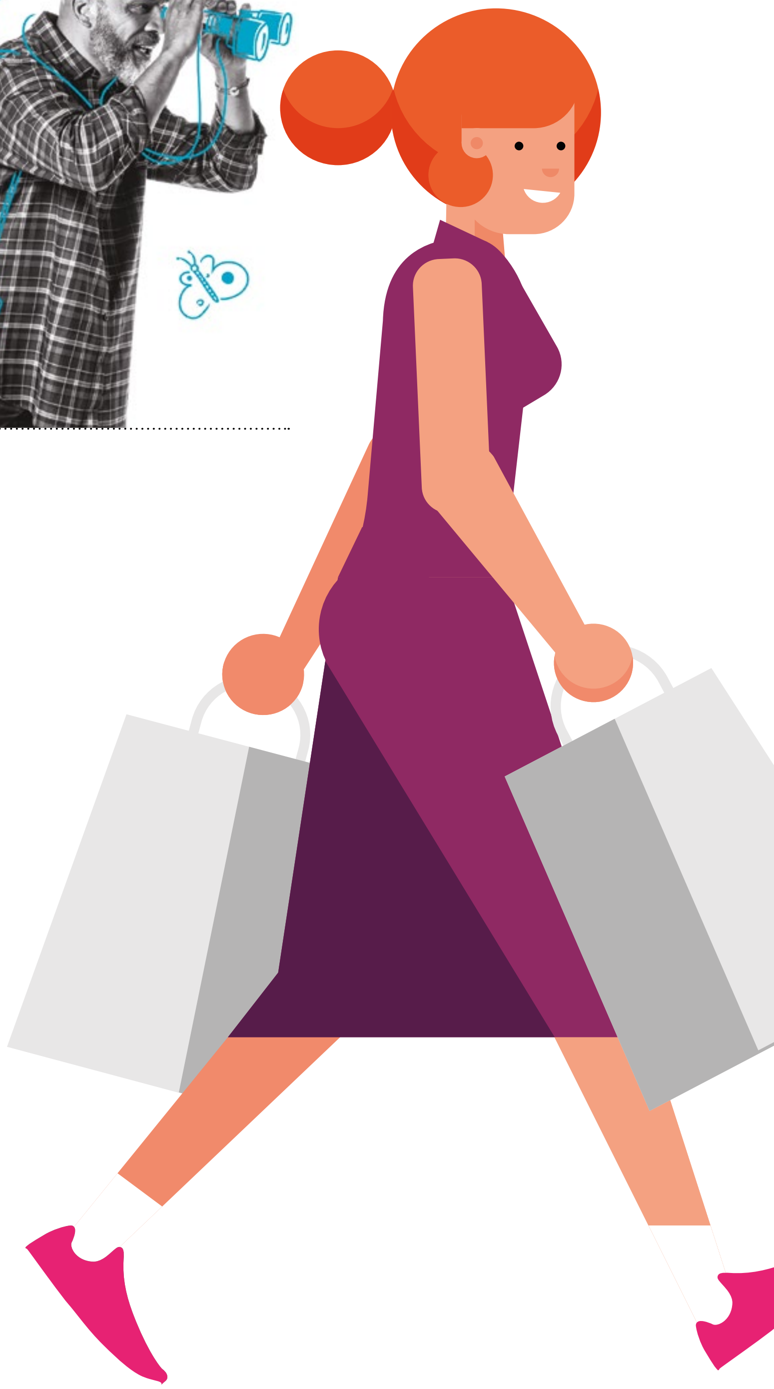
Shopping centres 3.0 to match new consumer behaviours

Digitisation, e-commerce, delivery, environmental awareness etc. These are the new trends enhancing the consumer habits of a customer base that is becoming increasingly demanding in terms of transparency, quality and services. To respond to these expectations, shopping centres need to be able to continually reinvent themselves. This transformation is reflected in their omni-channel strategy, as well as in their marketing by placing increased emphasis on leisure, wellbeing, foodservice and services such as medical facilities. They also welcome long-term retailers or shorter-term offerings, such as pop-up shops, which enjoy great success. The aim? To meet the expectations of consumers, most of whom prefer an enhanced shopping experience within a functional, modern and connected "shopping centre 3.0". These centres are also able to change in shape, providing both internal and external areas as with retail parks. Lastly, they are focusing more on their integration into the local area, for example by promoting local employment, partnerships with local operators and paying attention to the environment.

A 360° customer experience and a local leading position

Since it was formed, by thinking like a retailer rather than a property investment company, Carmila has been able to analyse and gain in-depth understanding of these new uses and respond to changes in means of consumption by providing shopping centres that combine ultra-convenience and ultra-connection. Today, although the shopping centre is a place

for living and leisure that people visit with their families, it is also a products and services hub driven by a community of customers who discover it, share it and endorse it online. It is a place close to where they live, on a human scale, where they feel at ease, allowing for discussion and creating ties with those involved in retail and regional life.
With its digital DNA, Carmila has been able to adapt to its customers' new uses, with the help in particular of an optimised merchandising mix and enhanced marketing solutions to increase the visibility of its retailers, with a drive-to-store approach.
One of Carmila's strengths and unique attributes is that it can encourage people to come to stores by means of a BtoBtoC local digital marketing strategy and hyper-effective data use.
By capitalising in full on its means of value creation – transformation of the portfolio, lettings, local digital marketing and acquisitions – Carmila transforms its shopping centres in order to adapt to, or even exceed, consumers' expectations in terms of both products and services.



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TRANSFORMATION OF THE PORTFOLIO

Carmila is transforming its shopping centres with an ambitious programme of renovation, extension and mixed-use projects. Its operational excellence anchors its properties in their local region over the long term.

Carmila is rethinking its asset base in order to encourage a mixture of uses

In partnership with Carrefour Property, Carmila has completed 100% of the renovation programme it launched in 2014 based on the welcoming "*Un air de famille*" concept. The aim is to enhance the customer experience in order to transform shopping centres into a place for living, meeting and sharing, while also focusing on its position within the local area.

7 successful extensions

In 2018, Carmila opened seven extensions, thereby strengthening the local leading position of its properties by means of an enhanced and updated retail offering. The opening of the extension to the Cap Saran shopping centre in the north of Orléans marked the completion of Carmila's most ambitious project of the year, with the opening of a retail park with 34 small and medium-sized stores over 29,000m², providing the link between the historic shopping centre and the Cent Arpents retail hub.
Six other extension/redevelopment projects have also been completed: Grand Évreux, Besançon-Chalezeule, Athis-Mons, Douai, Caen Hérouville-Saint-Clair and Los Patios in Malaga in Spain. Carmila optimises its operational excellence for the benefit of the customer by managing its teams as close to the ground as possible and optimising its real estate operations.

The additional 71,950m² from these seven projects are 96% let. They represent additional net rental income of €11 million on an annualised basis. A total of 17 extensions have been completed by Carmila in three years representing additional rental income of €29 million.

An ambitious extension pipeline

Carmila's 2019-2024 pipeline as at 31 December 2018 includes 27 projects representing projected investment of €1.4 billion and an average developer return on investment of 7.2%.
In 2018, extension projects were launched at Rennes-Cesson (additional 30 stores over an extra 6,000m², opening late 2019)

"For the roll-out of its value creation strategy, Carmila has implemented an ambitious programme of renovation and transformation projects."

In parallel with the remodelling of Carrefour hypermarkets, we have finalised the renovation plan for our properties, which will allow us to increase our customer satisfaction. We are pursuing our strategy by developing our project pipeline and finding new ways of increasing the value of our properties by means of mixed urban developments and deploying logistics platforms. Lastly, thanks to our teams who demonstrate operational excellence every day in terms of the quality of the customer experience and running our shopping centres, we are reinforcing the leading position of our properties every day.

SÉBASTIEN VANHOOVE
Deputy Chief Executive Officer

and Nice-Lingostière (additional 50 stores over an extra 12,000m², opening 2020).
Carmila is also looking into new possibilities for transforming the portfolio, allocating square metres to new commercial or logistics activities, all of which have their place within sites that urban development has now caught up with. Carmila is also looking to provide more mixed urban developments (offices, housing, medical facilities, student and senior residences, datacentres etc.) in partnership with Carrefour and third parties.

Shopping centres integrated into and connected to their local area on a long-term basis

PERFORMANCE INDICATORS

Rental income up
+13.1% to €340.3M
vs. 2017

2018 recurring earnings of
€207.5M, up +13.5%
vs. 2017

7 extensions opened
in 2018, representing an additional 71,950m² and
€11M
in annualised rental income

17 extensions
completed in 3 years
+€29M
annualised rental income

27 projects
between now and 2024 representing projected investment of
€1.4bn

1
2
3
4

ENJOYABLE **FUN** RELAXING **BRIGHT** MODERN

"I really like the design since the renovation."
Caen Hérouville-Saint-Clair

"Pretty shops with great brands. The shopping mall is lovely."
Puget-sur-Argens

"Everything is done so that you can amble and enjoy shopping in peace in a pleasant environment."
Geric Thionville

"

Carried out in close interaction with local elected representatives, our extension programmes represent major projects for the local regions in which they are based. They aim to increase the attractiveness of an economic hub by welcoming new retail services. These projects combine all architectural and environmental qualities while remaining human in scale. They focus on both retailers and shoppers, who feel happier in renovated and extended spaces. Our developments also help to create jobs by encouraging recruitment from the local population.

"

MAIA KWAK
Development Director
Carrefour Property France

OUR - 3 - MAIN PRIORITIES

- 1 -

Creating local preference with sites renovated under the *"Un air de famille"* concept

- 2 -

Developing the leading position of properties by means of extension projects and updating the merchandising mix

- 3 -

Enhancing the economic and social role of our properties

Orléans, Saran, Évreux... successful openings

With an additional 34 stores, restaurants and leisure areas over 29,000m², the opening in April of the retail park adjoining the Orléans-Cap Saran shopping centre increased the number of retailers at the site to 85. In October, Grand Évreux celebrated the second stage of the shopping centre's extension project, with a 7,000m² bigger mall and a 30,000m² retail park comprising 50 new homewares, fashion, leisure and foodservice retailers. For each of these projects, the challenge consisted of strengthening the leading position of the properties and enhancing the attractiveness of ageing retail areas by giving them new urban and commercial momentum in partnership with local operators. The retail offering has been totally upgraded with a full merchandising mix offering the right fit for the city, most of which are chains' first stores in the region, as well as franchises and local independents.

"*Un air de famille*" for everyone

Warm, welcoming, connected! All Carmila shopping centres have been renovated under the "*Un air de famille*" customer concept, which aims to strengthen the connection to residents in a spirit of togetherness. This was the case this year for example in Ormesson, Malaga-Los Patios in Spain or Orléans city centre at Place d'Arc. The result: bright, modern shopping centres equipped with high-speed Wi-Fi, where shoppers can chat and meet in spaces for rest, relaxation and play areas for children.

"My aim is to make our shopping centres places for living, part of the life of the city, in partnership with our retailers and local associations, cultural and sports facilities, as well as public operators."

MARYSE BEUCHER
Director Carmila Italy

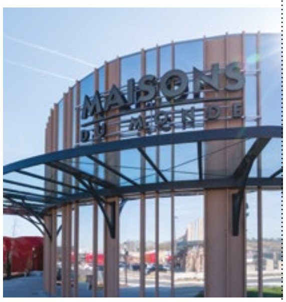
Projects to give local regions fresh impetus

In September 2018, Carmila began extension works on the Rennes-Cesson shopping centre, which will welcome 30 new retailers at the end of 2019. The following month, extension works started at the Nice-Lingostière shopping centre, attached to one of the largest Carrefour hypermarkets in France in terms of revenue. Designed by architect Jean-Michel Wilmotte, the project will be home to 100 retailers over 20,000 m² at the end of 2020. The aim is to provide a comprehensive real offering for all residents in a fast-growing region serving the surrounding area of Nice.

1 **2** 3 4

DYNAMIC APPROACH TO LETTING ACTIVITY

Able to attract high-performing new retailers in the most buoyant sectors, Carmila enhances the local leading position of its properties in close collaboration with its retailer partners.



Attracting effective and growing retailers and stores

Supported by an innovative local digital marketing strategy spanning all activities, Carmila's lettings strategy is driven by highly involved and proactive expert teams. By capitalising on the fundamentals established over the last five years, Carmila has stepped up its transformation of the merchandising mix to help anticipate new trends, work with retailers and strengthen its shopping centres' leading local positions.

A merchandising mix focusing on activities with the most potential

In order to balance out its retail offering in favour of activities presenting potential, Carmila has expanded its homewares, culture and leisure offering as well as foodservice, to encourage families to visit more often and stay longer increase. In France, Spain or Italy, Carmila is also able to attract and welcome developing and growing retailers like Primark, Fnac, Kiabi and highly popular discount retailers like Action and Gifi.

Creating surprise with innovative concepts

At the same time, Carmila is looking to provide an innovative offering that creates surprise and offers something new.
It is pursuing its strategy of Speciality Leasing and setting up pop-up shops at its sites, a real stepping stone to signing conventional leases. Carmila is also developing new activities in healthcare (medical facilities, pharmacies) and sport, and via Carmila Ventures forms partnerships with innovative and promising retailers such as "*La Barbe de Papa*", Cigusto, Indémodable and Augustin. The aim: to offer human or financial support to help them to develop within our shopping centres and step up the rate of diversifying the merchandising mix of properties.

Offering a balanced merchandising mix, adapted to the nature of each site

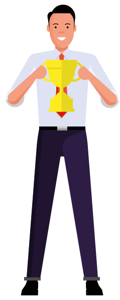
“Franchises are our hallmark, and a true innovation”

Thanks to its regional teams, Carmila is in daily contact with retailers. It is also able to understand exactly how they wish to develop, particularly in the franchise sector. It can then put them in touch with retail chains who will validate their ability to become franchisees. Carmila therefore represents a real link between franchiser and franchisee. In April, we opened the retail park at the Cap Saran shopping centre near Orléans with 50% of stores occupied by local shopkeepers that Carmila introduced to retail chains.

ÉRIC ROBERT
Leasing Director

PERFORMANCE INDICATORS

827
leases signed in 2018



€10.7M
of revenue in 2018 from Specialty Leasing and pop-up shops
+22.4%
vs. 2017

96%
letting rate of projects completed in 2018

Lettings teams across
5 regions

Le kiosque par Carmila

420
local digital marketing campaigns to support retailers per month
X2.2
vs. 2017

AWARD FOR CARMILA SPAIN

Carmila Spain's strategy received an award at the XVIth Spanish Shopping Centres Congress organised by the Spanish Association of Shopping Centres (AECC). It won the award for "Best campaign to support shopkeepers" for its "*Le Kiosque*" digital services offering, the award for "Best large shopping centre" and the award for "Best (re)branding campaign" for its Fan shopping centre in Majorca. These awards recognise the efforts of Carmila's Spanish teams in helping retailers.

"Our aim is to cultivate the close relationship between us and our retailers. To do this, we are developing services to help them to increase their revenues, such as free training offered by a well-known consultant in the sector, "Doctora Retail". We also organise regular events with retailers to create a strong relationship, such as workshops, a paddle tennis charity tournament and "Carmiday", the first of which in Spain was a huge success, attended by 250 representatives of some of the biggest retailers in the sector. Lastly, our annual gala has become the main event in the sector in Spain, with over 500 attending."

CARLOS PILAR
Commercial and Business Development Director, Spain

CARMILA HOSTS ITS FIRST PRIMARK STORE IN FRANCE

In September, Carmila signed its first lease in France for fashion retailer Primark at the Cité Europe regional shopping centre in Calais. To welcome the retailer – whose arrival will benefit the entire site – Carmila has developed a comprehensive redevelopment project including in particular the creation of a new "*Cité Gourmande*".

OUR - 3 - MAIN PRIORITIES

- 1 -

Responding to customer demand and new consumer trends

- 2 -

Enhancing our retail offering to welcome anchor retailers, independent local stores and also innovative new concepts

- 3 -

Strengthening the local leading position of our centres and supporting retailers' local performance

A CUTTING-EDGE BARBER

In 2018, Carmila signed 12 leases with "*La Barbe de Papa*", a new barber-hairdresser concept that has enjoyed tremendous success. By investing in innovative retailers, Carmila Ventures speeds up their growth, giving priority to its shopping centres.

"The health and beauty industry has often been dedicated to women but there is a place for a French barber chain at shopping centres. That's why we chose to develop "*La Barbe de Papa*" here. Carmila offered financial support and advice to allow us to develop and adapt our concept to the heart of local areas."

ALEXANDRE LE HEN
Founder of "*La Barbe de Papa*"

Big sensations

Leisure concepts are proving a big hit. In 2018, "Bounce" – the first theme park dedicated to free jumping and trampolining – opened its doors at the I Viali shopping centre in Turin. In Évreux and Besançon, the "Space Jump" urban play areas have opened, while in Chambourcy and Cap Saran (Orléans), Hapik provides climbing facilities. This complements retailers like Intersport and Basic Fit, as well as foodservice outlets.

"We're delighted to be among the retailers at the Grand Évreux shopping centre! Families can come and enjoy themselves just before a meal, or parents can leave the children to have a go at trampolining while they do their shopping at the centre."

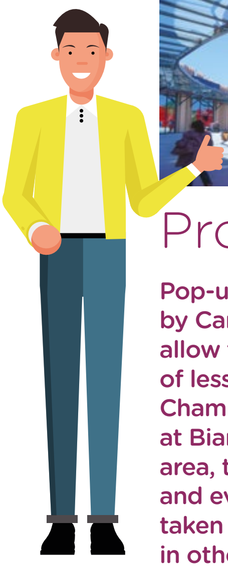
XAVIER COROSINE
Co-founder of Space Jump

Time to eat!

In order to provide a foodservice offering combining quality and innovation, Carmila is developing the presence of the restaurant chains of today and tomorrow, such as Columbus, BChef, Holly's Diner and La Piadina, as well as local independents like macaroon maker *"Au Saveurs Retrouvées"* in Évreux.

"The relationship with Carmila has been extremely constructive from the outset. The outlet's success is central to what they want to achieve, and we share the same concerns as regards the customer. This is a modern way of looking at the relationship with tenants, based on trust, which is particularly motivating and reassuring."

DAMIEN VALLAR
Founder of Holly's Diner



Promising lets

Pop-up shops, an area of expertise developed by Carmila, offer retailers more flexibility and allow them to be more innovative thanks to leases of less than three months. Like Petit Bateau at Chambourcy, Renault at Draguignan and M.Tshirt at Biarritz, this allows them to try out a catchment area, trial a new concept, develop their reputation and even get rid of old stock. Lettings have also taken an innovative slant in Speciality Leasing, in other words short-term leases such as stands, kiosks etc., become a real vehicle for experiences and events such as brand roadshows like Samsung, Lexus, Netflix and Nespresso.

1 2 **3** 4

LOCAL DIGITAL MARKETING

Thanks to a dynamic BtoBtoC local digital marketing strategy, Carmila transforms its shopping centres into real precision media to make them more attractive and boost its retailers' revenues.

Creating places for living and an omni-channel customer experience

An expert in stand-out BtoBtoC local digital marketing, Carmila continued in 2018 to roll out its effective digital tools. The aim: to help retailers to increase their local attractiveness in order to win new customers and develop their revenues. Based on excellent knowledge of each catchment area and expertise in targeted digital tools, this omni-channel approach offers retailer-tenants bespoke local digital marketing solutions that complement their national marketing campaigns.

Distributed marketing to ensure proximity and flexibility

At the head office, Carmila's specialist online, digital media, relationship marketing and content strategy teams design best-in-class tools, including websites, applications, databases in synergy with Carrefour, targeted and geolocated data, emails, SMS, product or service e-reservations, community activation such as e-gaming tournaments, deployment of games terminals etc. These solutions are introduced locally by shopping centre management teams in order to control sites' marketing activity in real time.

Supporting retailers' performance, like a local digital marketing agency

Activate a campaign in one click

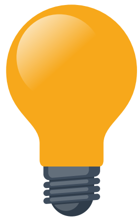
In 2018, 2,750 retailers used "Nestor", the portal allowing them to develop their digital presence on the centre's tools. In one click, they can generate e-mails and also place orders for local digital campaigns.
At the same time, Carmila's "*Le Kiosque*", which offers retailers targeted local digital marketing and physical marketing solutions, has stepped up its activities considerably. Each month, 420 targeted local marketing solutions are implemented at Carmila shopping centres, compared with 200 last year.
A dedicated blog, "The Smart Shopping News", also allows for know-how and skills to be passed on to retailers. This is accompanied by meetings throughout the year.
A total of 12 meetings were held in 2018, bringing together 600 participants in charge of marketing or retailer performance.

“Day after day, Carmila’s teams work on unique and innovative BtoBtoC local digital marketing.”

At Carmila, we’ve created a team of 18 people who have reinvented how to run a shopping centre using the same tools as pure-play e-commerce operators. With centre managers, this team constitutes a real centre of expertise to enhance each retailer’s local attractiveness. On the back of 2,500 local digital campaigns and 200 games terminals rolled out in 2018, we have developed our strategy around web-to-store. Our role is to get online customers to come to the stores at our shopping centres. Our strategy aims to make our retailers more attractive and strengthen the leading position of our shopping centres in synergy with Carrefour and all retailers.

QUENTIN JONAS
Chief Customer, Digital & Innovation Officer

PERFORMANCE INDICATORS



2,500
local digital campaigns

110 million
shopping centre Google My Business page views

1.95 million
contacts, an average of 25,000 per centre,
+77%
vs. 2017

44.2 million
emails and SMS sent to our customers in 2018

+11.2 points
revenue outperformance for retailers using “Boost” (long-term marketing support) vs. CNCC panel

1
2
3
4

THE "BOOST" EFFECT

In addition to "*Le Kiosque*", Carmila also offers "Boost", a programme to support a sales outlet over a period of up to one year. In 2018, stores participating in the programme achieved revenue outperformance of 11.2 points compared with the CNCC (*Conseil National des Centres Commerciaux*) panel.

"The Bay 2 centre manager and its marketing manager helped our store to carry out "Boost" campaigns throughout 2018. This kind of collaboration is rare and deserves to be highlighted."

SWAROVSKI

OUR - 3 - MAIN PRIORITIES

- 1 -

Improving customer knowledge by collecting and using data

- 2 -

Offering an omni-channel approach based on a drive-to-store strategy

- 3 -

Boosting retailers' revenues and sharing our marketing expertise in local digital

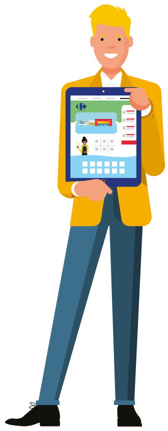
"Our local digital marketing tools are pooled and rolled out locally, allowing our shopping centres to communicate effectively and at low cost. When we acquire a shopping centre, the new centre manager implements all of Carmila's local digital marketing tools: website, job terminals, influencers, databases etc. Our strategy is to create as quickly as possible a complete ecosystem with positive momentum. At Grand Vitrolles, during the month following the acquisition by Carmila, all tools were operational and the centre's website saw an 80% increase in visitors."

IGOR AGLAT
National shopping centres Director

350 PARTICIPANTS FOR CARMIDAY

A key event in the sector, Carmiday brought together retailers in September 2018 on the occasion of an open day at Carmila's head office in Boulogne-Billancourt.
The aim: to present its shopping centres, extension projects and marketing and digital solutions.
For the fourth year of this event, a total of 350 retail chains, franchisees and shopkeepers discussed and shared their expertise. They were also able to find out about new local digital marketing solutions presented by Carmila employees. This year, the event was attended by Google on the theme of "Drive-to-store and local performance".

Le kiosque
par CARMILA



"*Le Kiosque*": 100% free and 100% omni-channel

In 2018, 2,000 retailers benefited from the Carmila's free "*Le Kiosque*" service, which organises 420 bespoke local and digital marketing campaigns each month. These targeted solutions succeed because they allow retailers to increase their revenues in addition to their national marketing campaigns.

"Not only have we benefited from real on the ground expertise, but "*Le Kiosque*" has also helped to digitise our campaigns via interactive games terminals. This represents significant added value."

CLEOR

GAMES TERMINALS: A BASE FOR DATA

In 2018, around 200 games terminals were rolled out at 78 Carmila shopping centres and more than 800,000 shoppers played at least once during the year. By offering a fun, digital and interactive experience, games terminals help to collect qualified local data to add to shopping centre databases to help retailers. They also contribute to the running of the shopping mall and help to foster shoppers' loyalty. In addition, Carmila has rolled out e-gaming campaigns at its shopping centres in partnership with Micromania-Zing, PlayStation and Marvel.

"Shop'Influence" competition

In April 2018, Carmila launched a nationwide campaign to recruit a female ambassador for each centre from the customers of five shopping centres. Her role? To try out and share her opinions of the products and services of retailers at the centre on her Instagram account or blog.

Facebook and Google beta testing

Carmila has been selected by Google and Facebook to become a beta tester for "store visit" a tool to measure the effect of digital campaigns on store traffic. This is further proof that Carmila is always a step ahead in local digital marketing.

"When I was younger, I worked as a sales assistant at the BAB2 shopping centre in Anglet. So I was delighted when I was asked to sponsor the 'Shop'Influence' campaign."

@SEYNABOU
local influencer

1 2 3 **4**

ACQUISITIONS

Carmila's acquisitions concern sites and regions presenting the strongest growth potential. On the back of its robust performance in Spain, Carmila has strengthened its presence with the acquisition of eight shopping centres, all of which are leaders or co-leaders in their catchment area.

"Our acquisitions are central to Carmila's strategy"

This year, we acquired a portfolio of nine shopping centres, eight of which are in Spain, all leaders or co-leaders in their catchment area. Each of them presents considerable potential for transformation and value creation. In Spain, we are therefore strengthening our position in our fastest-growing market and stepping up the implementation of our acquisition plan by seizing the most promising opportunities available on the market. We also acquired the Grand Vitrolles site in France. In view of the extension projects already completed since the IPO and the acquisitions carried out this year, Carmila is ahead with its investment plan of €1.6 to €1.7 billion over the period from 2017 to 2020 as presented at the time of the IPO.

GÉRY ROBERT-AMBROIX
Deputy CEO

CARMILA ACQUIRES GRAND VITROLLES

Carmila has continued with the implementation of its investment plan with the acquisition in February 2018 of the Grand Vitrolles shopping centre in the Marseille area. This will enable Carmila to reinforce its portfolio with the acquisition of a large leading shopping centre with 84 retailers, including Boulanger and Castorama, attached to a powerful Carrefour hypermarket.

OUR - 3 - MAIN PRIORITIES

- 1 -

Strengthening our local leading position through targeted acquisitions

- 2 -

Optimising the merchandising mix and improve reversion

- 3 -

Creating value from the inherent potential to extend sites acquired

Major acquisitions in Spain

After the acquisition in February of the Gran Via de Hortaleza leading shopping centre in Madrid, Carmila acquired six shopping centres in May, all leaders or co-leaders in their catchment area, whether in Andalucia (Seville, Cordoba and Puerto de Santa Maria in Cadiz), Catalonia (Barcelona) or Alicante. In December, Carmila acquired the Antequera shopping centre near Malaga, bringing the number of properties acquired in Spain in 2018 to eight.

"

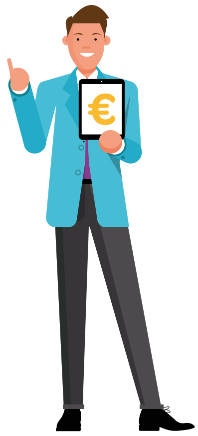
The teams at Carmila Spain have done exceptional work. After five years, the country has made a significant contribution to the company's earnings, with organic value growth of an average of 14% a year. Carmila Spain has become of the leading names in the Spanish shopping centre market. The acquisition of the Antequera shopping centre near Malaga in December allowed us to pursue our expansion strategy supported by the momentum of the Spanish economy.

"

SEBASTIAN PALACIOS
Director Carmila Spain

PERFORMANCE INDICATORS

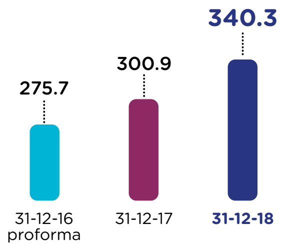
+ 76,000 m²
in Spain



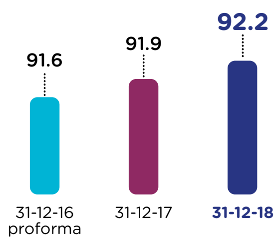
9
acquisitions in 2018,
including **8**
in Spain,
representing a total of
€417M

2018
FINANCIAL AND NON-FINANCIAL **PERFORMANCE**

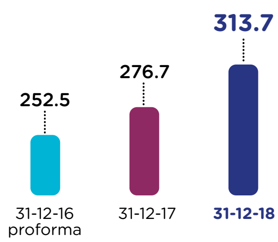
GROSS RENTAL INCOME
in € millions



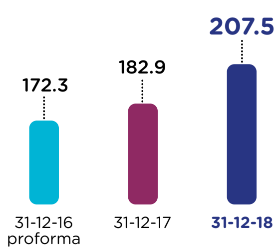
CONVERSION RATE[1]
in %



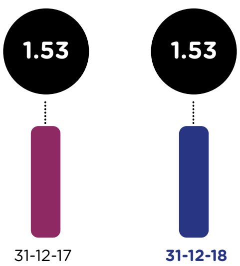
NET RENTAL INCOME
in € millions



RECURRING EARNINGS[2]
in € millions

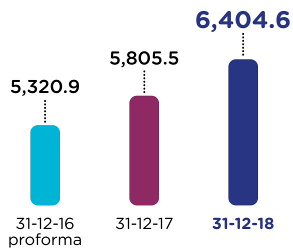


RECURRING EARNINGS PER SHARE
in €

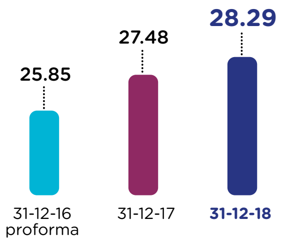


(1) Net rental Income / Gross rental income.
(2) EPRA earnings excluding non recurring items.
(3) Based on appraisal values including transfer taxes.
(4) Net Asset Value.

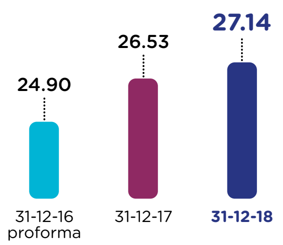
GROSS ASSET VALUE[3]
in € millions



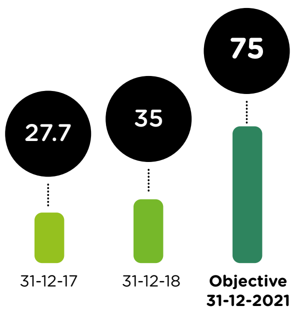
EPRA NAV[4] PER SHARE
in €



EPRA TRIPLE NAV[4] PER SHARE
in €



PORTFOLIO ENVIRONMENTAL CERTIFICATION[3]
in %



2.

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 €6.4 billion in assets and 215 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 largest listed company in commercial property by the market value of its assets at 31 December 2018.

Carmila has a broad portfolio of assets, with strong local leadership in their respective catchment areas. With the quality and positioning of its shopping centres, reinforced by a renovation plan for its centres based on the "Air de Famille" concept, Carmila offers tenant retailers space located in modern shopping centres, designed to fulfil the requirements and expectations of consumers. The type of shopping centres held by Carmila is very diversified, thus enabling the main national and international brands to work in several formats, while providing local retailers with an attractive showcase environment.

2.1.2 Asset leadership at the heart of the Carmila strategy

Assets' local leadership lies at the heart of Carmila's strategy: the great majority of Carmila's shopping centres are leaders or co-leaders in their respective catchment areas. At 31 December 2018, Carmila had 149 leader or co-leader shopping centres, representing 87% 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.

Renovation programme

Over the 2014-2017 period Carmila completed its renovation programme for a total investment of €350 million, of which €90 million was provided by Carmila and €260 million financed by the Carrefour group, generally the main co-owner of Carmila's sites. By 2018, almost all of the sites were renovated; those centres not renovated at this date, or recently acquired will be renovated shortly.

Dynamic letting strategy

In addition, Carmila also improved the commercial power of its centres, with more than 3,900 leases signed over the 2014-2018 period (including 827 in 2018) and a consolidated financial occupancy rate of 96.2% at 31 December 2018, against 86.1% at 16 April 2014. Carmila has endeavoured to attract strong retail brands and concepts to make its shopping centres more attractive. The opening of temporary «pop-up» stores and the development of specialty leasing is also helping to reinforce the leadership of its shopping centres by diversifying offerings to satisfy consumers seeking new products and innovative concepts.

Expansion pipeline for shopping centres

Since it was founded in April 2014, Carmila has delivered 17 extensions of existing centres, covering an area of 155,371 sq.m, for an investment of €409 million, with the rent generated by these extensions being €29.3 million and Carmila's average yield on cost being 7.2%. 2018 was particularly busy, with the deliveries of eight projects, covering a total area of 71,950 sq.m for an investment of €145 million.

For the 2019-2024 period, Carmila's expansion pipeline includes 27 projects representing a total forecasted investment of €1.4 billion at 31 December 2018.

Developed jointly with Carrefour Property, these expansion projects enable Carmila to make its shopping centres more attractive, by adapting to retailers' needs and to those of their customers. In particular, these extensions will facilitate the opening of medium-sized retailers in shopping centres, real traffic drivers complementing Carrefour hypermarkets, increasing footfall and enhancing the appeal of these centres.

Targeted acquisitions

Between 2014 and 2018, Carmila acquired 37 shopping centres adjacent to Carrefour hypermarkets in France, Spain and Italy and also acquired several units in shopping centres that it already owned, for a total of €2.2 billion, almost all of which was carried out through off-market transactions. These acquisitions had an average net initial yield of 5.9%.

2018 was particularly busy for Carmila, with the acquisition of nine shopping centres, covering a total area of 100,129 sq.m for an investment of €417 million.

2.2 Key figures concerning the portfolio

2.2.1 Description of the portfolio

At 31 December 2018, Carmila had 215 shopping centre and retail park assets adjacent to Carrefour hypermarkets located in France, Spain and Italy, valued at more than €6.4 billion including transfer taxes and work in progress, for a total leasable area of close to 1.53 million square meters.

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 real estate of Carrefour'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 Carrefour group entities.

2.2.2 Presentation of Carmila's most important assets

Out of 215 commercial real estate assets making up Carmila's portfolio, 15 assets represent 38% of the appraisal value (including transfer taxes) and 27% of the gross leasable area at 31 December 2018. The following table shows information on these 15 properties:

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area *(in sq.m.)*	Carmila Group share per site *(in %)*
FRANCE						
BAB 2 – Anglet	1967	2014	2017	123	25,679	52.4%
Bay 2	2003	2014	-	108	21,096	37.0%
Calais – Coquelles	1995	2014	2019	167	49,774	77.6%
Chambourcy	1973	2014	2015	70	21,057	44.0%
Évreux	1974	2014	2017	72	37,760	57.0%
Montesson	1970	2014	-	59	13,274	32.8%
Orléans Place d'Arc	1988	2014	2018	70	13,520	53.6%
Ormesson	1972	2015	2018	115	20,919	14.5%
Perpignan Claira	1983	2014	2015	77	21,042	52.1%
Saran – Orléans	1971	2014	2017	87	38,675	64.2%
Thionville	1971	2016	-	160	26,188	62.9%
Toulouse Labège	1983	2014	-	127	21,913	44.9%
Vitrolles	1971	2018	-	84	24,000	55.2%
Total France	**-**	**-**	**-**	**1,319**	**334,897**	**-**
SPAIN						
Fan Mallorca	2016	2016	2016	104	38,122	75.0%
Huelva	2013	2014	2013	92	33,283	82.4%
Total Spain	**-**	**-**	**-**	**196**	**71,405**	**-**
TOTAL	**-**	**-**	**-**	**1,515**	**406,302**	**-**

For a detailed presentation of Carmila's portfolio of commercial assets at 31 December 2018, see "Detailed Presentation of the Operating Asset Base of Carmila at 31 December 2018".

2.2.3 Classes of assets by type

At 31 December 2018, Carmila held 149 "leader" or "co-leader" shopping centres (as defined below) in their catchment areas (representing 69% of the total number of Carmila's shopping centres and 87% of its portfolio in terms of appraisal value, including transfer taxes).

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, 2018) 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) or (y) the annual revenue (incl. VAT) of the adjoining hypermarket is over €100 million for hypermarkets in France or €60 million for hypermarkets in Spain or Italy.

Gross Asset Value (GAV) Including transfer taxes (ITT) of portfolio	GAV ITT at 31/12/2018 *(in millions of euros)*	% Market value	Number of sites
France	**4,600.3**	**100%**	**129**
Leader	2,608.9	57%	40
Co-Leader	1,390.5	30%	38
Other*	600.9	13%	51
Spain	**1,449.8**	**100%**	**78**
Leader	714.3	49%	23
Co-Leader	498.7	35%	40
Other*	236.8	16%	15
Italy	**354.5**	**100%**	**8**
Leader	261.5	74%	5
Co-Leader	73.2	21%	3
Other*	19.8	5%	
TOTAL	**6,404.6**	**100%**	**215**
Leader	3,584.7	56%	68
Co-Leader	1,962.4	31%	81
Other*	857.5	13%	66

* *Local centres, isolated units.*

2.3 Asset valuation

2.3.1 Trends in the commercial real estate market and the competitive environment

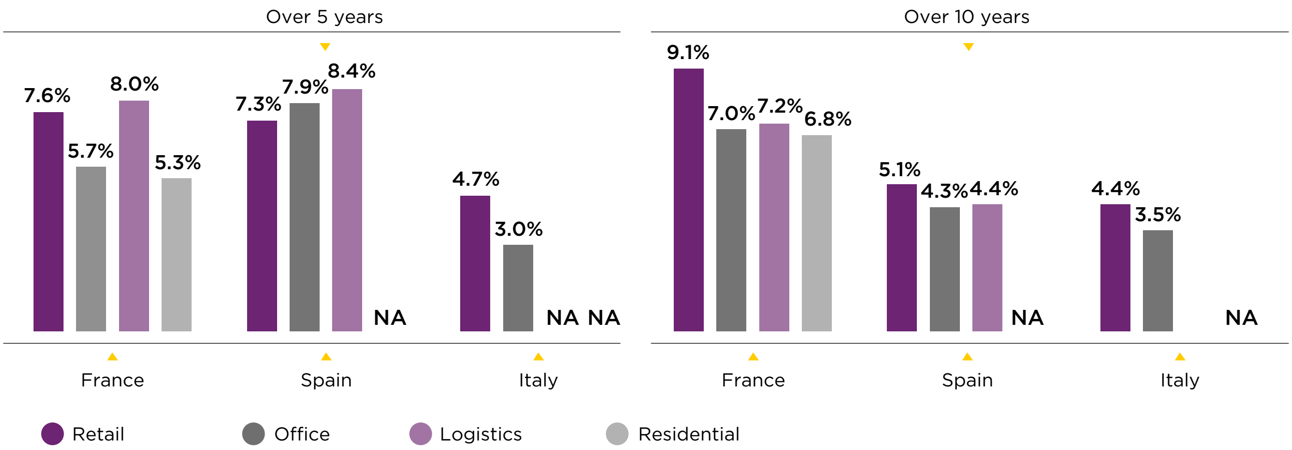
Commercial real estate is defined as all properties owned by professionals who do not occupy them and who draw income from them on a regular basis. Such properties fall into several categories:

- 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 public-owned 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 solid, indexed revenue base, 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 risk sharing 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 extend sites to improve their competitiveness.

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 2017).
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 property is sensitive to the macroeconomic climate (notably growth, inflation, level of employment and household expenditure, which impacts prices, the number of transactions, the vacancy and default rates and rent changes, etc.) and to arbitrations with other classes of financial assets.

The shopping centre market in France

2018 ended with investment in the retail sector amounting to €4.6 billion, up by 10% compared to 2017. According to Cushman & Wakefield, this increased activity in 2018 is marked by the month of December, which alone accounts for one-third of the sums invested over the entire year. The market has been driven by portfolio sales and the strong activity of the segment covering small sales of under €50 million, with some 150 transactions totalling over €1 billion.

The shopping centre market in Spain

According to Knight Frank, capital invested in Spain in the retail property sector amounted to nearly €3.0 billion in 2018 (excluding high street transactions), down by 7.5% compared to 2017. It should be noted that the majority of the investments made during the year were in the form of portfolio purchases and sales, confirming the importance of this type of transaction on the Spanish market.

The shopping centre market in Italy

According to Colliers International, in the third quarter of 2018, the retail sector accounted for almost 40% (vs. 27% in 2017) of all investments in the real estate sector in Italy, valued at €1.8 billion. The real estate market remained active in the office and hotel sectors, but the lack of property for sale forced investors to consider other asset classes, such as retail, logistics and health. These investments were principally focused on the northern and central regions of Italy (approximately 75% of investment volume in 2018).

Carmila only has a presence in Northern Italy, specifically in Lombardy (Milan region), Piedmont (Turin region), Tuscany (Florence region) and Veneto (Venice region). These four regions and, more generally, Northern 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 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 REITs (Real Estate Investment Trusts, for example listed real estate companies specialising in retail, such as Unibail-Rodamco-Westfield, Klépierre, Altarea Cogedim, Mercialys and Eurocommercial Properties, or unlisted companies, such as Ceetrus, as well as real estate companies with more diversified portfolios, such as Merlin Properties);
- funds dedicated to professional investors or retail funds focusing on individual investors (for example Amundi, AXA Real Estate, CBRE Global Investors, etc.);
- 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.

2.3.2 Appraisers and 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 transfer taxes, then subsequently at their fair value. Any variation is recognised in the income statement.

The fair values used are determined on the basis of the conclusions of independent experts. 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 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 rental income capitalisation rate or to future cash flows.

For buildings under construction, the valuation takes into account work in progress as well as the increase in fair value compared to the total cost price of the project (IPUC[1]). Investment properties are subject to an appraisal while under construction to determine their fair value on the opening date. Carmila considers that a development project may be valued reliably if the following three conditions are simultaneously fulfilled (i) all of the administrative authorisations necessary to complete the extension 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.

The appraisers appointed by Carmila are as follows:

- in France: Cushman & Wakefield and Catella;
- in Spain: Cushman & Wakefield and Catella;
- In Italy: BNP Paribas Real Estate.

2.3.2.1 Comments on the scope

- 30% of the sites in France were rotated between the appraisers and the sites appraised by Jones Lang Lasalle and CBRE were split between Cushman & Wakefield and Catella.
- The Orléans – Cap Saran retail park, delivered in the first half and the Athis Mons, Évreux phase 2 and Besançon Chalezeule extensions delivered during the second half have been included in the portfolio at their appraised values.
- The assets acquired during the first half (Marseilles – Vitrolles, Madrid – Gran Via de Hortaleza, and the six assets from the Pradera portfolio in Spain) were included in the portfolio at their appraised values.
- The Antequera centre, acquired in December 2018, has been included in the portfolio at its acquisition value.
- For ongoing extensions (Nice Lingostière and Rennes Cesson), fixed assets in progress have been included in the financial statements as investment properties carried at cost; the increase in value in relation to the cost price (IPUC) has not been accounted for, given that the works have only just started.

2.3.3 Geographical segmentation of the portfolio

The valuation of the total portfolio (Group share) was €6,404.6 million, including transfer taxes, at 31 December 2018 and breaks down as follows:

Gross Asset Value (GAV) Including transfer taxes (ITT) of portfolio	31/12/2018		
Country	(in millions of euros)	(%)	(in number of assets)
France	4,600.3	71.8%	129
Spain	1,449.8	22.6%	78
Italy	354.5	5.5%	8
TOTAL	**6,404.6**	**100.0%**	**215**

In addition to the fair values determined by the experts for each shopping centre, this valuation takes works in progress into account, which were valued at €62.6 million at 31 December 2018.

Also, this valuation includes 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% along with the land for the extension at Thiene in Italy at 50%).

(1) *Investment Property under Construction – Development margin defined as the increase in fair value compared to the cost price of the property.*

2.3.4 Changes to the valuation of the assets

	31/12/2018							30/06/2018				31/12/2017	
	GAV ITT of portfolio			Change vs. 30/06/2018		Change vs. 31/12/2017		GAV ITT of portfolio		Change vs. 31/12/2017		GAV ITT of portfolio	
(in millions of euros)	*GAV ITT (€M)*	*%*	*Number of assets*	*At current scope*	*Like for like*	*At current scope*	*Like for like*	*GAV ITT (€M)*	*%*	*At current scope*	*Like for like*	*GAV ITT (€M)*	*%*
France	4,600.3	71.8%	129	0.1%	-0.1%	6.4%	1.0%	4,596.4	72.4%	6.3%	1.1%	4,323.1	74.5%
Spain	1,449.8	22.6%	78	5.3%	4.1%	28.6%	6.2%	1,377.4	21.7%	22.1%	1.1%	1,127.7	19.4%
Italy	354.5	5.5%	8	-4.5%	0.0%	-0,1%	4.1%	371.3	5.9%	4.7%	4.1%	354.7	6.1%
TOTAL	**6,404.6**	**100%**	**215**	**0.9%**	**0.8%**	**10.3%**	**2.2%**	**6,345.2**	**100%**	**9.3%**	**1.3%**	**5,805.5**	**100%**

The increase in the market value, including transfer taxes, of the assets by €599.1 million during 2018 breaks down as follows:

- the value of the assets, on a like-for-like basis, increased by 2.2%, i.e. €126.4 million. The variation on a like-for-like basis includes shopping centres on a comparable basis, excluding extensions over the period;
- the inclusion in the portfolio of new shopping centres acquired over the period and the exclusion of assets sold in 2018 for a net value of €398.7 million: acquisition of Marseille – Vitrolles, Madrid – Gran Via de Hortaleza, the Pradera portfolio, Antequera and the disposal of Grugliasco in Italy;
- other changes due to extensions (changes in works in progress and IPUC for building projects, delivery of seven projects in 2018) for €74.1 million

2.3.5 Changes in capitalisation rates

	NIY			NPY		
	31/12/2018	30/06/2018	31/12/2017	31/12/2018	30/06/2018	31/12/2017
France	5.22%	5.16%	5.15%	5.54%	5.50%	5.49%
Spain	6.23%	6.18%	6.18%	6.40%	6.40%	6.34%
Italy	6.16%	6.03%	6.21%	6.16%	6.11%	6.21%
TOTAL	**5.50%**	**5.44%**	**5.42%**	**5.77%**	**5.73%**	**5.70%**

The NPY (Net Potential Yield) is up slightly over the total portfolio: +7 bps; this rise is due to changes in France and in Spain, as the influence of Italy in the total portfolio is limited.

In France, the change in the NPY is 5 bps between 31 December 2017 and 31 December 2018. This rise is attributable to three main factors: the impact of market decompression on capitalisation rates (12 bps), the asset management task (restructuring and delivery of extensions -5 bps) and the acquisition of the Vitrolles centre, which has pulled the overall rate very slightly downwards (-2 bps). The impact of the decompression of market capitalisation rates on Carmila's portfolio remains limited, the experts having emphasised its considerable resilience compared to the market, owing to the full and recent renovation of the portfolio, tenants' occupancy cost ratios and realistic letting values for vacant premises.

In Spain, the change in the NPY is 6 bps between 31 December 2017 and 31 December 2018. This change is due to two main factors: revaluation by the experts of the letting value of vacant premises, thanks to sound performance by the marketing teams since 2014 (3 bps) and the impact of acquisitions (3 bps).

In Italy, the slight compression of the NPY is attributable to Nichelino, whose performance since opening in October 2017 enables a valuation at market level at 31 December 2018.

In the three countries, the change in NIY is comparable to that of the NPY, given the broadly stable financial vacancy rate.

2.3.6 Breakdown of the appraisal values by CNCC typology

In accordance with the CNCC typology, the sites are grouped into three categories: regional shopping centres, large shopping centres and small shopping centres (called local shopping centres in this document)[(1)].

At 31 December 2018, regional shopping centres and large shopping centres accounted for 81% of the market value of Carmila's portfolio.

	Appraisal 31/12/2018						
	GAV ITT *(€M)*	**% of value**	**Average net rent** *(€/m²)*	**Average vacant ERV**	**NIY**	**NPY**	**EPRA Vacancy Rate**
France	**4,600.3**	**100%**	**262**	**210**	**5.2%**	**5.5%**	**94.2%**
Regional Shopping Centres	1,548.6	33.7%	327	208	5.0%	5.3%	95.3%
Large Shopping Centres	2,186.3	47.5%	267	243	5.1%	5.4%	95.3%
Local Shopping Centres	865.4	18.8%	195	186	5.7%	6.4%	90.1%
Spain	**1,449.8**	**100.0%**	**211**	**79**	**6.2%**	**6.4%**	**93.8%**
Regional Shopping Centres	356.8	24.6%	199	nd	5.4%	5.4%	99.6%
Large Shopping Centres	743.6	51.3%	194	96	6.4%	6.6%	94.1%
Local Shopping Centres	349.2	24.1%	276	77	6.7%	7.1%	88.7%
Italy	**354.5**	**100.0%**	**251**	**nd**	**6.2%**	**6.2%**	**98.8%**
Regional Shopping Centres	18.4	5.2%	234	nd	5.5%	5.5%	100.0%
Large Shopping Centres	315.1	88.9%	251	nd	6.2%	6.2%	98.6%
Local Shopping Centres	21.0	5.9%	265	nd	6.6%	6.6%	100.0%
GRAND TOTAL	**6,404.6**	**100.0%**	**246**	**165**	**5.5%**	**5.8%**	**94.3%**
Regional Shopping Centres	**1,923.0**	**30.0%**	**289**	**195**	**5.1%**	**5.3%**	**96.2%**
Large Shopping Centres	**3,245.9**	**50.7%**	**241**	**172**	**5.5%**	**5.7%**	**95.3%**
Local Shopping Centres	**1,235.7**	**19.3%**	**216**	**146**	**6.0%**	**6.6%**	**89.8%**

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

(in millions of euros)	**31/12/2018**	**31/12/2017**
GAV ITT	6,404.6	5,805.5
Works in progress	-62.6	-91.6
Valuation of the share of equity-accounted investments	-69.2	-67.7
Transfer taxes and registrations (excluding equity-accounted investments)	-319.2	-290.1
Other reclassifications	0.0	-1.0
Market value excluding transfer taxes (including IPUC)	5,953.7	5,355.1
IPUC	0.0	-26.8
MARKET VALUE EXCLUDING TRANSFER TAXES	**5,953.7**	**5,328.3**

(1) Regional shopping centres: gross leasing area (GLA) over 40,000 sq.m. and/or at least 80 stores and services. Large shopping centres: GLA area over 20,000 sq.m. and/or at least 40 stores and services. Local shopping centres: GLA area over 5,000 sq.m and at least 20 stores and services.

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

2.4.1 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 valuers, 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 2018.

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 1 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 8 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 valuers 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).

2.4.2 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.

2.4.3 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
Head of Valuation & Advisory France
Cushman & Wakefield Valuation France

Tony Loughran
Partner
C&W Valuation & Advisory, Spain

Simone Scardocchia
Head of Corporate Valuation
BNP Paribas Real Estate, Italy

Jean-François Drouets
Chairman
Catella Valuation

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

2.5 Extension pipeline at 31 December 2018

2.5.1 Developments

In each of its markets, Carmila continues to implement its extension programme for high-potential shopping centres, and is also performing restructuring operations to optimise its centres, increase their yield and enhance their leadership.

Pursuant to the Renovation and Development Agreement, extension projects are developed jointly by Carmila and Carrefour. Initially, extension projects are researched and defined jointly by a partnership committee. Once the pre-rentals of the extension project are deemed satisfactory (approximately 65%), a final project package is submitted to the relevant decision-making bodies of Carmila and Carrefour for approval and the start of work. In order to ensure that the interests of both parties are met, 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. Once opened to the public, call and put option mechanisms enable Carmila to purchase the entire extension jointly developed with Carrefour. The target average yield on investment (expected net rents divided by the total estimated investment amount) for the extension projects is approximately 7% to 8%, or between 6% and 7% for Carmila after sharing the development margin (50% each) with Carrefour.

2.5.2 Development pipeline

For the 2018-2023 period, Carmila's expansion pipeline at 31 December 2017 included 31 projects representing a total expected investment of €1.5 billion. In 2018, seven extensions were delivered in France and in Spain: Orléans – Cap Saran, Douai, Hérouville, Besançon Chalezeule, Évreux (phase 2), Athis-Mons and Los Patios in Malaga, Spain. All of these projects were delivered with a financial occupancy rate close to 100%.

In 2018, five projects were placed on hold: Sallanches and Angoulins in France, Augusta-Saragossa and Puerta de Alicante in Spain and Thiene in Italy; nonetheless, eight new projects (seven in France and one in Spain) came into the scope: Bourg-en-Bresse, Nantes Beaujoire, Tourville, Draguignan, Châteauneuf-les-Martigues, Francheville, Draguignan (in France) and Tarrassa in Spain.

The 2019-2024 expansion pipeline at 31 December 2018 encompassed 27 projects representing an estimated investment of €1.4 billion and an average yield on cost of 6.2%.[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 2018-2024 period.

Expansion project	Country	Planned area *(in sq.m)*	Planned opening date *(in sq.m.)*	Estimated cost[(1)] *(in millions of euros)*	Full year additional rental value *(in millions of euros)*	Yield[(2)]	Yield (Carmila share)[(3)]
2018 PROJECTS DELIVERED							
Orléans – Saran	France	29,232	Apr.-18				
Douai	France	1,294	H1 – 18				
Hérouville – restructuring	France	179	H1 – 18				
Besançon Chalezeule	France	15,000	Sept.-18				
Évreux (phase 2)	France	19,244	Oct.-18				
Athis-Mons	France	5,794	Dec.-18				
Málaga – Los Patios	Spain	1,207	Dec.-18				
Total projects 2018		**71,950**		**145.5**	**11.3**	**7.8%**	**7.6%**
2019 PROJECTS							
Calais – Coquelles restructuring	France	6,000	H2-2019				
Rennes – Cesson Sévigné	France	6,085	H2-2019				
Toulouse – Purpan	France	3,152	H2-2019				
Total Projects 2019		**15,237**		**30.6[(4)]**	**2.4[(4)]**	**7.6%**	**7.6%**
Bourg-en-Bresse (restructuring)	France	1,387	2020				
Chambéry-Bassens	France	4,604	2020				
Nice Lingostière	France	12,623	2020				
Laval	France	5,651	2020				
León	Spain	5,000	2020				
Burgos	Spain	4,593	2020				
Draguignan (restructuring)	France	1,519	2020				
Roanne Mably	France	2,788	2021				
Tourville	France	4,750	2021				
Francheville (stripmall)	France	2,374	2021				
Châteauneuf-les-Martigues	France	3,260	2021				
Laon	France	1,700	2021				
Puget-sur-Argens (restructuring)	France	1,513	2021				
Thiene	Italy	9,600	2022				
Barcelona – Tarrassa	Spain	40,000	2022				
Nantes Beaujoire	France	14,943	2022				
Thionville	France	4,161	2022				
Vitrolles	France	24,089	2022				
Aix-en-Provence	France	5,978	2022				
Montesson	France	28,431	2022				
Orléans Place d'Arc	France	10,528	2023				
Antibes	France	36,363	2024				
Toulouse Labège	France	25,231	2024				
Vénissieux	France	42,965	2024				
Total projects post-2019		**294,051**		**1,415.2**	**89.9**	**7.2%**	**6.1%**
TOTAL PROJECTS CONTROLLED[(5)]		**309,287**		**1,445.8**	**92.4**	**7.2%**	**6.2%**

(1) The total investment corresponds to Carmila's projected share (50% of the investment) added to Carrefour's share (50% of the investment and 50% of the margin) that is acquired upon delivery.
(2) Expected net annualised rents divided by the total estimated investment amount.
(3) Expected net annualised rents, divided by the total amount of the investment, including transfer taxes, including Carrefour's share that is acquired upon delivery.
(4) Includes planned Rennes Cesson and Toulouse Purpan developments, but not the Calais Coquelles restructuring.
(5) Projects controlled: post-2018 projects for which studies have been significantly undertaken and for which Carmila controls either the real estate or the right to build, but where not all administrative authorisations may have been obtained.

2.5.3 2018 extensions

In 2018, Carmila confirmed its ability to successfully implement its strategy to develop its expansion programme, with the delivery of seven projects, representing an area of 71,950 sq.m and a cost of €145 million, for an average yield on cost of 7.6%.

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

On 24 April 2018, Carmila opened France's largest retail park built in 2018, with 29,000 sq.m. Orléans – Cap Saran is located on the outskirts of the city of Orléans, in the Saran commercial district, just a few minutes away from the A10 motorway linking Paris to Bordeaux. With 85 retail brands, leisure and food facilities and attractions for all ages such as the «Grand Ecr@n» digital big screen, Orléans – Cap Saran has become a popular shopping destination for the whole of the Loiret region.

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

In the first half of 2018, Carmila opened the restructured shopping mall in the Caen Hérouville-Saint-Clair Carrefour shopping centre. The entire shopping arcade now covers nearly 17,000 sq.m. and is home to new retail brands including Mango, Basic Fit and the first Deichmann shoe store in France.

- **Douai Flers-en-Escrebieux (Northern France) – Restructuring of the leading shopping centre in Douai**

Following a full renovation of the shopping centre and hypermarket in 2015 and 2016, Carmila finished the restructuring of the east section of the Carrefour Douai Flers shopping centre in the first half of 2018. The shopping complex, which is located on the outskirts of Douai, is now home to 48 stores (among which a FNAC of 840 sq.m. in the restructured area) over 7,200 sq.m. of gross leasable area, together with 2,400 parking spaces.

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

On 26 September 2018, Carmila opened a 15,000 sq.m retail park linked to Carrefour's Besançon Chalezeule shopping centre and the tram service in operation since September 2014. The future retail park has a catchment area of 115,000 households and houses 18 new retail brands, amongst them Intersport, Chaussea, Basic Fit and Space Jump.

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

On 16 October 2018, Carmila opened the second phase of the extension of the shopping arcade in the Carrefour Évreux hypermarket shopping centre. The shopping centre has now reached a leasable area of 7,000 sq.m. for the shopping arcade and 30,700 sq.m. for the retail park, bringing the total number of retail brands from 18 to 80.

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

On 4 December 2018, Carmila opened the expansion of the shopping arcade in the Carrefour Los Patios shopping centre in Malaga. The project consisted of a total restructuring of the shopping arcade and the creation of a leasable area of 1,200 sq.m.

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

On 12 December 2018, Carmila opened the expansion of the shopping arcade in the Carrefour shopping centre at Athis-Mons. The 4,086 sq.m. extension will also increase the number of retail brands from 26 to 39, including an H&M in the new extension.

2.5.4 2019 Projects

- **Calais Coquelles (Northern France) – Major restructuring to improve the retail momentum in this historic centre and prime site**

In the second half of 2019, Carmila plans to complete the restructuring of the shopping arcade in the Carrefour Cité Europe shopping centre, located at Coquelles in the urban district of Calais. In particular, the restructuring will include the opening of Primark, with a sales area of more than 4,000 sq.m on two levels, a direct connection with the cinema and simplification of the customer experience, thus completing the transformation and relaunch of the retail momentum of this leading site.

- **Rennes Cesson (Brittany) – Extension project for a shopping centre benefiting from a strategic location at the entrance to the city**

Carmila has accelerated the opening of the Rennes Cesson shopping centre extension from 2020 to the second half of 2019. The centre is located in the main technology park in the Rennes urban area. The extension will double the size to 12,823 sq.m., housing 67 stores.

- **Toulouse Purpan (South Western France) – Creation of a retail park in the Toulouse Purpan shopping centre**

Following a full renovation of the shopping centre and hypermarket in 2015 and 2017, Carmila will complete its offer of the Toulouse Purpan Carrefour shopping centre in the second half of 2019. Located in an urban environment, the shopping complex will accommodate five new brands (catering, leisure and sport) in the form of a retail park covering 3,100 sq.m.

2.5.5 Major building project under way

- **Nice Lingostière (South Eastern France) – Extension project for a landmark leisure complex in France's fifth city**

In the second half of 2020, Carmila plans to open the extension of the shopping arcade in the Carrefour shopping centre located at Nice Lingostière. The centre is located in a well-known leisure complex offering an appealing range of food outlets, clothing stores and numerous services. The extension will increase the centre's GLA from 7,811 sq.m. to 20,602 sq.m., covering a total of 92 stores.

2.5.6 Administrative authorisations

Building permits

A building 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.

Five building permits have been obtained for pipeline projects, three of which during 2018:

- Marseille Vitrolles – February 2018 (building permit with all issues resolved);
- Calais Coquelles – 12 June 2018 ;
- Sallanches – 3 October 2018.

Authorisations to operate retail facilities

An authorisation to operate a retail facility is required in connection with the creation of a store or retail complex with retail space of more than 1,000 sq.m. or for an expansion of a store or of a retail complex that contains or will contain more than 1,000 sq.m. of retail space. This regulation primarily applies to food stores, retailers, and artisanal services.

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.

To date, seven CDAC/CNAC have been obtained for pipeline projects, including one CDAC/CNAC during 2018:

- **Châteauneuf-les-Martigues** – 25 October 2018

Carmila portfolio renovation programme

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. By the end of 2017, Carmila had completed its entire initial renovation programme.

Carmila aims at renovating its entire portfolio, and is continuing its programme with renovations of recently-acquired sites.

Five renovations which were not included in the initial scope were delivered in 2018: Orléans Place d'Arc, Ormesson-sur-Marne, Besançon – Chalezeule, Montigala and Los Patios.

2.6 Detailed presentation of the operating asset base of Carmila at 31 December 2018

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area *(in sq.m.)*	Carmila Group share per site *(in %)*
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	2015	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	46	9,864	44.9%
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-sur-Mer	1995	2014	2014	28	7,622	60.3%
Besançon/Chalezeule	1976	2014	2018	31	16,882	52.0%
Bourg-en-Bresse	1977	2014	-	23	4,489	19.2%
Bourges (with expansion)	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	2019	167	49,774	77.6%
Chambourcy	1973	2014	2015	70	21,057	44.0%
Champs-sur-Marne	1967	2014	2014	17	1,773	15.5%
Charleville-Mézières	1985	2014	2014	26	2,475	17.5%
Château-Thierry	1972	2014	2015	11	649	8.8%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area *(in sq.m.)*	Carmila Group share per site *(in %)*
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%
Conde-sur-Sarthe	1972	2014	2014	31	9,218	71.8%
Crèches-sur-Saône	1981	2014	2015	67	14,768	48.7%
Denain	1979	2014	2016	9	623	6.0%
Dinan Quevert	1970	2016	-	18	3,196	-
Douai Flers (GM)	1983	2014	2015	47	7,206	20.7%
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	100.0%
Épinay-sur-Orge	1992	2015	-	1	54	-
Étampes	1983	2014	2015	3	878	7.7%
Évreux	1974	2014	2017	72	37,760	57.0%
Feurs	1981	2014	-	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	45	4,854	33.0%
Gennevilliers	1976	2014	2015	17	2,349	14.1%
Goussainville	1989	2014	2015	25	3,171	38.1%
Gruchet	1974	2014	2015	31	8,939	38.7%
Gueret	1987	2014	-	13	3,415	17.0%
Hazebrouck	1983	2014	2014	15	1,300	17.3%
Hérouville-St-Clair	1976	2014	2016	47	14,333	47.0%
La Chapelle-St-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	-	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	-	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	2.6%
Mondeville HE	2013	2014	-	28	29,833	50.0%
Mont-Saint-Aignan	1987	2015	-	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	-	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%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area *(in sq.m.)*	Carmila Group share per site *(in %)*
Orléans Place d'Arc	1988	2014	2018	70	13,520	53.6%
Ormesson	1972	2015	2018	115	20,919	14.5%
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	43	6,915	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	87	38,675	64.2%
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%
St-André Les Vergers	1975	2014	2016	7	1,096	5.2%
St-Brieuc – Langueux	1969	2014	2017	46	13,915	37.1%
St-Égrève	1986	2014	2014	38	9,338	13.3%
St-Jean-de-Védas	1986	2014	2014	29	3,073	18.6%
Stains	1972	2014	-	24	2,973	16.7%
Tarnos	1989	2014	2014	25	4,081	29.0%
Thionville	1971	2016	-	160	26,188	62.9%
Tinqueux	1969	2014	2015	32	5,919	22.6%
Toulouse Labège	1983	2014	-	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%
Vitrolles	1971	2018	-	84	24,000	55.2%
SPAIN						
Albacete/Los Llanos	1989	2014	-	25	5,221	23.3%
Alcala de Henares	2007	2014	2016	25	1,677	17.3%
Alcobendas	1981	2014	2016	47	3,524	23.7%
Alfafar	1976	2014	2015	36	7,213	29.7%
Aljarafe	1998	2018	-	41	12,011	35.8%
Almería	1987	2014	2014	25	1,032	10.0%
Alzira	1991	2014	2017	25	7,731	18.3%
Antequera	2004	2018	2017	58	12,750	65.3%
Azabache	1977	2014	2016	37	5,450	22.4%
Cabrera de Mar	1979	2014	2014	31	14,244	17.9%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area *(in sq.m.)*	Carmila Group share per site *(in %)*
Caceres	1998	2014	2015	19	1,517	11.7%
Cartagena	1998	2014	2016	19	1,126	14.5%
Castellón	1985	2014	2015	25	1,300	8.6%
Ciudad de la Imagen	1995	2014	2016	26	2,056	14.2%
Córdoba/Zahira	1977	2014	-	17	1,010	7.4%
Dos Hermanas (Sevilla)	1993	2014	2017	20	1,423	13.4%
El Alisal	2004	2014	2016	45	15,174	43.9%
El Mirador	1997	2016	-	48	9,846	50.4%
El Paseo	1977	2018		53	10,454	18.5%
El Pinar	1981	2014	2014	41	4,353	14.0%
Elche	1983	2014	2015	22	9,823	-
Fan Mallorca	2016	2016	2016	104	38,122	75.0%
Finestrat/Benidorm	1989	2014	2016	29	2,235	16.3%
Gandía	1994	2014	2015	23	2,066	13.3%
Gran Via de Hortaleza	1992	2018		69	6,317	27.2%
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 Granadilla	1990	2014	2014	23	909	7.0%
La Línea de la Concepción, Cádiz/ Gran Sur	1997	2014	2016	48	9,090	36.5%
La Sierra	1994	2018		65	17,611	18.9%
Leon	1990	2014	2016	22	2,497	18.6%
Lérida	1986	2014	2014	15	518	8.8%
Los Angeles	1992	2014	2016	46	6,784	34.4%
Los Barrios Algeciras	1980	2014	2015	29	2,363	16.4%
Lucena	2002	2014	2016	14	1,398	11.4%
Lugo	1993	2014	2017	24	2,027	11.1%
Málaga/Alameda II	1987	2014	2016	33	8,844	37.6%
Málaga/Los Patios	1975	2014	2018	56	5,145	21.4%
Manresa	1991	2018		29	2,303	13.1%
Merida	1992	2014	2017	26	2,599	10.4%
Montigala	1991	2016	2018	58	10,668	43.7%
Mostoles	1992	2014	-	26	3,300	20.1%
Murcia/Atalayas	1993	2016	-	42	10,024	45.2%
Murcia/Zaraiche	1985	2014	2014	26	2,575	14.1%
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%
Paterna	1979	2014	2016	20	1,687	9.2%
Peñacastillo	1992	2014	2014	60	10,241	42.0%
Petrer	1991	2014	2016	32	4,092	23.4%
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%
Sagunto	1989	2014	-	11	976	11.9%
Salamanca	1989	2014	2016	17	798	7.6%
San Juan	1977	2018		33	7,121	24.5%
San Juan de Aznalfarache, Sevilla	1985	2014	2015	39	5,017	21.5%
San Sebastian de los Reyes	2004	2014	2016	26	2,273	12.7%
Sestao	1994	2014	2016	24	1,327	48.8%
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%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area *(in sq.m.)*	Carmila Group share per site *(in %)*
Talavera/Los Alfares	2005	2014	2016	62	20,524	76.7%
Tarragona	1975	2014	2017	22	3,429	11.4%
Tarrasa	1978	2018		35	7,499	31.6%
Torrelavega	1996	2014	2016	21	1,505	9.7%
Torrevieja	1994	2014	2014	21	1,711	11.5%
Valencia/Campanar	1988	2014	2016	33	3,160	16.7%
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%
Villarreal de los Infantes	1995	2014	2016	16	937	10.3%
Zaragoza	1989	2014	2015	23	4,306	23.4%
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%
Nichelino	1995	2014	2017	65	29,191	27.0%

ACTIVITY FOR THE FINANCIAL YEAR

3.1 Selected financial information

FINANCIAL INFORMATION FROM THE INCOME STATEMENT

(in millions of euros, except for per-share data)	Year ended 31 December 2018	Year ended 31 December 2017
Gross rental income	340.3	300.9
Net rental income	313.7	276.7
EBITDA (excluding fair value adjustments)(1)	264.3	229.4
Change in fair value adjustments on investment properties	13.6	164.5
Operating income	275.0	394.0
Net financial income/expense	(58.6)	(45.3)
Consolidated net income – Group share	163.6	313.8
Earnings per share(3)	1.20	2.63
EPRA earnings(2)	202.5	179.8
EPRA earnings per share(3)	1.49	1.51
Recurring earnings(4)	207.5	182.9
Recurring earnings per share(3)	1.53	1.53

(1) For a definition of EBITDA (excluding fair value) and the reconciliation with the closest IFRS indicator see Section "Comments on results for the year".
(2) For a definition of "EPRA earnings", see the Section "EPRA performance indicators".
(3) Number of average fully diluted shares 135,860,096 at 31 December 2018 and 119,323,222 at 31 December 2017.
(4) Recurring earnings are equal to EPRA earnings excluding certain non-recurring items. See the Section "EPRA Performance indicators".

SELECTED FINANCIAL INFORMATION FROM THE BALANCE SHEET

(in millions of euros)	Year ended 31 December 2018	Year ended 31 December 2017
Investment properties (carried at fair-value excluding transfer taxes)	5,953.7	5,356.0
Cash and cash equivalent investments	212.7	329.4
Financial debt (current and non-current)	2,389.9	2,075.1
Shareholders' equity – Group share	3,646.9	3,536.5

FINANCIAL INFORMATION RELATED TO KEY INDICATORS AND RATIOS

(in millions of euros except for ratios and per-share amounts)	Year ended 31 December 2018	Year ended 31 December 2017
Net financial debt	2,177.2	1,745.7
Loan-to-value ratio ITT (LTV)(1)	34.0%	30.1%
Interest Coverage Ratio (ICR)(2)	4.9x	4.7x
EPRA net asset value, excluding transfer taxes	3,876.1	3,714.4
EPRA net asset value, excluding transfer taxes, per share(3)	28.39	27.48
Gross asset value (including transfer taxes, including works in progress)	6,404.6	5,805.5

(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 fair value adjustments) to net financial costs.
(3) Year end, fully diluted, on the basis of 136,538,931 shares at 31 December 2018 and 135,182,748 shares at 31 December 2017.

3

3.2 Financial statements

3.2.1 Consolidated statement of comprehensive income

IFRS EPRA standard presentation *(in thousands of euros)*	**31/12/2018**	**31/12/2017**
Gross Rental Income	**340,250**	**300,911**
Real estate expenses	-3,874	-4,389
Non-recovered rental charges	-11,062	-7,305
Property expenses (landlord)	-11,656	-12,562
Net Rental Income	**313,658**	**276,655**
Operating expenses	-50,574	-47,433
Income from management, administration and other activities	4,595	4,790
Other income	6,631	5,712
Payroll expenses	-24,839	-23,878
Other external expenses	-36,961	-34,057
Allowances for depreciation of fixed assets, amortisation of tangible fixed assets and provisions	-3,508	-809
Other operating income and expenses	-277	-7,160
Gain (loss) on disposals of investment properties and equity investments	-1,796	-2,803
Change in fair value adjustments	13,586	164,470
Share in net income of equity-accounted investments	3,882	11,067
Operating income	**274,971**	**393,987**
Financial income	384	927
Financial expense	-54,011	-49,608
Cost of net indebtedness	**-53,627**	**-48,681**
Other financial income and expenses	-4,931	3,357
Net financial income (expense)	**-58,558**	**-45,324**
Income before taxes	**216,413**	**348,663**
Income tax	-52,804	-34,359
CONSOLIDATED NET INCOME	**163,609**	**314,304**
Group share	**163,557**	**313,787**
Non-controlling interests	**53**	**517**
Average number of shares comprising Carmila's share capital	135,653,512	119,132,838
Earnings per share, in euros (Group share)	1.21	2.63
Fully diluted average number of shares comprising Carmila's share capital	135,860,096	119,323,222
Fully diluted earnings per share, in euros (Group share)	1.20	2.63

3.2.2 Consolidated statement of financial position

Assets

(in thousands of euros)	31/12/2018	31/12/2017
Goodwill	-	-
Intangible fixed assets	4,556	4,559
Property, plant and equipment	2,062	2,411
Investment properties carried at fair value	5,953,655	5,356,002
Investment properties carried at cost	62,605	91,581
Investments in equity-accounted companies	49,766	47,364
Other non-current assets	11,948	12,981
Deferred tax assets	7,776	6,284
Non-current assets	**6,092,368**	**5,521,182**
Investment properties held for sale	-	500
Trade receivables	123,616	107,919
Other current assets	217,244	75,398
Cash and cash equivalents	70,518	329,397
Other current assets	**411,378**	**513,214**
TOTAL ASSETS	**6,503,746**	**6,034,396**

Liabilities & shareholders' equity

(in thousands of euros)	31/12/2018	31/12/2017
Share capital	819,370	810,360
Additional paid-in capital	2,268,204	2,321,671
Treasury shares	-3,861	-2,653
Other comprehensive income	-31,983	-27,937
Consolidated retained earnings	431,612	121,234
Consolidated net income	163,557	313,787
Shareholders' equity – Group share	**3,646,899**	**3,536,462**
Non-controlling interests	5,781	5,999
SHAREHOLDERS' EQUITY	**3,652,680**	**3,542,461**
Non-current provisions	5,685	2,142
Non-current financial debts	2,301,426	1,966,003
Lease deposits and guarantees	76,454	69,643
Non-current tax liabilities and deferred tax liabilities	159,261	112,867
Other non-current liabilities	7,473	7,477
Non-current liabilities	**2,550,299**	**2,158,132**
Current financial debt	82,885	68,970
Bank facilities	5,617	40,129
Trade payables	28,370	28,567
Fixed assets payables	52,141	71,751
Current tax liabilities and social dues	44,237	38,661
Other current liabilities	87,517	85,724
Current liabilities	**300,767**	**333,802**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,503,746**	**6,034,396**

3.2.3 Change in net cash position

(in thousands of euros)	31/12/2018	31/12/2017
Consolidated net income	**163,609**	**314,304**
Adjustments		
Elimination of income from equity-accounted investments	-3,882	-11,067
Elimination of depreciation, amortisation and provisions	6,350	2,263
Elimination of change in fair value adjustment	-11,388	-164,239
Elimination of capital gain (loss) on disposals	1,371	119
Other non-cash income and expenses	-1,501	3,825
Cash-flow from operations after cost of net debt and tax	**154,559**	**145,205**
Elimination of tax expense (income)	52,804	34,359
Elimination of cost of net debt	53,628	48,682
Cash-flow from operation before cost of net financial debt and tax	**260,991**	**228,246**
Change in operating working capital	-17,247	47,822
Change in lease deposits and guarantees	4,387	-537
Income tax paid	-6,012	-11,541
Cash-flow from operating activities	**242,119**	**263,990**
Changes in scope of consolidation	-	-7,643
Change in fixed assets payables	-19,610	43,821
Acquisitions of investment properties	-571,903	-279,184
Acquisitions of other fixed assets	-502	-282
Change in loans and advances	3,019	-7,343
Disposal of investment properties and other fixed assets	19,163	177
Dividends received	1,480	1,474
Cash-flow from investment activities	**-568,353**	**-248,981**
Capital increase	36,350	613,937
Transactions in share capital of equity accounted companies	0	-10,025
Net sale (purchase) of treasury shares	-1,893	-2,447
Issuance of bonds	350,000	0
Issuance of new bank loans	10,000	15,905
Loan repayments	-2,322	-184,778
Display of cash equivalent investments in other current financial receivables	-145,053	
Interest paid	-44,138	-49,692
Interest received	384	928
Dividends and share premiums distributed to shareholders	-101,461	-164,690
Cash-flow from financing activities	**101,867**	**219,139**
CHANGE IN NET CASH POSITION	**-224,367**	**234,148**

3.2.4 Statement of changes in consolidated equity

in thousands of euros	Share capital	Additional paid-in capital	Treasury shares	Other comprehensive income	Consolidated retained earnings	Consolidated net income	Shareholders' equity–Group share	Noncontrolling interests	Shareholders' equity
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	157,151	456,786			0		613,937		613,937
Share-based payments					1,344		1,344		1,344
Treasury shares transactions			-2,447				-2,447		-2,447
Dividends paid		-164,291					-164,291	-399	-164,690
Allocation of 2016 Net 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									
Cross charging of OCI to income				3,004			3,004		3,004
Change in fair value of hedging instruments				7,919			7,919		7,919
Actuarial gains and losses on retirement benefits				-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**
First application of IFRS 9					19,754		19,754		19,754
BALANCE AT 1 JANUARY 2018	**810,360**	**2,321,671**	**-2,653**	**-27,937**	**140,988**	**313,787**	**3,556,216**	**5,999**	**3,562,215**
Share capital transactions	9,010	27,340			0		36,350		36,350
Share-based payments					-1,501		-1,501		-1,501
Treasury share transactions			-1,208				-1,208		-1,208
Dividends paid		-80,807			-20,384		-101,191	-271	-101,462
Allocation of 2017 net income					313,787	-313,787	0		0
Net income for the year						**163,557**	**163,557**	**53**	**163,609**
Gains and losses recorded directly in equity									
Cross charging of OCI to income				2,608			2,608		2,608
Change in fair value of other financial assets				-1,174			-1,174		-1,174
Change in fair value of hedging instruments				-5,586			-5,586		-5,586
Actuarial gains and losses on retirement benefits				106			106		106
Other comprehensive income				**-4,046**			**-4,046**	**0**	**-4,046**
Changes in scope of consolidation					-1,278		-1,278		-1,278
BALANCE AT 31 DECEMBER 2018	**819,370**	**2,268,204**	**-3,861**	**-31,983**	**431,612**	**163,557**	**3,646,899**	**5,781**	**3,652,680**

3.3 Key Highlights from 2018

Carmila has proven the strength of its business model and the dynamism of its teams. The results for this year highlight the company's ability to transform and enhance the value of its shopping centres, through the implementation of a retailer approach. Locally-deployed teams, retailer support with powerful digital marketing tools, and an entrepreneurial spirit applied to all areas of its business provide Carmila with unique potential for growth.

- Gross rental income increased by +13.1% to €340.3 million, including organic growth of +2.8%.
- Recurring earnings amounted to €207.5 million, an increase of +13.5% compared with 2017. Recurring earnings per share remained stable at €1.53 per share. The dilutive effect of the capital increase carried out in 2017 was offset in full.
- The Gross asset value, including transfer taxes, of Carmila's shopping centres totalled €6.4 billion, up +10.3% over 12 months. At comparable scope, this figure rose by +2.2%, stable in France and increasing in Spain and Italy. The France portfolio saw a marginal increase in average market capitalisation rates (+12 bps), offset by the positive effects of the Carmila teams' dynamic approach to asset management. The average capitalisation rate for the portfolio rose by +7 bps over the 12 months from 5.70% a year ago to 5.77%.
- EPRA NAV per share grew by +3.3% over 2018, to €28.39. Restated for the interim dividend of €0.75 paid in November 2017 on 2017 EPRA NAV, NAV rose by +0.6% over the 12 months.
- Over the course of 2018, Carmila delivered seven extension projects, thus increasing the leadership of these sites. Retail brands proved to be pursuing a selective development in France in these assets were the letting rate is above 96% and activity already looks promising for the first few months of opening.
- In 2018, Carmila signed acquisitions worth €417 million and as such boosted its future potential for growth by increasing its presence in the dynamic Spanish market and acquiring assets with significant potential for value creation.

2018 Rental activity

Gross rental income for 2018 totalled €340.3 million, an increase of +13.1% as a result of organic growth combined with acquisitions and extension projects completed in 2017 and 2018.

Organic growth of +2.8% was recorded over 2018, including an impact of indexation of 1.1 points.

Reversion recognised in relation to renewals over the period averaged at +6.9%. Following Carmila's decision to make them a priority for development, specialty leasing and pop up stores enjoyed significant growth (+22.4%) and represented €10.7 million in gross rents.

Acquisitions completed in 2018 represented 6.2% of the growth in rental income (+€18.6 million) and the extension projects delivered in 2017 and 2018 are responsible for 3.8 points of this growth (€11.4 million).

The financial occupancy rate of the portfolio stood at 96.2% at 31 December 2018. This rate has remained stable over the past three years (96.4% at the end of 2017 and 96.0% at the end of 2016).

Net rental income for 2018 stood at €313.7 million, an increase of +13.4%.

In addition to the increase in gross rental income, growth in net rental income benefited from an improvement in the net to gross rental income conversion rate (92.2% versus 91.9% in 2017). This was due in part to rental and landlord costs rising slower than rents (cost control).

2018 Income

Operating costs net of other operating income and expenses for 2018 totalled €52.0 million, versus €49.7 million in 2017 , an increase of +4.5%. This growth was mainly linked to variable expenses indexed to income or activity.

EBITDA for 2018 stood at €264.3 million, up +15.2% compared with 2017 EBITDA restated for the costs associated with the 2017 merger.

The net financial expense for 2018 was -€58.6 million. In 2017, this expense was -€45.3 million and included €6.5 million of badwill linked to the Cardety merger. Restated for this non-recurring item and for non-cash elements (fair value adjustments on financial instruments and hedges, IFRS 9, etc.), the net financial expense was -€4.9 million lower, primarily due to the financial expenses of the new €350 million bond issued in March 2018 (€6.1 million). The average cost of debt stood at 2.02%.

EPRA Recurring Earnings, restated notably for 2017 merger-related items (badwill and costs) and expenses recognised in relation to refinancing arranged at the time of the merger as described below (amortisation of loan issue fees and residual costs relating to repaid debts and unwound hedges), amounted to €207.5 million, up +13.5% on 2017, exceeding Carmila's target growth rate of +12%.

Net recurring earnings per share remained stable at €1.53 per share. The dilutive effect of the €618 million capital increase completed in July 2017 (creation of 26.2 million shares) was fully absorbed by the growth of cash flows over the year.

Portfolio valuation and NAV

The portfolio valuation, including transfer taxes, stood at €6,405 million at 31 December 2018, €599 million higher (+10.3%) than at 31 December 2017 (€5,806 million).

On a comparable scope, the valuation of the portfolio increased by +2.2% (+€126 million).

Other variations included i) the recognition of seven completed extension projects in 2018 (+€76 million), representing an additional 71,950 sq.m, annualised rental income of €11.0 million, of which €3.9 million in 2018, and ii) the addition to the perimeter of new assets, net of the sale of a medium-sized store in Italy (Turin-Grugliasco), representing a net increase of €399 million in the market value of assets (acquisition of Marseille-Vitrolles, Madrid-Gran Via de Hortaleza, the Pradera portfolio in Spain and La Veronica in Malaga-Antequera).

The average capitalisation rate for the portfolio was 5.77% compared with 5.70% as at 31 December 2017. This rise is the result of a slight increase in the market capitalisation rate in France (+12 bps), combined with marginally lower rates applied by the experts to certain assets in France and to the Turin-Nichelino shopping centre in Italy given Nichelino's track record of the new extension opened in 2017 (-5 bps on the average Italian capitalisation rate). It is also due to an improvement in the intrinsic quality of these French assets, owing to the dynamic management approach of Carmila's teams, focusing on renovation, a better merchandising mix, lower vacancy rates, reversion recognised, and planned site extensions (-7 bps on the average capitalisation rate of French assets). Lastly, the experts revised the potential rental income from the vacant premises of certain Spanish assets upwards (+3 bps on the average capitalisation rate of Spanish assets).

EPRA NAV per share (fully diluted) at 31 December 2018 was €28.39 per share, compared with €27.48 per share at 31 December 2017, an increase of +3.3%. Following restatement of the 2017 NAV per share for the payment of an interim dividend of €0.75 per share in November 2017, the 12-month NAV growth rate was +0.6%.

EPRA triple net asset value (EPRA NNNAV) (fully diluted) was €27.14 per share, an increase of +2.3%.

NAV inclusive of transfer taxes per share (going concern NAV) (fully diluted) stood at €30.32, an increase of +3.9%.

Debt and balance sheet structure

In February 2018, Carmila issued a third bond with a maturity of 10 years a face value of €350 million and a coupon of 2.125%.

At 31 December 2018, Carmila's gross debt stood at €2,390 million and its cash position amounted to €213 million. Available facilities (RCF and net available cash) stood at €1.2 billion. The average debt term was 5.5 years (stable compared with 31 December 2017).

At the end of December 2018, the consolidated net financial debt/fair value of property assets ratio (including transfer taxes) was 34.0%.

The EBITDA/net cost of financial debt ratio at 31 December 2018 was 4.9x, compared with 4.7x at 31 December 2017, well above the minimum contractually-agreed bank covenant threshold of 2.0x.

Extension pipeline and acquisitions

Seven extensions were delivered during the year, of which four during the second half of the year, with an average financial letting rate of 96%. These seven extensions represented an additional 71,950 sq.m, annualised rental income of €11.0 million, investment totalling €145 million and an average yield on cost of 7.6%.

The main extensions delivered in 2018 were the Orléans-Cap Saran shopping centre, Évreux (phase 2), the Athis-Mons shopping centre (south of Paris) and the Malaga-Los Patios shopping centre in Spain. All are off to a good start and the entire shopping centres are already seeing the benefits.

For the 2019-2024 period, Carmila's extension pipeline at 31 December 2018 includes 27 projects representing a total forecast investment of €1.4 billion. Carmila has seven major extension projects underway (Nice-Lingostière, Marseille-Vitrolles, Barcelone-Tarassa, Toulouse-Labège, Montesson (west of Paris), Lyon-Vénissieux and Antibes), which represent 80% of the value of this pipeline. The average developer yield on cost of the pipeline is 7.2%.

2019 is set to be a year of consolidation for Carmila, with three projects delivered, representing net annualised rental income of €2.3 million and investment totalling €31 million.

It should be recalled that during the 2018 financial year, Carmila completed acquisitions worth €417 million with the aim of securing future growth on assets that present value creation potential in the most dynamic countries. Carmila thus acquired eight shopping centres in Spain and one shopping centre in Marseille-Vitrolles. Three extension projects and four restructuring projects are already under consideration for these centres with good short term reversionary potential. Carmila has thus increased its exposure in Spain which, at the end of 2018, represented 23% of its portfolio.

B2B2C Digital Strategy

In 2018, Carmila continued to ramp up its local digital marketing strategy, which aims to use digital levers to supply retail brands with digital tools and cutting-edge local marketing expertise.

Carmila's customer database is growing rapidly. At the end of 2018, it comprised 1.95 million qualified contacts, an increase of 77% over 12 months.

Carmila's digital offering for retailers is also expanding and is being increasingly used. We currently offer over 420 initiatives per month (200 per month in December 2017) to our retailers as part of the «Kiosque», which seeks to help them boost their business in our shopping centres. 2,750 retailers have already made use of these solutions. In 2018, 44.2 million emails and text messages were sent to targeted recipients, existing and potential customers, by our centre managers.

This strategy has proven to be effective. For example, the Boost initiatives designed to support certain retailers over a one-year period have seen the brands in question outperform in terms of turnover growth 11.2 points higher than the CNCC panel for their activity category.

3.4 Analysis of the activity

3.4.1 Economic environment

2018 and 2019 macroeconomic forecasts by country

	GDP growth			Unemployment rate			Inflation		
	2017	**2018E**	**2019E**	**2017**	**2018E**	**2019E**	**2017**	**2018E**	**2019E**
France	2.3%	1.6%	1.6%	9.4%	9.0%	8.8%	0.6%	0.9%	1.2%
Italy	1.6%	1.0%	0.9%	11.3%	10.4%	9.7%	0.8%	0.8%	1.2%
Spain	3.0%	2.6%	2.2%	17.2%	15.3%	13.8%	1.2%	1.2%	1.6%
Euro Zone*	2.5%	1.9%	1.8%	9.1%	8.2%	7.6%	1.0%	1.0%	1.5%

Source: OECD Economic Outlook N°104 – November 2018.
* *Euro Zone 17 countries.*

With 67.4 million residents, France is the 2nd largest consumer market in the European Union. The growth in Gross Domestic Product (GDP) accelerated up to 2017, going from +1.0% in 2014 to +2.3%. Growth was slower in 2018, but nevertheless achieved +1.6% and should remain stable in 2019. In addition, France has experienced regular population growth over the last ten years, and this trend is expected to continue, supporting future medium-term consumer spending. The unemployment rate should decrease from 9.0% in 2018 to 8.8% in 2019. Inflation will accelerate from 0.9% in 2018 to 1.2% in 2019.

Spain has a population of 46.6 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 of +2.6% in 2018 with a significant decrease in the unemployment rate from 24.4% in 2014 to 15.3% in 2018. Growth should be slower in 2019, at 2.2%, whereas the unemployment rate will decrease to 13.8% and inflation will increase from +1.2% in 2018 to +1.6% in 2019.

Italy is one of the largest countries in the European Union, with a population of 60.5 million people. Like France and Spain, growth in GDP has clearly improved in recent years, increasing from +0.2% in 2014 to +1.0% in 2018, with an unemployment rate that has decreased from 12.6% to 10.4% over the same period. Despite a stagnant population of 60.5 million residents, Italian growth will remain stable at +0.9% in 2019, compared to +1.0% in 2018. The unemployment rate will continue to decrease to 9.7% in 2019 and inflation will accelerate from 0.8% in 2018 to 1.2% in 2019.

3.4.2 Retailer activity

Country	Change in tenants sales in 2018 *(in %)*	Performance versus national index (basis points)
France	+0.1/-1.1*	+2.9 / +1.7 percentage points
Spain	+3.2	+2.5 percentage points
Italy	0.0	+2.3 percentage points
TOTAL	**+0.8/0.0**	**N/A**

* *Change without/with impact of the "Gilets jaunes" (Yellow Vest) movement.*

Carmila's consolidated shopping-centre sales increased by 0.8% on a comparable basis between 2017 and 2018, excluding the *Gilets jaunes* impact (stable with the *Gilets jaunes* impact).

In France, 2018 sales of Carmila's shopping centre tenants increased by 0.1% compared to 2017, excluding the impact of the *Gilets jaunes* (decrease of -1.1% with the *Gilets jaunes* impact), while the revenues of a panel of shopping centres tracked by the CNCC decreased by -2.8% over the same period.(1)

In Spain, 2018 sales of Carmila's shopping centre tenants increased by 3.2% compared to 2017, while the revenues of a panel of shopping centres tracked by the Instituto Nacional de Estadistica increased by 0.7%.

In Italy, 2018 sales of Carmila's shopping centre tenants was stable compared to 2017, compared to a -2.3% drop in revenues for retailers as tracked by the Italian National Institute of Statistics (ISTAT)(2).

(1) CNCC Panel at end-November 2018.
(2) Q3 2018 data.

3.4.3 Letting activity

3.4.3.1 Summary

2018 was a particularly dynamic year for Camilla with the signing of 827 commercial leases.

	Letting of vacant premises		Letting of extensions		Renewals		
(in thousands of euros)	Number of leases	Annual minimum guaranteed rent	Number of leases	Annual minimum guaranteed rent	Number of leases	Annual minimum guaranteed rent	Reversion
France	200	7,251	59	5,040	147	10,095	8.3%
Spain	194	6,273			181	5,526	6.1%
Italy	22	1,676			24	1,693	1.1%
TOTAL	**416**	**15,200**	**59**	**5,040**	**352**	**17,314**	**6.9%**

Letting of vacant premises and newly developed premises

416 vacant premises were let in France, Spain and Italy with an annual minimum guaranteed rent of €15.2 million and Carmila signed 59 leases in newly developed projects with an annual minimum guaranteed rent of €5.0 million.

Renewals and reversion

352 leases were renewed during 2018 for a minimum guaranteed rent of €17.3 million. The rental reversion achieved on these renewals is +6.9%.

France

Letting of vacant premises and newly developed premises

200 vacant premises were let in France during 2018 for an annual minimum guaranteed rent of €7.3 million and 59 leases were signed for Carmila's extensions for an annual minimum guaranteed rent of €5.0 million.

Key signings

In the sports sector, the Courir brand opened sale outlets in the Cholet and Orléans – Cap Saran, Crèches-sur-Saône, Perpignan Claira and Montluçon shopping centres, and signed for the Salaise sur Sanne centre. Intersport opened a unit in the Orléans – Cap Saran retail park, and in the Besançon Chalezeule extension, whilst Go Sport opened in Amiens and signed for the Bourg-en-Bresse shopping centre. Lastly, Altermove, the electric bicycle specialist, signed a lease for the Orléans – Cap Saran retail park.

Several household equipment brands signed up to rent premises in Carmila centres, notably Maison du Monde which opened in Orléans – Cap Saran, Évreux and Chambourcy. Zodio also opened a store in the Orléans – Cap Saran retail park and signed for the Nice Lingostière extension. Yellow Korner opened a store in the Anglet shopping centre and Darty opened in Saint-Égrève.

In the culture and leisure sector, FNAC opened a new store in Montluçon, and Cultura a sales outlet in the Orléans – Cap Saran retail park, whilst the Micromania video game store signed for Berck-sur-Mer, Calais Coquelles and the extension of Rennes Cesson.

Carmila intensified its relationships with major players in the clothing and accessories sector with the openings of Camaïeu in Antibes, Besançon Chalezeule, Calais Coquelles, Évreux and Pau Lescar and the opening of Naf Naf in Cap Saran, Calais Coquelles, and Athis Mons. Mango opened stores in Orléans – Cap Saran and Évreux and signed for Orange, Salaise sur Sanne and the extension of Rennes Cesson, Promod opened in Orléans – Cap Saran, Évreux and Athis Mons and signed for Anglet, Calais Coquelles, Douai and Rennes Cesson, whilst the jewellery brand, Pandora, opened in Anglet, Calais – Coquelles, Cap Saran and Vitrolles, and signed for Compiègne Venette. Store openings in 2018 also included Celio in Lescar, Undiz in Puget, Histoire d'Or and Hunkemöller in Athis Mons, and Chaussea in Orléans – Cap Saran, Brest and Besançon Chalezeule. Meanwhile Etam Lingerie signed for Aix-en-Provence, Esprit for Évreux, Bonobo for Chambourcy, Celio for Libourne, and Naf Naf for Salaise sur Sanne.

Newcomers in Carmila's shopping centres

In 2018, Carmila welcomed new brands to its shopping centres, with the opening of Gifi in the Évreux extension and the signature of Primark for the Calais Coquelles site (already present in Carmila's portfolio in Spain, in Palma de Majorque and Huelva). In 2018, Carmila also welcomed for the first time two Imua stores, the trouser specialist, in Orléans – Cap Saran and Évreux, a household goods and decoration store, Muy Mucho, in Orléans – Cap Saran and an Adidas store in Labège.

Catering developments

Carmila developed the burger trend with the openings of a Burgers de Papa restaurant in Thionville, a B-Chef in Évreux and a Burger King in Ormesson, and two American-style Holly's Diner restaurants in Orléans – Cap Saran and Évreux, whilst Brut Butcher signed for Saint-Égrève.

International restaurant brands are also interested in renting space in our shopping centres as reflected by the openings of an El Tapas Spanish restaurant at the Orleans – Cap Saran retail park, an Al Mama Italian bistro in Thionville, and a Léon de Bruxelles Belgian-style brasserie in Évreux. The Greek cooking chain, Mavrommatis, signed for the Nice Lingostière extension, whilst the Italian fast food restaurant group, La Piadineria will open in Ormesson, and the Thai restaurant chain, Pitaya signed for the Rennes Cesson extension.

Lastly, 2018 saw the opening of a KFC restaurant in Athis-Mons, whilst Carmila's partnership signed in 2017 with Columbus Café has continued to develop with brand openings in the Bay 2, Labège, Orléans – Cap Saran and Athis-Mons shopping centres and the signature for the Cholet and Venissieux shopping centres.

New trends

Carmila anticipates new trends and adapts its offer to changing consumer demands.

In the medical sector, a pharmacy opened in the Condé-sur-Sarthe centre, and six other pharmacies will open in our shopping centres. A medical centre opened in La Roche-sur-Yon, and Carmila signed a lease with a dental surgery clinic in Reims Cernay.

The sports and leisure sector is expanding for Carmila: Basic Fit opened fitness centres in the Orléans – Cap Saran extension, Hérouville and Grenoble-Echirolles, with two leases also signed to open in Brest and Vaulx-en-Velin Space Jump opened trampoline parks in the Évreux and Besançon Chalezeule extensions. Lastly, Hapik opened climbing walls in the Orléans – Cap Saran retail park and in the Chambourcy centre, whilst a music school opened in Thionville.

Carmila has also developed the bazaar and clearance store sector with the signature of an Action store in Vaulx-en-Velin, and the opening of two Easy Cash brand stores, for the deposit-sale of second-hand and reconditioned goods.

Partnerships with promising brands (La Barbe de Papa, CiGusto, Indémodable)

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. After having acquired a 25% minority interest in La Barbe de Papa Holding in 2017, Carmila opened 12 hairstylist and barber stores under the La Barbe de Papa brand in 2018, and should open additional stores in the Angers, Laval and Salaise-sur-Sanne centres as well as in the Nice Lingostière extension.

In 2018, Carmila acquired a 20% minority interest in CiGusto, an electronic cigarette point of sale accordingly opened in the Orléans – Cap Saran retail park, whilst twelve additional stores should open in our centres.

Lastly, Carmila acquired a 30% minority interest in the shoe brand, Indémodable, which has a strong presence in South-East France; the brand opened a store in the Marseille – Vitrolles centre, and four leases have been signed for the Uzès, Vénissieux and Vaulx-en-Velin shopping centres and the Nice Lingostière extension.

Renewals and reversion

147 leases were renewed during 2018 for a minimum guaranteed rent of €10.1 million. The rental reversion achieved on these renewals is +8.3%.

Spain

Letting of vacant premises

194 vacant premises were let in Spain during 2018 for an annual minimum guaranteed rent of €6.3 million.

Key signings

Carmila reinforced the presence of large clothing and accessory brands, by signing with Parfois for retail space in four shopping centres, as well as with Kiabi and Suits Inc in As Cancelas, with OVS, Alvaro Moreno and Jack & Jones in Holea, with Free Base and Mayoral in Los Patios and the lingerie retailer Yamamay for Fan Mallorca and Gran Sur.

In the sports segment, the Oteros Sport shoe brand opened stores in two Carmila centres, as did Mas Deporte, and an Urban Planet trampoline centre opened in the Los Patios arcade.

Finally, in the household equipment sector, the bedding specialist Bedland signed to set up stores in two centres, while Gifi signed for Elche and the furnishing brand Sofeeling for Atalayas and Los Patios.

Catering developments

Carmila continued to build up its restaurant offering in Spain in 2018 with the signatures of brands including La Tagliatella, Tabernan Lizarran and Dunkin Coffee for Fan de Mallorca, as well as 100 Montaditos in As Cancelas and Fan de Mallorca and Bull's Pizza in Peñacastillo. Lastly, El Mercado de Finestrat opened in Benidorm, Don G in El Mirador de Burgos, and Taco Bell joined the Holea shopping centre.

New trends

Carmila also attracts differentiating service brands. In the medical and paramedical sector, Centros Ideal cosmetic centres opened in 16 shopping centres and a pharmacy opened in Los Patios. Hairdressing and barbers salons also opened in Alcobendas, Plasencia and Los Alfares. A law firm Arriaga y Asociados, which is already present in four of our centres, opened an office at the Los Patios arcade and the San Juan de Aznalfarache shopping centre. Finally, four smartphone and electronic goods repair centres along with two telephone accessory stores have opened in Carmila's shopping centres.

Partnerships with promising brands (Centros Ideal)

Carmila has developed a partnership as part of a joint venture with the Centros Ideal aesthetic medicine centres: 12 of the 16 new stores opened by the brand in Carmila's shopping centres in 2018 were part of this partnership.

Renewals and reversion

181 leases were renewed during 2018 for a minimum guaranteed rent of €5.5 million. The rental reversion achieved on these renewals is +6.1%.

Italy

Letting of vacant premises and premises created by extensions

22 vacant premises were let in Italy during 2018 for an annual minimum guaranteed rent of €1.7 million.

Carmila is developing the presence of anchor brands, notably in the ready-to-wear clothing segment, with the arrival of a Celio store in the Thiene centre. The Paderno shopping centre welcomed sales outlets for the men's ready-to-wear clothing brand, Capriccio, the unisex ready-to-wear brand Amy B, and the lingerie brand Yamamay. A women's ready-to-wear brand, Gate 21, opened in Nichelino.

Other brands which have signed with Carmila include the household-equipment brand, Thun in Massa, and the video games distributor GameStop in Nichelino. Finally, the electronic and household electric goods distributor, Unieuro, opened a store in Paderno.

New catering solutions introduced in Carmila's shopping centres in Italy include the openings of an E' L'Ora Gusto traditional Italian restaurant in Montecucco and a LöwenGrube German-style brasserie in Nichelino.

The trend in hairdressing barber salons already observed in France and Spain has spread to Italy with the opening of an Il Barbiere salon at Gran Giussano. In addition, medical centres increased their presence in our shopping centres with the signing of H-Dental, a dental clinic in Montecucco.

Renewals and reversion

24 leases were renewed during 2018 for a minimum guaranteed rent of €1.7 million. The rental reversion achieved on these renewals is +1.1%.

Specialty leasing and pop up stores

On 31 December 2018, revenues from specialty leasing and temporary stores totalled €10.7 million with a +22.4% increase over 2017.

	31/12/2018			31/12/2017			Change
(in thousands of euros)	Specialty leasing	Pop up stores	Total SL+PUS	Specialty leasing	Pop up stores	Total SL+PUS	%
France	5,588	1,340	6,928	5,082	580	5,662	22.4%
Spain	2,437	142	2,579	1,964	101	2,065	24.9%
Italy	1,191		1,191	1,016		1,016	17.2%
TOTAL	**9,216**	**1,482**	**10,699**	**8,062**	**681**	**8,743**	**22.4%**

Specialty leasing

Specialty leasing is dedicated to sales promotion and advertising that generate additional revenue and increase the attractiveness of the shopping centres. Its activity includes two segments: firstly, leasing floor spaces in shopping-centres and car-parks, and, secondly, managing digital advertising partnership agreements. The specialty leasing activity enables Carmila to diversify its offering and develop sales events for clients. The success of this new driver of growth is focused on quality and on a marketing strategy adapted to the specific profile of each shopping centre.

2018 saw an increase in the number of brand events and road shows (Netflix, Samsung, Orange, Andros, Lexus) with promotional weeks with a given theme (100 weeks on themes such as well-being, home furnishing, cars and electronics). Other initiatives were agreed on with qualitative concepts such as beauty bars, patisserie kiosks, and leisure activities, such as a free fall simulator and escape game. Once again this year, the Christmas markets were a great success within 23 French shopping centres.

Carmila also extended the speciality leasing to the entrance halls of its centres, as a sampling area, to welcome customers by offering tastings or samples.

Pop up stores

Carmila also leverages the attractiveness of its shopping centres by offering the opportunity to open pop up stores in premises of between 50 and 3,000 sq.m., for leases ranging from 4 to 34 months. Carmila provides tenants with turnkey solutions, by dealing with the administrative tasks related to store openings and enabling them to focus entirely on their sales activities. In particular, Carmila targets new concepts and local retailers from all sectors of activity.

This form of letting, which complements traditional letting, enables Carmila to renew its merchandising mix and pursue opportunistic marketing of vacant spaces by taking advantage of seasonality. Carmila attracts national brands (Renault, Petit-Bateau, Oxbow), as well as e-retailers and promising new brands (Monsieur T-Shirt, Cabaïa, Hawkers) by enabling them to test their concepts before committing to a commercial lease.

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.

3.4.4 Structure of leases

With 6,279 leases under management at 31 December 2018, Carmila has a solid and diversified base of tenants, with rents from the Carrefour group representing less than 1% of net rental income in 2018. Annualised rents totalled €358.4 million at 31 December 2018.

Country	At 31/12/2018 Number of leases	At 31/12/2018 Annualised contractual rent *(in millions of euros)*	At 31/12/2018 %/Total	At 31/12/2017 Number of leases	At 31/12/2017 Annualised contractual rent *(in millions of euros)*	At 31/12/2017 %/Total
France	3,542	236.5	66.0%	3,385	214.9	68.2%
Spain	2,381	99.1	27.6%	2,075	77.1	24.5%
Italy	356	22.8	6.4%	333	22.9	7.3%
TOTAL	**6,279**	**358.4**	**100.0%**	**5,793**	**314.9**	**100.0%**

3

Principal tenant retailers

At 31 December 2018, the 15 leading tenants accounted for 19.1% of annualised rents, and only one represented more than 2% of annualised rent.

The table below shows the annualised rents and business sector of the 15 largest tenants at 31 December 2018:

Tenant	Business sector	At 31/12/2018 Annualised contractual rent *(in millions of euros)*	At 31/12/2018 %/Total
Inditex	Clothing and accessories	7.5	2.1%
H&M	Clothing and accessories	6.4	1.8%
Afflelou	Health and Beauty	6.0	1.7%
Feu vert	Services	5.5	1.5%
Camaïeu	Clothing and accessories	5.4	1.5%
Orange	Services	5.2	1.4%
Mc Donald's	Restaurant	4.9	1.4%
Flunch	Restaurant	4.2	1.2%
Nocibe	Health and Beauty	3.9	1.1%
Celio	Clothing and accessories	3.8	1.0%
Micromania	Culture, gifts and leisure	3.6	1.0%
Yves Rocher	Health and Beauty	3.3	0.9%
C&A	Clothing and accessories	3.1	0.9%
Histoire d'Or	Culture, gifts and leisure	2.9	0.8%
Sephora	Health and Beauty	2.9	0.8%
		68.6	**19.1%**

Distribution of contractual rent by business sector on an annualised basis

The clothing and accessories sector, with 35.1% of rents on an annualised basis at 31 December 2018, represents the primary source of Carmila's revenues.

The table below shows Carmila's annualised rents by business sector at 31 December 2018:

	At 31/12/2018			At 31/12/2017		
Business sector	**Number of leases**	**Annualised contractual rent** *(in millions of euros)*	**%/Total**	**Number of leases**	**Annualised contractual rent** *(in millions of euros)*	**%/Total**
Clothing and accessories	1,519	125.9	35.1%	1,431	115.2	36.6%
Health and Beauty	1,178	64.1	17.9%	1,066	56.0	17.8%
Culture, gifts and leisure	965	63.0	17.6%	912	52.1	16.5%
Food and Restaurants	855	46.0	12.8%	794	41.5	13.2%
Services	1,402	29.8	8.3%	1,306	16.4	5.2%
Household furnishings	282	29.1	8.1%	254	23.3	7.4%
Other	78	0.5	0.2%	30	10.4	3.3%
TOTAL	**6,279**	**358.4**	**100.0%**	**5,793**	**314.9**	**100.0%**

Distribution of contractual rent by business sector on an annualised basis

Carmila rents space 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.

The table below shows the breakdown of annualised rents between international, national, and local brands in 2017 and 2018:

	At 31/12/2018			At 31/12/2017		
Categories	**Number of leases**	**Annualised rent** *(in millions of euros)*	**%/Total**	**Number of leases**	**Annualised rent** *(in millions of euros)*	**%/Total**
International brands	2,671	197.5	55.1%	2,426	173.0	55.0%
National brands	2,144	110.0	30.7%	1,950	92.0	29.3%
Local brands	1,464	50.9	14.2%	1,417	50.0	15.7%
TOTAL	**6,279**	**358.4**	**100.0%**	**5,793**	**314.9**	**100.0%**

The table below shows the breakdown of annualised rents between international, national, and local brands by country at 31 December 2018:

	At 31/12/2018		
Categories	**France**	**Spain**	**Italy**
International brands	55.8%	57.3%	37.6%
National brands	31.2%	25.3%	48.9%
Local brands	13.0%	17.4%	13.5%

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 the lease at the close of each three-year period, subject to providing a six month 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 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 leases may be freely agreed on 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 allowances. Leases subject to the rules of management leases or business leases have terms of various tenors (generally between five and seven years). Neither termination by the lessee nor termination by the lessor results in the payment of allowance to the lessor.

Right to renegotiate

At 31 December 2018, the average lease term is 4.6 years, with average lease terms by country of 4.8 years in France, 4.4 years in Spain and 3.6 years in Italy.

The table below shows the maturity dates of the commercial leases for the property portfolio for the 2018-2028 period (data at 31 December 2018):

	At 31/12/2018			At 31/12/2017		
Expiration of leases	**Number of leases**	**Lease maturity***	**Annualised contractual rent** *(in millions of euros)*	**Number of leases**	**Lease maturity***	**Annualised contractual rent** *(in millions of euros)*
Expired on 31/12/2018	593	0.0	33.6	543	0.0	28.5
2019	668	0.5	22.8	568	0.5	24.1
2020	609	1.6	27.3	456	1.6	19.3
2021	644	2.6	33.3	588	2.6	26.4
2022	621	3.6	30.5	618	3.6	30.8
2023	532	4.5	27.3	572	4.5	28.0
2024	453	5.6	31.1	418	5.6	24.2
2025	376	6.6	21.3	408	6.6	26.7
2026	559	7.7	33.7	366	7.6	19.4
2027	513	8.6	39.7	549	8.7	32.1
2028	402	9.5	27.1	422	9.5	31.6
Beyond 2028	309	12.0	30.7	285	14.1	23.8
TOTAL	**6,279**	**4.6**	**358.4**	**5,793**	**4.8**	**314.9**

* *Average lease maturity remaining in years.*

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 majority of leases entered into in France, revision may be requested whenever, due to application of that clause, rent is increased or decreased by over 25% as compared with the rent agreed on at the inception of the lease. The resulting change in rent may not lead to increases that are greater, for a given year, than 10% of the rent paid in the previous year.

In compliance with the rules governing commercial leases, Carmila re-evaluates rents when leases are renewed. In France, there is a cap removal provision for lease terms exceeding nine years. The change in rent resulting from the removal of the cap may not, since enforcement of the Pinel Law, lead to increases greater than 10% per year. However, as this cap removal provision is not a public prerequisite, 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 leasehold right 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 tacit 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 2018, for the three countries, Carmila had 4,898 leases with double-component rents and 1,381 leases with fixed rent only, representing, respectively, 85.3% and 14.7% of annualised rent.

The table below shows the structure of Carmila's rents at 31 December 2018 and 2017:

	At 31/12/2018			At 31/12/2017		
	Number of leases	Annualised rent *(in millions of euros)*	%/Total	Number of leases	Annualised rent *(in millions of euros)*	%/Total
Leases with variable rent clauses	4,898	305.8	85.3%	4,392	267.3	84.9%
Of which leases with minimum guaranteed rent and additional variable rent	4,871	301.2	84.0%	4,377	265.1	84.2%
Of which leases with variable rent only	27	4.6	1.3%	15	2.2	0.7%
Leases without variable clauses, with only fixed rent	1,381	52.6	14.7%	1,401	47.5	15.1%
TOTAL	**6,279**	**358.4**	**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 sales, excluding taxes, and the minimum guaranteed rent. Different parameters are used to determine rents: (i) the rents of competing shopping centres, (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.

3.4.5 Financial occupancy rate

At 31 December 2018, the consolidated financial occupancy rate of Carmila's assets was 96.2%, of which 96.0% in France, 96.0% in Spain and 99.7% 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 portfolio were leased, with the estimated rents for vacant units determined on the basis of estimated rental values used by the appraisers. The financial occupancy rate is stated excluding strategic vacancies, which are the vacancies made necessary 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, 2017 and 2018:

	Financial occupancy rate *(excluding strategic vacancies)*				
Country	31/12/2018	31/12/2017	31/12/2016*	31/12/2015*	31/12/2014*
France	96.0%	96.1%	96.1%	94.3%	95.2%
Spain	96.0%	96.2%	94.8%	91.5%	90.3%
Italy	99.7%	99.9%	99.2%	99.2%	97.2%
WEIGHTED AVERAGE	**96.2%**	**96.4%**	**96.0%**	**93.9%**	**94.3%**

* *Excluding Cardety assets.*

The impact of the restatement of strategic vacancies is 180 bps in France, 220 bps in Spain and 80 bps in Italy, which represents a consolidated impact for Carmila of 190 bps at 31 December 2018, slightly increased compared to 31 December 2017, where the consolidated impact was 170 bps. This increase is mainly due to Spain, where the experts revalued the rental value of vacant premises following the very positive momentum of letting over the last few years.

3.4.6 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 and (ii) the tenants' sales.

The tenants included in the calculation are (i) the tenants present over the last 12 months with certified sales, and (ii) tenants present over the last 12 months and having reported their sales over 12 months on a rolling basis. If the tenant reports its certified sales and its sales over a rolling 12 month period, only the certified sales are used. The ratio is calculated using including sales tax.

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

The following table shows Carmila's tenant average occupancy cost ratio broken down by country for the most recent financial years:

	Occupancy cost ratio				
Country	**31/12/2018**	**31/12/2017**	**31/12/2016**	**31/12/2015**	**31/12/2014**
France	10.8%	10.6%	10.6%	10.9%	11.2%
Spain	12.6%	12.7%	10.5%	10.9%	11.4%
Italy	12.1%	12.4%	13.0%	12.5%	13.6%
TOTAL	**11.3%**	**11.1%**	**10.7%**	**11.2%**	**11.4%**

3.5 Comments on the year's activity

3.5.1 Gross rental income (GRI) and Net Rental Income (NRI)

On 31 December 2018, rental income totalled €340.3 million, up €39.3 million or +13.1% over the previous financial year.

This increase is broken down as follows:

- like-for-like growth represents €8.4 million or +2.8%. Like-for-like growth is calculated by restating the growth, without the rent generated by the extensions delivered in 2017 and 2018, by restating the acquisitions of new shopping centres carried out in 2017 and 2018 and by restating other impacts (such as the merger with Cardety on 1 June 2017 and the strategic vacancy effect). Indexation included in the like-for-like growth totals +1.1%. The scope of calculation for the like-for-like growth represents 79% of the overall scope in 2018, i.e. €268.9 million;
- growth generated by the extensions was €11.4 million, or +3.8%. The extensions delivered in 2018 and 2017 that generated this growth are: Athis-Mons, Besançon-Chalezeule, Évreux Phase 2, Saran in 2018 and Nichelino, Crêches-sur-Saône, Pau Lescar, Évreux Phase 1, Rambouillet, Saint-Égrève and Anglet in 2017;
- growth generated by the acquisitions amounts to €18.6 million, or +6.2%. The acquisitions completed in 2018 were Marseille Vitrolles, Madrid Gran Via de Hortaleza, and the Pradera portfolio; no shopping centre acquisitions were carried out in 2017. The disposal of Grugliasco and the acquisition of the Antequera shopping centre that took place on 28 December did not have an impact on 2018 growth;
- growth generated by the other impacts amounts to €1.0 million or +0.3%. These other impacts are due to the merger with Cardety on 1 June 2017 and the strategic vacancies that enable restructuring and extension operations.

Gross rental income

	31/12/2018			31/12/2017
		Change vs. 31/12/2017		
(in thousands of euros)	**Gross rental income**	**Total**	**At constant scope**	**Gross rental income**
France	234,177	10.2%	2.3%	212,578
Spain	82,018	20.4%	4.4%	68,132
Italy	24,055	19.1%	2.1%	20,201
TOTAL	**340,250**	**13.1%**	**2.8%**	**300,911**

In France, growth in rental income on a like-for-like basis stands at +2.3%. Rent indexation included in like-for-like growth is 1.3%. The financial occupancy rate is generally stable over the 2018 financial year, growth on a like-for-like basis is fed by the reversion on renewals and the strong growth in revenue from specialty leasing and pop up stores.

In Spain, growth in rental income on a like-for-like basis is +4.4%. Rent indexation included in like-for-like growth is 0.9%. The physical occupancy rate improved considerably in Spain in 2017 and 2018 (+70 bps in 2018) and was a significant driver of like-for-like growth. The reversion on renewals, the increase in revenue from pop up stores and speciality leasing also contributed to this growth.

In Italy, growth in rental income on a like-for-like basis is +2.1%; rent indexation included in like-for-like growth iss 0.5%. Specialty leasing and pop up stores are the main like-for-like growth drivers, as the financial occupancy rate in Italy is close to 100%.

Net rental income

(in thousands of euros)	31/12/2018 Net rental income	31/12/2018 Change vs. 31/12/2017 Total	31/12/2017
France	**217,268**	**9.9%**	**197,667**
Spain	74,891	24.5%	60,172
Italy	21,499	14.3%	18,816
TOTAL	**313,658**	**13.4%**	**276,655**

At 31 December 2018, net rental income totalled €313.7 million, up 13.4% over the 2017 financial year. The fact that the growth in net rental income is higher than gross rental income underlines Carmila's good performance in non-recoverable charges, property expenses and property charges.

The growth in net rental income is comparable to that of gross rental income in France. In Spain, given the reduction in the physical occupancy rate, the increase in net rental income is higher than that of gross rental income. In Italy, one-off non-recoverable expenses negatively affect the increase in net rental income.

3.5.2 Operating expenses

(in thousands of euros)	31/12/2018	31/12/2017
Income from management, administration and other activities	4,595	4,790
Other income	6,631	5,712
Payroll expenses	-24,839	-23,878
Operating expenses	-36,961	-34,057
OPERATING EXPENSES	**-50,574**	**-47,433**

Operating expenses were up by 6.6% at 31 December 2018 compared to the previous financial year.

This increase is the result of the build-up of both the operational teams the digital marketing and financial communication costs throughout the 2017 financial year, which had a full-year impact in the 2018 financial year.

Income from management, administration and other activities

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

Other income

Other income from services rendered includes the rebilling of operating expenses, mainly to the Carrefour group (notably the rebilling of part of the personnel costs of shopping centre management and initial upfront letting fees).

Payroll expenses

In both 2017 and 2018, Carmila set up bonus share-based payment plans for the management team and some employees. Related benefits are recognised as payroll expenses.

Payroll expenses amounted to €24.8 million at 31 December 2018; the increase takes into account the growth in the average number of employees compared to last year.

Operating expenses

The main components of operating expenses are marketing expenses, chiefly relating to the build-up of digital tools, and fees, including those paid to Carrefour for the activities defined in the service agreements (accounting, human resources, general services, etc.), as well as appraisal fees for the asset portfolio, legal and tax fees, including Auditors' fees, financial communication and advertising fees, travel expenses and directors' fees.

3.5.3 EBITDA

EBITDA stood at €264.3 million at 31 December 2018 up 15.2% compared to the previous financial year.

(in thousands of euros)	31/12/2018	31/12/2017
Operating income	**274,971**	**393,987**
Elimination of change in fair value	-13,589	-164,470
Elimination of change in fair value in the share in net income of equity accounted investments	-1,225	-8,628
Elimination of capital (gains)/losses	1,796	2,803
Depreciation of tangible and intangible assets	2,394	983
Adjustments for non-recurring items		4,715
EBITDA	**264,347**	**229,390**

3.5.4 Net financial income/expense

Financial expenses *(in thousands of euros)*	31/12/2018	31/12/2017
Financial income	385	927
Financial expense	-54,012	-49,609
Cost of net indebtedness	**-53,627**	**-48,682**
Other financial income and expenses	-4,931	3,357
NET FINANCIAL INCOME (EXPENSE)	**-58,558**	**-45,325**

Net financial income (expense) was an expense of €58.6 million at 31 December 2018. The increase compared to the 2017 financial year is due to non-recurring income in 2017, and the bond issued in 2018.

The cost of net debt stands at €53.6 million at 31 December 2018 and €48.7 million at 31 December 2017; the bulk of the increase stemmed from interests paid on the new bond issued in February 2018.

Other financial income and expenses for 2017 included badwill in the amount of €6.5 million from the merger between Carmila and Cardety (difference between the value of the contributed counterpart and the amount of the assets and liabilities transferred on the date of the merger).

Other financial income and expenses for 2018 included a €3.0 million depreciation allowance for the adjustment of short term investments to their market value, and a €0.4 million income for a technical entry resulting from the first-time application of IFRS 9 by which the restatement of the bank loan's effective initial interest rate is accrued over its tenor.

3.6 EPRA performance indicators

3.6.1 EPRA earnings and recurring earnings

Recurring earnings are defined as the recurring earnings from operational activities. At 31 December 2018, recurring earnings amounted to €207.5 million, up 13.5% compared to the previous financial year.

Recurring earnings per share were stable in 2018, with the strong increase in recurring income offsetting the dilutive effect of the July 2017 capital increase.

(in thousands of euros)	31/12/2018	31/12/2017
Consolidated net income (Group share)	**163,557**	**313,787**
Adjustments to EPRA earnings	**38,890**	**-133,978**
(i) Changes in value of investment properties, development properties held for investment and other interests	-13,589	-164,470
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	1,796	2,803
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	-	
(iv) Tax on profits or losses on disposals	647	
(v) Negative goodwill/goodwill impairment		983
(vi) Changes in fair value of financial instruments and associated close-out costs	1,851	2,786
(vii) Acquisition costs for share deal acquisitions		
(viii) Deferred tax in respect of EPRA adjustments	49,410	32,449
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	-1,225	-8,629
(x) Non-controlling interests in respect of the above		100
EPRA EARNINGS	**202,447**	**179,809**
Average number of shares	135,860,096	119,323,222
EPRA EARNINGS PER SHARE	**1,49**	**1,51**
Other adjustments	**5,074**	**3,087**
IFRS 9 adjustments[(1)]	-446	
Debt issuance costs paid offset by the reversal ofamortised debt issuance costs[(2)]	3,126	4,900
Other non-recurring expenses[(3)]	2,394	-1 813
RECURRING EARNINGS	**207,521**	**182,896**
RECURRING EARNINGS PER SHARE	**1.53**	**1.53**

Comments on the other adjustments

(1) As part of the application of IFRS 9, an expense is recognised to adjust the effective interest rate of the debt to the original interest rate at inception, conversely income is recognised over the residual duration of this debt to reflect the renegotiation of the debt maturity. The net impact of these two effects is an income of €0.4 million.

(2) Debt issuance costs amortised on a straight-line basis over the duration of the loan are restated; debt issuance costs paid during the year are reintegrated in recurring income.

(3) In 2017, the non reccuring expenses due to the IPO of July 2017 were restated (elimination of badwill from the merger in the amount of -€6.5 million and restatement of non-recurring expenses related to the merger with Cardety of +€4.7 million). In 2018, the restatement is due to tax impacts on previous financial years and a non-cash depreciation expense.

3.6.2 EPRA Cost Ratio

The cost ratio (EPRA) enables administrative and operational costs to be reported on a comparable basis throughout the sector.

Pursuant to the recommendations of the EPRA note of November 2016, Carmila's ratio was calculated as follows:

(in millions of euros)		31/12/2018	31/12/2017
(i)	Administrative/operating expense line per IFRS income statement	73.7	70.5
	Payroll expenses	62.1	57.9
	Property expenses	11.7	12.6
(ii)	Net service charge costs/fees	11.1	7.3
(iii)	Management fees less actual/estimated profit element	-4.6	-4.8
(iv)	Other operating income/recharges intended to cover overhead expenses less any related profits	-6.6	-5.7
(v)	Share of Joint Ventures expenses	1.1	0.0
(vi)	Impairment of investment properties and provisions included in property expenses	-1.5	-3.0
(vii)	Ground rent costs	0.0	0.0
(viii)	Service charge costs recovered through rents but not separately invoiced	-2.1	0.0
EPRA Costs (including direct vacancy costs)		**71.0**	**64.3**
(ix)	Direct vacancy costs	7.4	6.7
EPRA Costs (excluding direct vacancy costs)		**63.6**	**57.5**
(x)	Gross Rental Income less ground rents – per IFRS	336.4	296.5
(xi)	Less: service fee and service charge costs components of Gross Rental Income	-2.1	
(xii)	Add: share of joint ventures (Gross Rental Income less ground rents)	4.6	2.4
	Gross rental income	338.9	299.0
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS)		**21.0%**	**21.5%**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS)		**18.8%**	**19.2%**

The EPRA cost ratio decreased in 2018 compared to 2017 (-40 bps) for several reasons:

- the optimisation and good management of operational costs and non-recoverable expenses;
- the increase in revenues between 2017 and 2018.

3.6.3 Going concern NAV, EPRA NAV and EPRA NNNAV

Going concern NAV

The net asset value (NAV) includes property transfer taxes to provide a NAV in light of the going concern.

Going concern NAV *(in thousands of euros)*	31/12/2018	30/06/2018	31/12/2017
Consolidated shareholders' equity – Group share	**3,646,899**	**3,626,194**	**3,536,462**
Elimination of the fair value adjustments of hedging instruments	18,746	17,811	14,394
Reversal of the deferred income tax on potential capital gains	154,419	122,868	103,620
Transfer taxes	320,994	299,236	290,196
Going concern NAV (including transfer taxes)	**4,141,058**	**4,066,109**	**3,944,672**
Fully diluted number of shares comprising the share capital at period end	136,538,931	136,687,965	135,182,748
GOING CONCERN NAV PER DILUTED SHARE AT END OF PERIOD *(in euros)*	**30.33**	**29.75**	**29.18**

EPRA NAV

The EPRA NAV (Net Asset Value) is an indicator of the fair value of a property company's assets. EPRA NAV is calculated by taking consolidated shareholders' equity Group share (as a measure of net consolidated assets) which, stated at fair value, includes unrealised capital gains or losses on the assets. With a view to continuing operations, this indicator excludes the deferred tax on unrealised capital gains as well as the adjustment of 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 sold in a share deal in the event of disposal. The duty would then be calculated and paid on a reduced basis.

EPRA NAV

(in thousands of euros)	31/12/2018	30/06/2018	31/12/2017
Consolidated shareholders' equity – Group share	**3,646,899**	**3,626,194**	**3,536,462**
Elimination of the fair value of hedging instruments	18,746	17,811	14,394
Reversal of the deferred income tax on potential capital gains	154,419	122,868	103,620
Optimisation of transfer taxes	56,065	55,020	59,900
EPRA NAV (excluding transfer taxes)	**3,876,129**	**3,821,893**	**3,714,376**
Fully diluted number of shares comprising the share capital at period end	136,538,931	136,687,965	135,182,748
EPRA NAV (EXCL. TRANSFER TAXES) PER DILUTED SHARE AT END OF PERIOD *(in euros)*	**28.39**	**27.96**	**27.48**

NNNAV EPRA

Triple net asset value (NNNAV EPRA) is calculated by deducting from EPRA NAV the fair value adjustments of fixed-rate debt and the tax that would be owed on disposals in the event of liquidation. Financial instruments are also recognised at market value.

Triple net asset value (NNNAV EPRA) *(in thousands of euros)*	31/12/2018	30/06/2018	31/12/2017
EPRA NAV	**3,876,129**	**3,821,893**	**3,714,376**
Fair value adjustments of hedging instruments	**-18,746**	**-17,811**	**-14,394**
Fair value adjustments of fixed rate debt	-38,473	-29,399	-10,554
Effective taxes on unrealised capital (gains)/losses[(1)]	-113,771	-103,168	-103,620
Triple net asset value (NNNAV EPRA)	**3,705,139**	**3,671,515**	**3,585,808**
Fully diluted number of shares comprising the share capital at period end	136,538,931	136,687,965	135,182,748
TRIPLE NET NAV (NNNAV EPRA) PER DILUTED SHARE AT END OF PERIOD *(in euros)*	**27.14**	**26.86**	**26.53**

(1) Deferred taxes in Italy a restated, a share deal being more likely in case of disposal.

3.6.4 EPRA vacancy rate

The EPRA vacancy rate is the ratio between the market rent of vacant areas and the total market rent (of vacant and rented areas). The rental value used to calculate the EPRA vacancy rate is the gross rental value defined by expert appraisal.

	France	Spain	Italy	Total
Rental value of vacant premises *(in millions of euros)*	15.3	6.6	0.3	22.2
Total property portfolio rental value *(in millions of euros)*	262.2	106.4	24.0	392.7
EPRA VACANCY RATE	**5.8%**	**6.2%**	**1.2%**	**5.7%**
Impact of strategic vacancy	1.8%	2.2%	0.8%	1.9%
FINANCIAL VACANCY RATE	**4.0%**	**4.0%**	**0.4%**	**3.8%**

Strategic vacancies correspond to the vacant premises required to implement renovation, extension, or restructuring projects in shopping centres.

3.6.5 EPRA yield: EPRA NIY and EPRA Topped-Up NIY

(in millions of euros)	31/12/2018	31/12/2017
Total property portfolio value (excluding transfer taxes)	**6,085.4**	**5,515.9**
(-) Assets – works in progress and other	62.6	92.6
Value of operating portfolio (excluding transfer taxes)	**6,022.8**	**5,423.3**
Transfer taxes	321.0	290.1
Value of operating portfolio (including transfer taxes) (A)	**6,343.8**	**5,713.4**
Net annualised rental income (B)	**349.6**	**309.8**
Impact of rent adjustments	6.3	4.4
Net rental income excluding rent adjustments (C)	**355.9**	**314.2**
EPRA NET INITIAL YIELD (B)/ (A)	**5.5%**	**5.4%**
EPRA NET INITIAL YIELD EXCLUDING RENT ADJUSTMENTS (C)/ (A)	**5.6%**	**5.5%**

Net annualised rental income does not include rental income from fixed assets held at cost. At 31 December 2018, only the Antequera shopping centre acquired in December is not recognised at fair value and is not, therefore, included in this calculation.

The weighted average residual duration of these rental arrangements is 1.5 years.

3.6.6 EPRA investments

	France		Spain		Italy		Total	
(in thousands of euros)	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Acquisitions	172,205	147,251	285,013	875	4	64,736	457,222	212,862
Development and extensions	99,393	167,581	0	0	2,277	2,179	101,670	169,760
Like for like capital expenditures	14,156	54,538	9,908	9,249	792	3,609	24,856	67,396
TOTAL CAPITAL EXPENDITURES	**285,754**	**369,370**	**294,921**	**10,124**	**3,073**	**70,524**	**583,748**	**450,018**

Investments in investment properties by country are disclosed separately for acquisitions, developments and extensions, or capital expenditures in the portfolio on a like-for-like basis. The difference with the investments presented in the cash-flow statement relates to the difference between the purchase price of the Vitrolles shares and the value of the underlying asset as included in the consolidation scope.

Acquisitions mainly include the entry into the consolidation scope of Grand Vitrolles (Marseille region) in France and the acquisition of eight shopping centres in Spain, in Madrid, Alicante, Cordoba, Malaga, Cadiz and Seville (Andalusia) and two centres in Barcelona (Catalonia). The remaining acquisitions include various acquisitions, considered individually minor, of medium-sized retail areas and various units located on or close to sites owned by Carmila in France, the largest of these being in Ormesson (Paris region), Berck-sur-Mer (Lille region) and Châteauroux (Centre Val de Loire region).

The Development and extensions line item mainly concerns assets in France. These developments and extensions notably relate to:

- the Orléans – Cap Saran retail park delivered in April 2018 (with capital expenditure of €11.6 million during the year);
- the extensions in Évreux (Normandy, €27.5 million) and Besançon Chalezeule (€12 million) delivered in October and Athis-Mons (Paris region, €18.3 million) delivered in December;
- preliminary study costs or land acquisitions for approved developments, mainly in France with Nice (€13.1 million) and Rennes-Cesson (Brittany, €4.2 million); and
- restructuring of commercial units to adapt retail space to customer needs and optimise its use and profitability in Coquelles (Calais region, €3.8 million), Puget-sur-Argens (Fréjus region, €1 million), Douai (Nord region, €1 million), Condé-sur-Sarthe (Normandy, €0.8 million), Labège (Toulouse region, €0.6 million), Bay2 (Île-de-France region, €0.4 million) and Hérouville Saint-Clair (Normandy, €0.5 million).

Lastly, capital expenditure on a like-for-like basis represents only 4% of the capital expenditure for the period. This capital expenditure is mainly focused on assets being redeveloped where renovation works have been carried out on existing parts in order to optimise value creation. This work is carried out on sites such as Athis-Mons, Montluçon, Cap Saran in Orleans, Rennes-Cesson, Ormesson and Condé-sur-Sarthe in Alençon, France. The renovation/redevelopment of Los Patios (€6.1 million) is the most significant like-for-like investment in Spain.

3.7 Financial policy

3.7.1 Financial resources

Bonds

To finance its growth, on 28 February 2018 Carmila successfully issued a €350 million, 10-year bond bearing interest at 2.125%.

The bond was over-subscribed 2.2 times and placed with several major long-term investors.

At 31 December 2018, Carmila's outstanding bond debt totalled €1,550 million.

Borrowings from banks

Carmila entered into a loan agreement with a pool of banks in 2013. This agreement was re-negotiated several times, in 2015, 2016, 2017 and then in 2018. At 31 December 2018, the amount drawn down was €770 million maturing on 16 June 2023.

This syndicated loan agreement initially due to expire in June 2022 was extended to June 2023.

Compliance with the prudential ratios at 31 December 2018

The loan agreement, along with the revolving credit facilities are subject to compliance with financial covenants measured at the closing date of each half-year and financial year. At 31 December 2018, Carmila complied with the financial covenants.

Interest Cover

The ratio of EBITDA to the net cost of debt must be greater than 2.0 at the test dates. At 31 December 2018, the interest coverage ratio is 4.9.

Interest Cover Ratio *(in thousands of euros)*		31/12/2018 12 months	31/12/2017 12 months
EBITDA	**(A)**	**264,347**	**229,390**
Cost of net indebtness	**(B)**	**53,627**	**48,682**
INTEREST COVER RATIO	**(A)/(B)**	**4.9**	**4.7**

Loan to Value

At 31 December 2018, the LTV measured with transfer taxes is 34.0%.

Loan-to-Value Ratio *(in thousands of euros)*		31/12/2018	31/12/2017
Net financial debt	**(A)**	**2,177,233**	**1,745,704**
Current and non-current financial liabilities		2,389,928	2,075,101
Cash and cash equivalents		-70,518	-329,397
Short term investment		-142,177	
Property portfolio including transfer taxes	**(B)**	**6,404,613**	**5,805,556**
LOAN-TO-VALUE RATIO INCLUDING TRANSFER TAXES	**(A)/(B)**	**34.0%**	**30.1%**
Property portfolio excluding transfer taxes	**(C)**	**6,083,619**	**5,513,550**
LOAN-TO-VALUE RATIO EXCLUDING TRANSFER TAXES	**(A)/(C)**	**35.8%**	**31.7%**

Current and non-current financial liabilities do not include debt issuance costs for borrowings from banks and bonds and liabilities for derivative hedging instruments (current and non-current).

Other loans

Carmila strives to diversify its sources of financing and their maturities, and has set up a commercial paper programme (NEU CP) for a maximum amount of €600 million, registered with the Banque de France on 29 June 2017. The outstanding balance of this programme at 31 December 2018 was €70 million with maturities ranging from one to three months.

As part of its refinancing in 2017, Carmila negotiated new credit lines with leading banks, including:

- a revolving credit facility of €759 million, currently undrawn and maturing on 16 June 2023;
- a revolving credit facility of €250 million under a club deal agreement with a limited number of leading banking partners close to Carmila maturing on 16 June 2020.

Breakdown of financial debt by maturity date

At 31 December 2018, financial debt maturity breaks down as follows:

(in thousands of euros)	Gross amount	Starting date	Lease maturity
Bond issue I- Notional amount €600 million, coupon 2.375%	600,000	18/09/2015	18/09/2023
Bond issue II- Notional amount €600 million, coupon 2.375%	600,000	24/03/2016	16/09/2024
Bond issue III- Notional amount €350 million, coupon 2.125%	350,000	07/03/2018	07/03/2028
Credit agreement	770,000	16/06/2017	16/06/2023
Commercial paper	70,000	31/12/2016	16/06/2023
TOTAL	**2,390,000**		

At 31 December 2018, the average duration of the debt was 5.5 years at an average interest rate of 1.7% excluding hedging instruments and restated for non-cash and non-recurring items, and 2.0% including hedging instruments but restated for the non utilisation fee and non-cash or non-recurring items.

3.7.2 Hedging instruments

As the parent company, Carmila provides for almost all of the group's financing and it also manages interest-rate risk centrally.

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 derivatives instruments as interest rate swaps and options which are eligible for hedge accounting.

The fixed-rate position stood at 88% of gross debt at 31 December 2018 (compared with 79% at the end of 2017).

As of 31 December 2018, Carmila had set up with leading banking partners:

- nine fixed-rate payer swaps against 3-month Euribor for a notional amount of €560 million covering a period ending in December 2027, for the longest of them;
- one swaption collar against 3-month Euribor for a notional amount of €100 million with a deferred start date in June 2019 and maturing in June 2027.

These hedging instruments, still effective, were recognised as cash flow hedges in 2018. 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 the income statement.

3.7.3 Cash

(in thousands of euros)	31/12/2018	31/12/2017
Cash	70,518	168,567
Cash equivalents	0	160,830
Gross cash	**70,518**	**329,397**
Bank facility	-5,617	-40,129
NET CASH	**64,901**	**289,268**
Cash equivalent investments	142,177	0
NET CASH AND CASH EQUIVALENT INVESTMENTS	**207,078**	**289,268**

Cash equivalent investments consist of Mutual funds (OPCVM) classified in Cash equivalents, or in Other current assets, according to their characteristic features, and short term deposits with leading credit institutions. Carmila's cash levels are partly explained by the €350 million bond issue of the first half of 2018.

3.7.4 Rating

On 12 June 2018, S&P confirmed Carmila's BBB rating and raised its outlook from «stable» to «positive». The revised outlook reflects the strength of the portfolio and Carmila's ability to expand through organic growth, extensions and acquisitions, while maintaining financial discipline.

3.7.5 Carmila's dividend policy

In addition to legal constraints, Carmila's dividend policy takes into account various factors, notably the net income, the financial position and implementation of objectives.

Carmila's objective is to distribute to its shareholders an annual amount representing approximately 90% of recurring earnings per share. Where relevant, Carmila's payments will be based on distributable income, and, where applicable, on additional paid-in capital.

It is reminded 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.

Confident in the robustness and effectiveness of Carmila's business model, the Company's management will ask the General Meeting scheduled for 16 May 2019 to approve the payment of a 2018 dividend matching that of 2017, i.e. €1.50 per share.

This dividend amount represents a payout ratio (dividend/recurring earnings) of 98% for 2018, versus 110% for 2017.

3.8 Equity and shareholding

(in euros)	Number of shares	Share capital	Issuance premiums	Merger premium
On 1 January 2018	135,060,029	810,360,174	493,991,679	1,827,680,321
Distribution of dividends GM of 16/05/2018	-	-	-	-80,808,472
Dividend payment in shares	1,501,666	9,009,996	25,663,472	-
Adjustment for IPO expenses	-	-	-	1,677,000
AT 31 DECEMBER 2018	**136,561,695**	**819,370,170**	**519,655,151**	**1,748,548,849**

At 31 December 2018, the share capital consists of 136,561,695 ordinary shares of the same class, each with a nominal value of six euros (€6), fully subscribed and paid up.

More than 34% of shareholders opted for the payment of the balance of the 2018 dividend in shares, inducing a capital increase on 14 June 2018, issued at €23.09 per share, and it resulted in the issue of 1,501,666 new shares. The subscription price of the shareholder exercising the option was at a price of €23.09 per share, representing a nominal amount of the capital increase of €9,009,996, plus an issue premium of €25,663,472.

Carmila's share capital is divided among long-term associates. At 31 December 2018, the largest shareholder is the Carrefour group, which has an equity investment of 35.4% 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 64.6% of the share capital is mainly owned by long-term investors from major insurance companies or leading financial players. The second-largest shareholder is the Colony group, which holds 9.3% of Carmila's share capital. The other shareholders which detain more than 5% of the capital are Predica at 9,3%, Cardif at 8,9% et Sogecap at 5,3%.

CORPORATE SOCIAL RESPONSIBILITY

Extra financial performance declaration

4.1 CSR at Carmila

4.1.1 Aligning CSR vision and strategy

As a retail and digital Real Estate company, Carmila has put customer service and commercial appeal at the heart of its business model. In addition to supporting its retailers, Carmila's number one responsibility is thus to empower and engage its catchment areas to become an integral part of their respective societal and economic surroundings. Buildings are designed in accordance with internationally-recognised sustainability criteria and the Company supports its partners in managing their environmental impact. This journey would not exist without the women and men of Carmila, who construct the value of its assets and drive the Company's growth and core responsibilities.

Since 2017, CSR has been a strategic focus for Carmila and new resources put in place to manage and implement it. The year was marked by several highlights around a range of initiatives: partnerships with our stakeholders, initiatives to encourage biodiversity and promotion of diversity itself.

Designing a CSR valued business plan sustains and enhances the value of our tangible and intangible assets, whilst meeting the requirements of our stakeholders. This plan equally establishes a longer-term vision, promotes transparent communication and encourages the continued commitment of our senior executives and employees. Through this, Carmila ultimately fulfils its mission of creating value, boosting the local economy and establishing community links.

? DID YOU KNOW?

Carmila's business model (see details in Chapter 1)

This business model was developed by the CSR committee in collaboration with the following: Carmila's General Secretary and the departments of Risks, Communication, Finance and CSR itself. Carmila's business model was presented and approved by Carmila's CSR Committee and Executive Management. It will be updated and approved annually following the same process.

The business model covers the full scope of the Company's operations in three countries (France, Spain and Italy). Carmila's business model is based on four strategic areas: asset transformation, marketing dynamics, local digital marketing strategy and acquisitions; and four differentiating assets: key and accessible urban locations, a strategic partnership with Carrefour, expert, specialized and dynamic teams and local leadership.

4.1.1.1 Our approach based on materiality and risk analysis

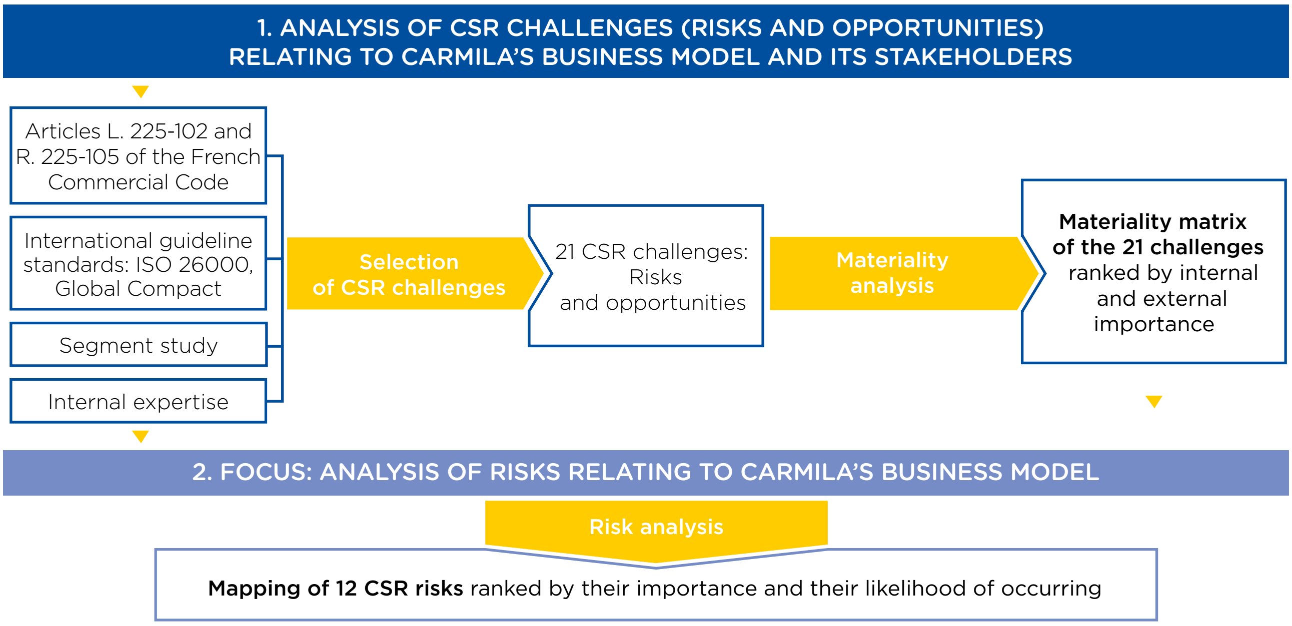
A detailed approach of all risks faced by the Company is set out in Chapter 5. In addition to the risks identified in Chapter 5, Carmila wished to analyze the risks and material issues related to CSR. Chapter 4 only covers CSR risks.

Carmila's analysis of CSR issues and risk is two-fold:

1. an analysis of CSR issues in terms of their importance for internal and external stakeholders, resulting in a materiality matrix with 21 issues;
2. an analysis of CSR risks regarding their impact on Carmila's business model and their probability to occur, set out in a risk map of 12 CSR risks.

The issues and risks analysed were pre-selected in light of articles L. 225-102 and R. 225-105 of the French Commercial Code, the relevant major international standards (ISO 26000, Global Compact), sector studies (benchmark of CSR risks, collective CSR risk analysis with the real estate companies that are members of the national council of shopping centres, called CNCC) and Carmila's in-house expertise.

FIGURE 1 – CARMILA'S APPROACH: MATERIALITY AND RISK ANALYSIS



Analysis of CSR issues and materiality matrix

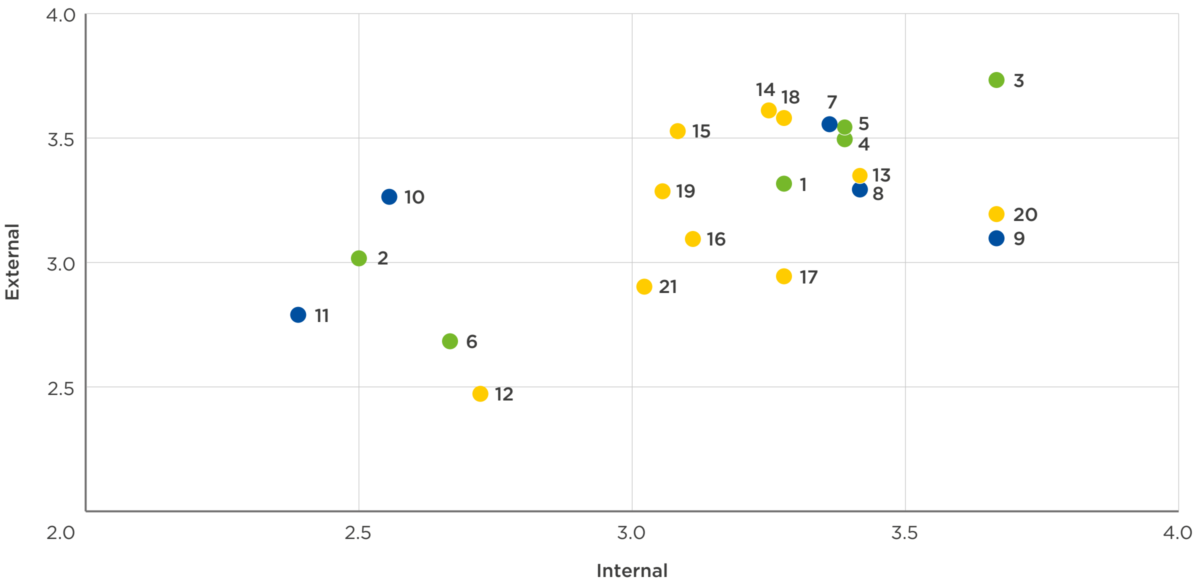
In order to compare its perception of the extent of its issues with that of its main stakeholders, in 2017 Carmila produced its materiality matrix.

CSR issues were selected based on articles L. 225-102 and R. 225-105 of the French Commercial Code, international standards (ISO 26000, Global Compact). This comparative segment study and Carmila's in-house expertise, identified 21 issues.

These 21 issues were ranked by 33 internal and external stakeholders according to their respective importance.

FIGURE 2 — MATERIALITY MATRIX

The issues that emerged as priorities in the materiality matrix have structured Carmila's CSR strategy.



1 – Eco-construction, certification
2 – GHG emissions
3 – Energy consumption
4 – Waste management
5 – Water management
6 – Biodiversity
7 – Health and safety
8 – Talent and skills management
9 – Well-being at work
10 – Diversity
11 – Social dialogue
12 – Sponsorship
13 – Partnerships with voluntary sector
14 – Contribution to local economic development
15 – Access and mobility
16 – Relations with end customers
17 – Services provided to tenants
18 – Standard of professional relationship with tenants
19 – Responsible purchasing and supplier relations
20 – Security of people and property
21 – Respect for investors' interests

Risk analysis and mapping

In response to the requirements of the French transposition of the European Directive 2014/95/EU on Non-financial Reporting (named DPEF and integrated under the order n°2017-1180 dated July 19, 2017) and in addition to Chapter 5, Carmila has produced an in-depth review of CSR risks associated with its business activity, connections, assets and the services it delivers.

Carmila took part in the national council of shopping centres (CNCC) working group, responsible for identifying the most pressing risks facing the shopping centre industry. Initially, the themes of CSR risks and opportunities were identified through a review of practices within the sector. This included the existing materiality analyses, CSR risks identified by non-financial rating agencies, and sustainable development guidelines for the sector (EPRA in particular). The 12 CSR risks were rated by the five real estate companies in the working group in order to select the most pressing risks. Each of these 12 themes were rated against a severity criteria (impact on reputation, finances, operations and legality) and one frequency criterion (probability of the risk occurring). Based on this rating, 9 risk themes were identified as significant. This list is provided for information purposes to share the latest rational within the industry.

The 12 CSR risks were pre-selected for their relevance in terms of Carmila's business model and articles L. 225-102 and R. 225-105 of the French Commercial Code, international standards (ISO 26000, Global compact), and the identification of risks carried out jointly with the real estate companies that are members of the CNCC in light of the activity and sectoral impacts.

- Some risks highlighted under article L. 225-102 of the French Commercial Code were not included in the analysis, since Carmila's activity has no impact on combating food waste, food insecurity, respecting animal welfare, promoting responsible, equitable and sustainable food choices and fighting tax evasion.
- Carrefour was given responsibility for managing two risks: responsible purchasing and corruption, health and safety.
- The materiality analysis highlighted water preservation in Spain, as the country was undergoing a period of drought. Although Carmila pursues its policy of reducing water consumption (details in Section 4.3.2.3), water has not been included in this risk analysis since no assets are located in a water stressed areas.

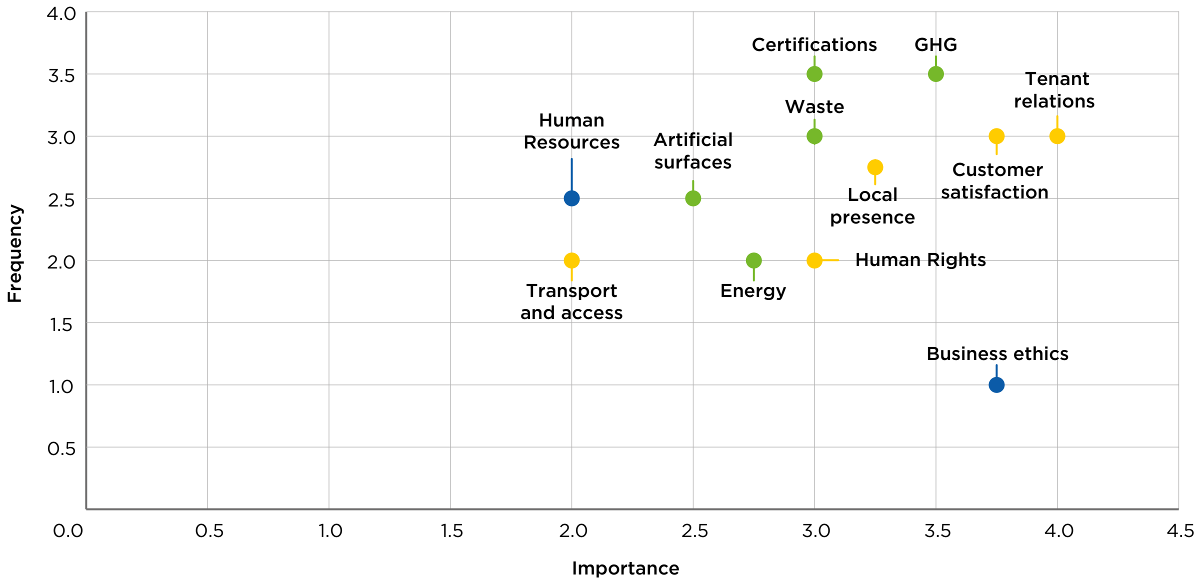
Carmila's risks have been defined as follows through articles L. 225-102 and R. 225-105 of the French Commercial Code, the materiality matrix and the risk analysis.

RISKS DEFINITION AND CORRESPONDENCE BETWEEN ARTICLE L. 225-102, THE MATRIX MATRIX AND RISK MAPPING

Risk according to article L. 225-102	Issue from the materiality matrix	Risk based on risk mapping	Risk definition
CLIMATE CHANGE	ECO CONSTRUCTION AND CERTIFICATION	CERTIFICATION	Carmila's property assets have an impact on the environment through their design and resource management.
CLIMATE CHANGE	ENERGY CONSUMPTION	ENERGY	Energy consumption (gas and electricity) results in the emission of GHGs that contribute to global warming.
CLIMATE CHANGE	EMISSIONS AND GHG	GHG	Direct GHG emissions from the operation of buildings have an impact on global warming. Risks associated with legislation on the energy transition has a significant impact on Carmila's activity.
CLIMATE CHANGE	BIODIVERSITY	ARTIFICIAL SURFACES	Artificial surfaces are a threat to biodiversity. The authorities can reduce the number of projects that threaten biodiversity and thus reject Real Estate projects.
CIRCULAR ECONOMY	WASTE	WASTE	Unrecovered waste associated with the centre's operation is incinerated or sent to landfill, accelerating pollution and global warming or threatening biodiversity. Risks associated with legislation on the energy transition has a significant impact on Carmila's activity.
THE USE OF GOODS AND SERVICES PRODUCED	CHARITABLE ASSOCIATIONS SPONSORSHIP AND PHILANTHROPY	LOCAL PRESENCE	Shopping centres alter and threaten ties and relations with local stakeholders through an excessive focus on consumption. A diminishing local presence can affect footfall.
THE USE OF GOODS AND SERVICES PRODUCED	TENANT RELATIONS CONTRIBUTION TO LOCAL DEVELOPMENT TENANT SERVICES	TENANT RELATIONS	The poor economic position of tenants and lack of services and appeal for lessees has a direct impact on the life of the business.
THE USE OF GOODS AND SERVICES PRODUCED	CUSTOMERS	SATISFACTION OF END CUSTOMERS	A fall in footfall and consumption by end customers has a direct impact on the life of the business.
THE USE OF GOODS AND SERVICES PRODUCED	ACCESS AND MOBILITY	TRANSPORT AND ACCESS	Most of the shopping centres are located on the outskirts of cities and are often difficult to access in public transportation.
EMPLOYEES' WORKING CONDITIONS	WELL-BEING AT WORK TALENT MANAGEMENT HEALTH AND SAFETY OF EMPLOYEES	HUMAN RESOURCES	Poor working conditions may result in excessive staff turnover, a poor employer image and recruitment difficulties that directly impact the continuity of the business's activity.
HUMAN RIGHTS, ANTI-DISCRIMINATION AND DIVERSITY INITIATIVES AND MEASURES TAKEN IN FAVOUR OF PEOPLE WITH DISABILITIES	DIVERSITY QUALITY OF SOCIAL DIALOGUE	HUMAN RIGHTS	Carmila's activity is in Europe and complies with all legislation in force. The main risk relates to gender inequality, diversity and measures taken in favour of people with disabilities. Discrimination may have a negative impact on the reputation as an employer and result in legal penalties.
CORRUPTION	ETHICS	ETHICS	Some of Carmila's activities may expose employees to the risk of corruption and influence peddling.

Secondly, a working group composed of the CSR department and the general secretariat analyzed the issues of the materiality matrix to identify the risks that ensue. Carmila thus weighted and prioritized the 12 CSR risks in terms of their importance for the company's business model and for its stakeholders, and their likelihood of occurrence as shown in the diagram below.

RISK ANALYSIS MAPPING



Voluntary verification process

Given the changes to the thresholds in articles L. 225-102-1 and R. 225-104 of the French Commercial Code (due to the transposition of European Directive on Non-Financial Reporting), Carmila voluntarily commissioned KPGM, a Statutory Auditor, to verify that this report is presented fairly in accordance with Carmila protocols and the provisions of Article R. 225-105 of the French Commercial Code. For Carmila, this verification process is a means of improving the structure of its non-financial data process and reporting.

Reference documents

Carmila is not required to publish its reporting. Carmila has voluntarily published its reporting based on this standard as well as the International Integrated Reporting standard. This makes it easier for its stakeholders to understand and compare the published information.

In addition, Carmila has drawn on the standards and guidelines for the Real Estate sector to produce the following Declaration of non-financial performance:

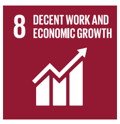
- the sectoral guidelines on CSR reporting published by the National council of shopping centres (CNCC);
- the EPRA guidelines (see cross-reference table in section);
- the GRESB Real Estate assessment Reference guide.

UN's Sustainable Development Goals (SDGs)

In order to contribute 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 a 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 developing various preventative measures aimed at employees and retailers.

Preserving ecosystems on land plays an essential part in combating climate change and protecting biodiversity. Carmila is helping to protect the flora and fauna of green spaces surrounding 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.

4.1.1.2 The CSR strategy: policies, objectives and key performance indicators (KPIs)

Carmila's strategy is based on three components:

1. injecting a new dynamism into the economic and social life of catchment areas by building a 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. Such support to client requirements promotes and supports suppliers in their approach to CSR;
2. integrating shopping centres into their environment:
   - building and renovating shopping centres with respect for the environment by designing sustainable buildings and limiting nuisance caused by construction sites;
   - helping to meet the shared challenges of climate change and biodiversity by developing a transport policy that takes climate risk into account and taking daily action to preserve biodiversity in the natural spaces on our sites; and
   - limiting the environmental impact of our shopping centres and tenants by actively reducing the energy and water consumption of shopping centres, and by streamlining the sorting of waste and managing environmental and health risks;
3. promoting the well-being and development of employees:
   - ensuring that ethics are upheld by circulating the Code of Ethics to all employees, guaranteeing that employees remain independent and providing a whistle-blowing procedure;
   - providing conditions for dialogue and well-being in the workplace by providing constructive social dialogue, ensuring the health and safety of employees, promoting diversity and inclusion and respecting the work-life balance of employees;
   - supporting talent and skills by respecting employee contributions and supporting employee development and engagement with a mindset focussed on innovation and solidarity.

FIGURE 4 – SUMMARY OF OUR CSR STRATEGY

CSR strategic strand	Risk based on risk mapping	Policy	Indicator	Objective	Date
Injecting a new dynamism into the economic and social life of catchment areas by building a local presence	LOCAL PRESENCE	Contribution to local economic development by supporting retailers in their development. Carmila offers free services such as Boost and Kiosk	Number of kiosk campaigns	10% increase in the number of kiosk campaigns	By 2020
	TENANT RELATIONS	Ensure retailer satisfaction	Retailer satisfaction rate	Produce a tenant satisfaction survey	In 2019 in France In 2020 in Spain and Italy
	SATISFACTION OF END CUSTOMERS	Ensure end customer satisfaction	End customer satisfaction rate	Roll out its customer satisfaction survey in Spain and Italy	By 2020
	LOCAL PRESENCE	Make the centre a site of community expression. In order to strengthen local links, many initiatives have been undertaken with charities, associations and representatives of local government	Number of CSR events	Increase CSR events by 10%	By 2020
				Conduct an employment event with centre managers in 50% of centres	In 2019
				Conduct events related to health and nutrition in all centres with centre managers	In 2019
	TRANSPORT AND ACCESS	Increase site accessibility Develop sustainable transport Network links	Number of alternative spaces	Increase the number of alternative spaces	By 2025
				Deliver an awareness-raising campaign at 50% of sites	By 2020
Integrating shopping centres into their environment	ENERGY	Optimise centre management through the installation of equipment that is energy-efficient or runs on renewable energy	Energy intensity (KWh) per sq.m.	Reduce energy consumption per sq.m. by 15% compared with 2017	By 2025
	GHG	Measure our carbon impact	Carbon intensity (kgCO2e) per sq.m.	Produce carbon reporting	By 2020
	CERTIFICATION	Limit the environmental impact of our sites	Rate of environmental certification in operations or construction by gross asset value	100% of new projects to be BREEAM New Construction certified	Ongoing
				75% of our assets (by gross asset value) to have environmental certification	By 2021
	ARTIFICIAL SURFACES	Limit artificial surfaces to protect biodiversity	Percentage of artificial surfaces for new projects	Incorporate a 20% of green spaces for all new projects	Ongoing
				Plant 1 tree per sqm built with Reforest' Action	Ongoing
	WASTE	Limit our waste	Rate of waste recovery	Carmila is committed to increasing the amount of waste recovered and implementing waste-collection projects. Raise awareness of waste recovery among 100% of retailers with centre directors	By 2020

CSR strategic strand	Risk based on risk mapping	Policy	Indicator	Objective	Date
Promoting the well-being and development of employees	HUMAN RESOURCES	Attract talent through the implementation of a policy of well-being at work, training and attractive career development	Turnover	Grant 100% of employees access to training	By 2020
	HUMAN RIGHTS	Promote diversity and inclusion	Compensation M/W	Reduce the gender pay gap	By 2022
			Diversity charter	Establish a diversity working group	In 2019
	HUMAN RESOURCES	Ensure employee satisfaction	Satisfaction rate	Annual satisfaction survey	Ongoing
	ETHICS	Combat corruption and promote ethics	Train employees in ethics risks	Conduct ethics risk awareness-raising for 100% of employees	Ongoing
	HUMAN RESOURCES	Continue and build on road safety campaigns	Road risk training for employees with a company car	Conduct road risk awareness-training for employees	Ongoing

4.1.2 Managing the CSR strategy

4.1.2.1 CSR Governance

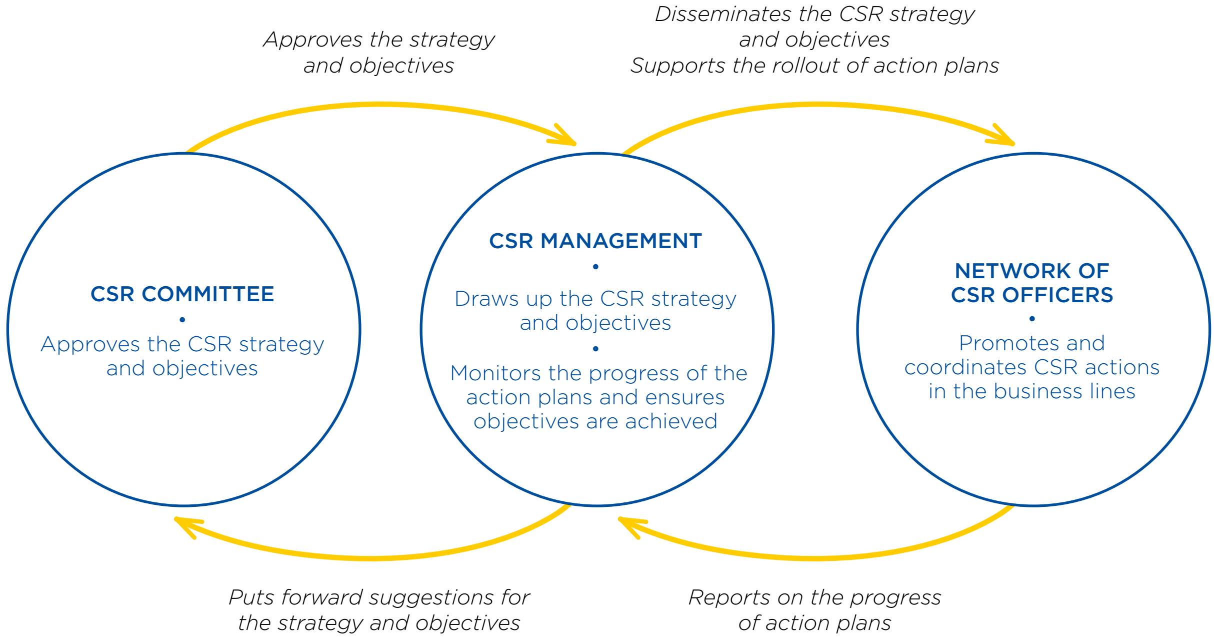
The CSR Committee steers the overall strategy and approves the objectives proposed by the CSR Management. It is committed to meeting quarterly and is comprised of seven members:

- Deputy CEO;
- Chief Customer Officer, Digital & Innovation;
- General Secretary;
- CSR Director;
- Director Carmila Spain;
- Director Carmila Italy;
- CSR Manager.

Formed of the CSR director and CSR manager, the CSR management sets the strategy and objectives whilst overseeing the progress of action plans. This method ensures Carmila's CSR objectives are met.

Within each service line, the CSR network promotes and coordinates CSR actions.

FIGURE 5 – COLLEGIATE AND OPERATIONAL MANAGEMENT OF THE CSR STRATEGY



Moreover, the CSR themes are also owned by employees and shopping centre managers. The latter of which benefits from a great deal of autonomy in the choice and implementation of CSR initiatives in their centres. A great deal of autonomy is given to the CSR strategies and initiatives implemented at their centres. This autonomy is a means of establishing a strong local presence and helps develop a closer relationship with local stakeholders.

4.1.2.2 Dialogue with stakeholders

In order to develop an appropriate CSR strategy, incorporate new commitments and collaboratively develop action plans, Carmila has established its arrangements for dialogue with stakeholders.

FIGURE 6 – ARRANGEMENTS FOR DIALOGUE WITH STAKEHOLDERS

Stakeholder	Arrangements for dialogue and people involved	CSR issues
Retail brands and retailers	Shopping centre Manager 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 customers People living and working in the area	Omni-channel and digital communication, events in partnership with retail brands Media (press releases and packs, organised visits) Shopping centre Manager Social and environmental initiatives	Quality of relationship with clients Links with the local voluntary sector
Local authorities around shopping centres State-run and public services (prefectures, fire services, local and national polices)	Proactive, ongoing relations with involvement in projects within the catchment area Shopping centre Manager	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
Charitable associations and NGOs	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 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
Service providers and suppliers	Supplier social and ethical charter Calls to tender	Responsible purchasing

4.1.3 Key highlights from 2018

- Carmila continues to implement its CSR strategy, updating its materiality analysis, extending its work to Spain and Italy, and establishing CSR across its service lines.
- Carmila shopping centres have held over 60 events to provide an economic and social boost to their local areas and carried out over 1,300 social and environmental initiatives.
- One such event includes Carmiday, the annual Carmila event supporting the development of retail brands and tenants. Over 350 participants and some 200 businesses registered to attend the "drive-to-store and local performance" round table event. Carmiday was led by Google's Retail and Omnichannel Director which rediscovered the digital ecosystem and microlocal data tools provided by Carmila shopping centres.
- Carmila Spain also organised its first Carmiday event, attended by over 250 participants and with well-known speakers from the retail world.
- In order to promote synergies with the innovation ecosystems, Carmila continued to set up partnerships with start-up incubators: LAB'O in Orleans, *La Cuisine du web* in Lyon, La French Tech Rennes Saint-Malo and IOT Valley in Toulouse.
- In Spain, Carmila signed an agreement with the Spanish Confederation of Young Entrepreneurs (CEAJE) to promote the opening of their stores in shopping centres.
- Seven certifications were awarded in France: Saint-Brieuc Langueux, Pau Lescar, and Vannes PAC were awarded BREEAM at the design stage ; BAB2 in Anglet, Saint-Brieuc Langueux, Mondeville and Rambouillet were awarded BREEAM at the final stage. In France and Italy, Carmila launched a BREEAM In-Use certification campaign for 12 significant sites.

- The Évreux shopping centre, a leading example of biodiversity protection, was the first of Carmila's shopping centres, and the first retail park in France to be awarded the BiodiverCity label.
- In 2018, all managers of French shopping centre real estate operating sites were trained in monitoring and managing water and energy consumption.
- The employee satisfaction survey in France, Spain and Italy revealed widespread satisfaction of the employees interviewed: 92% of them expressed their pride in working for Carmila and 87% their satisfaction with the Company.
- In Italy, Carmila carried out a full review of its training plan so that each employee attended at least one training course in 2018.

4.2 Injecting a new dynamism into the economic and social life of catchment areas by building a 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 Responsible commercial development of retail brands

Responsible commercial relationships for the development of retail brands

For Carmila, establishing a lasting relationship with its customers is first and foremost about working in partnership with them to develop their business and increase their sales. To achieve this, Carmila set a target of 3,600 events a year, i.e. around 300 events in France each month. This target was met in 2018 and increased by 10% for 2020.

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 omnichannel local marketing solutions aimed at tenants, called "The Kiosk":

- day-to-day tools: shopping centre and local media, digital levers, events;
- ad-hoc operations: at a store opening or re-opening, a VIP event, a birthday or targeted promotions;
- the "boost": long-term support for the retail brand with a customised plan of action.

These marketing tools, offered locally to retailers by shopping centre managers are designed to offer bespoke services targeted at the issues facing retailers.

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 2018, 5,745 marketing campaigns aimed at retailers were delivered as part of the "Kiosk".

NUMBER OF KIOSK CAMPAIGNS

	France	Spain	Italy	Total
2018	4,015	1,364	366	5,745
2017	1,964	194	93	2,251

DID YOU KNOW?

Carmila offers its retail brands bespoke marketing and communication services

In 2018, one-third of our retailers on average benefited from a marketing or communication campaign that was jointly developed and funded by Carmila. For example:

- the Venette shopping centre organised a bread-making workshop with the bakery Paul, broadcast on the internet and social media. The initiative was very well received by parents and children and will become a key plank in developing the brand awareness;
- at Salaise-sur-Sanne, the shopping centre organised flower arranging workshops for the florist "Mille et une fleurs". The event was advertised using digital communication and delivered on-site by a professional florist;
- throughout 2018, Carmila supported Verger Shop in increasing the store's brand awareness and sales through eight digital marketing campaigns and events. The results were very good, including an increase in sales, in the number of customers and the average basket value.

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.

In Spain, a large number of retail brands in Carmila's shopping centres are independent local retailers. These had specific needs in terms of marketing support and digital strategy for effective business operations. Carmila offers them free training delivered by an external expert. In 2018, average satisfaction rates for the 240 participants were 4.9/5.

As part of a process of continuous dialogue and improvement, from 2019 in France and 2020 in Spain and Italy, Carmila is committed to carrying out targeted satisfaction surveys and gathering suggestions from its retailers.

Carmiday

In order to maintain constant dialogue with its partners, each year Carmila organises an annual event in France dedicated to sharing and innovation, the Carmiday. Over 350 participants, partner retail brands and chairs of retailers' associations were invited to the Company premises for an open day and to share expertise with the employees of Carmila and its partner Carrefour Property. Participants rediscovered how Carmila can support them in increasing the sales of their outlets.

Carmiday was an opportunity for participants to explore every opportunity to open new stores in shopping centres, in France and oversees.

Spain also organised its first Carmiday, attended by over 250 participants.

Accelerate the digital transformation of retailers

In addition to digital marketing tools, Carmila provides its retailers with the support needed for their digital transformation.

As such, in 2018 Carmila launched the "Smart Shopping Shows". In the regions, shopping centre managers, Carmila marketing teams and retailers came together at seven events. The aim? To accelerate the digital transformation of retail brands, helping them to understand and take advantage of the opportunities offered by Carmila: the Kiosk, web-to-store levers in the form of digital campaigns and websites, the importance of high-quality, highly visible content with the Nestor interface.

"Smart Shopping Shows" were also one of Carmiday's highlights in 2018. The Marketing and Digital Departments of the retail brands attended a round table on the topic "Drive-to-store and local performance". Google's Retail and Omnichannel Director presented various referencing, media and targeting tools aimed at boosting in-store traffic. The presentation was topped off with "good news stories" from the Kiosk. The brands also rediscovered the digital opportunities offered by the shopping centre thanks to its digital ecosystem (websites, mobile apps and social media) and microlocal data management. Attendees tested a new digital monitoring tool for circulating promotional offers, sharing events or receiving technical assistance.

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.

In order to involve customers in financing local producers and product listing, Carmila and Carrefour France initiated a pilot crowdfunding project with Miimosa, a platform specialised in crowdfunding agricultural projects. Thirteen projects were supported, and of these, 11 received financial support. A total of over €50,000 was collected from almost 600 citizens who, in exchange, received taster products, farm experiences, etc.

Carmila wishes to help French retailers to become established and to grow. To launch its initiative, Carmila advertised in Mag' in France and took part in the Made In France trade show. Carmila set a target of developing national partnerships with each shopping centre from 2019 and providing extensive support for at least five French brands with preferential pricing, marketing support and a digital focus.

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 ballast and constant lighting in secondary rooms (toilets, corridors, etc.).

Carmila is also working with its retail brands to organise charity and environmental action events. At the Orléans Place d'Arc shopping centre, Carmila worked with two stores on a "rounding up to the next euro" campaign to promote biodiversity protection projects. The centre's digital communication tools were made available to the project: in particular, 25,000 customer households were informed of the existence of the project through a dedicated email campaign

Moreover, Carmila wanted to incorporate sustainability in the criteria for its Christmas chalet contracts renewed in 2018. As such, five service providers equipped the shopping centres with 114 PEFC-certified chalets sourced from sustainably managed forests (out of 132 cabins).

4.2.1.2 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.

Support for retail brands as employers

Carmila supports new retail brands in its shopping centres in their search for employees, providing links with local employment services (*Pôle Emploi*, local employment agencies, etc.) and offering each store the option of advertising job vacancies on the centres' digital tools.

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.

In order to support shopping centre managers in promoting employment, in 2018 Carmila designed a kit collating resources and best practice. This describes partnership arrangements with the French employment service, *Pôle Emploi*, and the tools made available to centres for circulating vacancies, gathering CVs and thus promoting recruitment.

DID YOU KNOW?

Carmila hosts and organises job dating

The shopping centres in Anglet and Angoulins-sur-Mer provided their regional consortium of employers (*Groupement d'employeurs pour insertion et la qualification* (GEIQ)) with a free space in which to meet job-seekers. In total, 150 interviews were conducted over two days.

Angoulins-sur-Mer also played host to the Chamber of Commerce and Industry of La Rochelle and was thus able to present its apprenticeship schemes to 65 clients.

In Athis-Mons, Vannes and Sartrouville, the shopping centres organised employment events in partnership with *Pôle Emploi*, town halls and local employment agencies. Hundreds of candidates attended.

In Cesson-Sévigné, the shopping centre loaned a space to a local employability service (*Maison de l'Emploi*) in Vitré free of charge, for an employment forum in partnership with *Pôle Emploi*. In total over 190 CVs were submitted and over 200 interviews were held.

In partnership with the local agency of Saint Germain-en-Laye and the association Dynam Jeune, in April the shopping centre in Chamboucry organised a day of introductions between shopping centre customers and retail brands offering traineeships and work-study contracts: 35 contacts were made on this one day alone.

In Saran, the shopping centre hosted three "employment Thursday" job-dating events run by *Pôle Emploi* to introduce retail brands to job-seekers. The centre advertised the event and vacancies in the local press and using the shopping centre's digital communication tools.

In total, shopping centres in the Carmila Group ran 61 events to provide an economic and social boost to their local areas in 2018.

The interactive terminal HucLink, developed by Welljob, was successfully trialled at the Nice Lingostière centre. Located in the mall, it enables customers 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. In 2019, the scheme will be rolled out to other Carmila shopping centres.

In 2019, 50% of centres with on-site shopping centre management will hold at least one employment event.

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. 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 2018, 75.77% of the cost of works at Carmila construction sites in France went to local businesses.

Moreover, Carmila includes a specific administrative clause in its tenders relating to social integration through employment. As such, contractors for the main lots (in value and number of hours worked) must allocate 5% of the total number of hours worked on the project to target groups to support their professional integration.

Local economic structure

As creators of environmental and social added value, Carmila shopping centres contribute to the vitality of the local economic fabric. They support the commercial development of retail brands (details in Section 4.2.1). 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 roll-out of new solutions to respond to the requirements of retailers and constantly improve the customer experience in its shopping centres to further embed its centres as stakeholders in local development. As such, Carmila establishes partnerships with local innovation ecosystems.

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. Start-ups are involved in identifying solutions to optimise the shopping centre's energy and maintenance costs. To increase the sales of food outlets in Toulouse Labège 2, Carmila and Applicolis, a cooperative of local courriers have devised an innovative online service. The shopping centre's food outlets and the Carrefour hypermarket post their meals online. These are then ordered by employees of the Innopole in Labège, the biggest business park in the Midi-Pyrénées region and delivered using electric vehicles.

Carmila signed a partnership agreement with La French Tech Rennes Saint-Malo. The company is involved in the network's strategic thinking about the challenges facing retail and distribution and holds discussions with its member to identify synergies. In Rennes-Cesson, a proof of concept has already been launched with Dropbird. This young, innovative business wants local retail to be just a click away with the help of an online marketplace. The products of stores in Carmila shopping centres will be available online at dropbird.fr.

Carmila has established a partnership with the digital incubator, Le LAB'O in Orleans and with the charity organization *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. As an example, one of the start-ups of le LAB'O produced videos for the inauguration of the Saran shopping centre.

Cité Europe entered into a partnership with Fittizy, a shopping assistant that recommends the ideal size to customers and enables them to reserve the product in the store. The widget is available on the store pages of the shopping centre.

Promoting entrepreneurship

Carmila aims to create shared economic value with businesses in its areas and to promote business sense and entrepreneurship. For that, 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 2018, Carmila supported several start-ups. It provided financial support and coaching to Cigusto, an electronic cigarette company and to an affordable fashion footwear start-up. Carmila also continued the support initiated in 2017. In particular for la Barbe de Papa, a modern hair stylist and barber which opened around 20 new salons in 2018. Now a high-street name, the brand dominates the French market of men's barbers and hair stylists. In two years, the brand's workforce has increased ten-fold. In Spain, Carmila supported the start-up Centros Ideal.

Carmila also signed an agreement with the Spanish Confederation of Young Entrepreneurs (CEAJE) to promote the opening of their stores in shopping centres. In 2018, Carmila gave a number of presentations in the headquarters of the confederation, attended a number of regional meetings and circulated a newsletter to the 21,000 members.

Carmila will continue its efforts to provide an economic boost to local areas in 2019.

4.2.2 Establishing connections within the catchment area

4.2.2.1 Promoting charitable associations, the social and solidarity-based sector and sponsorship

Carmila also connects with shopping centre customers through social and environmental initiatives.

In 2018, in addition to over 61 events promoting the economic and social dynamism of their regions, French shopping centres organised over 1,279 events on health, charity, culture, sport and sustainable development and 3,513 days of action.

The majority of these campaigns had a charitable aim.

- Most shopping centres provided areas to collect donations for charities and associations, NGOs or foodbanks: *Restos du Cœur, Bébés du Cœur, Médecins sans Frontières, Secours Populaire, Samu Social, Unicef, Clown à l'hôpital*, etc.

- As part of its "fashion and well-being Saturdays", the Anglet shopping centre provided a free area in which to collect clothing donations. This event was created in collaboration with local influencers for the leukaemia charity *Laurette Fugain*. Two other shopping centres organised clothing donation initiatives: Tarnos, in partnership with *Secours Catholique* and Nevers Marzy with Emmaüs.

DID YOU KNOW?

National charity campaigns in France and Italy

On the French mainland, all of Carmila's shopping centres supported two charity campaigns by French charity *Secours Populaire*.

For the "Holiday" campaign, Carmila employees came up with a viral campaign involving customers and employees. For each holiday shot posted on a shopping centre Facebook page, Carmila committed to donating to the charity. Thousands of photos were shared and as such Carmila donated €10,000 to the charity. Employees took part in the day for children who do not have the opportunity to go on holiday, *les oubliés des vacances*, on 22 August 2018, offering logistical and organisational assistance by donating their skills.

Carmila partnered with the "Green Santas" festive initiative at the end of the year. Shopping centre customers were invited to play on one of the 190 *Noël Solidaire* (Christmas is for Giving) terminals with a donation to the French *Secours populaire* for each game played. Moreover, customers who won gift cards were able to donate a portion. In total, some 66,000 people played and €30,000 was donated to the charity.

In Italy, head office and Carmila shopping centres helped with food-bank collections.

Carmila carried out 192 health initiatives such as direct prevention events in malls or support to health and research charities.

- Eight shopping centres worked with *l'Établissement Français du Sang* by regularly providing an area for blood donations.
- The Saint-Jean-de-Vedas shopping centre hosted the charity *Mammobile* which offers breast cancer screening.
- In Montesson, over a one-week period, the shopping centre exhibited the artwork of patients from the *Centre Hospitalier Théophile Roussel*. A team was on hand to welcome shopping centre customers and answer their questions. This action was aimed at challenging stereotypes about patients with psychiatric disorders.

In France, 100% of shopping centres with a centre manager will organise at least one event on health and nutrition in 2019.

Access to sport was also a cross-cutting theme in the form of demonstrations, taster workshops and fun activities.

- Cholet used the *Tour de France* as an opportunity to encourage customers to take up sport. The shopping centre devised a cycling campaign that was both physical and charitable. Customers were invited to pedal on exercise bikes. For each kilometre pedalled, Carmila donated one euro to the charity *Loisirs Pluriels* which encourages disabled and able-bodied children to meet each other and share activities. Over 400 customers took part and Carmila donated €800 to the charity.
- The Anglet shopping centre organised a trial of the XENDERA app. This promotes physical activity by offering rewards in the form of vouchers. Over 80 people took part and almost 3,300 people learned about the start-up and its app through publicity on Facebook and Instagram.

Some centres also chose to promote culture through temporary exhibitions and participatory libraries.

- In order to support shopping centre managers in creating participatory libraries, in 2018 Carmila devised a kit setting out the process for launching, publicising and overseeing these cultural spaces offered to customers.
- Throughout the year the Cité Europe shopping centre in Coquelles ran a programme of events where it played host to regional cultural and sporting associations, enabling several hundred customers to get a taste for new activities and become members.

Finally, customers of shopping centres in France, Spain and Italy were involved in 102 sustainable development initiatives.

- At Claira and Toulouse Purpan, Carmila joined forces with Carrefour to involve customers in crowdfunding the projects of local young producers and in getting their products listed. The two shopping centres launched a pilot crowdfunding scheme aimed at community-spirited citizens with the specialist crowdfunding platform Miimosa, (details in Section 4.2.1).
- The shopping centres in Angoulins-sur-Mer, Pau Lescar and Saint-Jean-de-Vedas loaned spaces to two environmental NGOs, Greenpeace and *Nature et Environement*, to raise public awareness and attract new members.

In Spain, Carmila carried out over 320 social and environmental initiatives. These mainly had a charitable, community or public health focus and supported a number of NGOs and charities: the Red Cross, the United Nations Refugee Agency (UNRA), *Asociación Española Contra el Cáncer* (AECC) (Spanish Association Against Cancer), *SOS Villages d'enfants*, La *Fondation Jose Carreras contre la leucémie*, WWF, *Médecins sans frontières, Plan*, etc.

In Italy, in 2018 Carmila structured its local initiatives with charities and associations: all centre managers now organise social or environmental initiatives in partnership with local charities and associations.

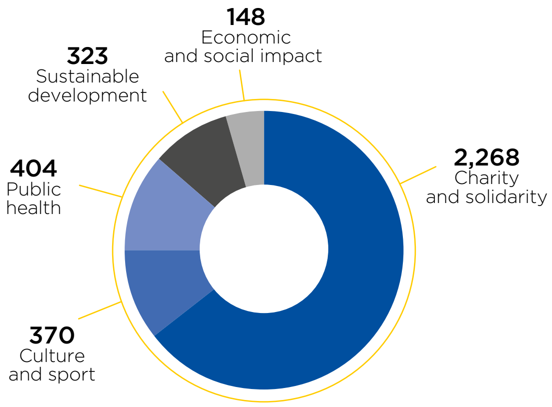
- At Nichelino, the I VITALI Shopping Park opened its vegetable patch, which will be managed by local charities and associations, in order to offer a gardening plot and educational workshops for local school children and an autistic children's charity.
- In order to raise awareness of Autism Day among customers, Carmila lit up the fronts of its shopping centres in blue.
- In December, a collection of used toys was organised in all centres for ill or disabled children or other charitable causes. 2,500 toys were collected.

Moreover, in 2018, Carmila introduced customers in its centres to the social enterprise Reforest'Action and its work (details in Section 4.3.1). On the International Day of Forests, the shopping centres presented their partnership with Reforest'Action to customers and hosted a quiz with prizes of 100 solidarity planting kits per centre. This campaign was publicised online: Facebook, websites, email campaigns end press releases.

CSR EVENTS IN OUR CENTRES

Number of CSR events	France	Spain	Italy	Total
2018	554	537	249	1,340
2017	157	102	82	341

NUMBER OF CSR EVENT DAYS BY THEME



More than 3,500 days of CSR events were organized in 2018.

Carmila is also keen to support social enterprises with a business model based on creating a social and environmental impact.

- Since 2018, Trans-en-Provence, Montesson, Stains and Goussainville hosted the recycling campaign of the company Lemon Try. This scheme incentivises customers to sort their recycling with gift vouchers. The machines collect different types of packaging, recognise, sort and compact them.
- The Cernay centre hosts the retail brand Ding Fring, a member of the charitable network Relais North, East and Ile-de-France. This store created three new jobs.

4.2.2.2 Anticipating the needs of local authorities and residents

With its 215 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, sustainable relations with all administrations around its shopping centres so as to strengthen its local roots and contribute to building the catchment areas of tomorrow. Throughout the year, Carmila ensures that it transparently maintains its contacts with elected officials, making sure they are the first to know about any Company developments, and that it is a partner in regional planning.

As a real estate company, Carmila is particularly keen on supporting local regions and places a focus on the outskirts as well as the town centre. Almost one in four shopping centres are in the centre or on the edges of a town. The Bassens shopping centre in the Chambéry urban area is the "Town Centre of the Municipality". The Place d'Arc shopping centre is located right in the heart of Orleans.

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 has been supporting this charity for three years. Around the shopping centre, work with the local authority has also helped to manage traffic flows and contribute to developing new access routes. In Évreux Guichainville, Carmila helped to support retailers in the town centre. Finally, through public-private partnerships, Carmila funds sports clubs such as women's football in Palma de Mallorca, rugby in Bayonne and basketball in Antibes, *l'Union sportive Orléans Loiret de tennis de table et de badminton*. Carmila also supports commercial events as *les Vitrines d'Orléans* or the web marketing service of retailers in Orleans and cultural events as the *Nuits Carrées* festival in Antibes.

DID YOU KNOW?

Wifi coverage and reducing the digital divide

100% of French shopping centres have wifi coverage with some 10,000 connections per day. High-speed connectivity offers retailers a service for their digital retail and a leisure activity for customers, particularly young people who have limited data on their phone contracts. Finally, this connectivity enables us to control our energy consumption more effectively through centralised building management systems

Carmila is also supporting the national ambition to reduce the digital divide. It is working towards the French government's objectives of covering blackspots, increasing the availability and quality of 4G and preparing for the arrival of 5G.

Wifi will be introduced in Carmila's Spanish shopping centres as a response to the same social issues.

DID YOU KNOW?

Food transition, biodiversity and social cohesion through urban agriculture

Carmila and the Carrefour Foundation were involved in delivering one of the sustainable development projects in L'Haÿ-les-Roses. As part of the municipality's Agenda 21, the "Carrefour des Cultures" community garden was opened on a section of land belonging to the L'Haÿ-les-Roses hypermarket. The aim of this collaborative space is to promote the food transition and better eating habits, to develop biodiversity and to promote social cohesion among the town's residents.

700 sq.m. of green space will be the site of 22 individual plots of which eight accessible to people with restricted mobility, and four shared plots for group workshops and hypermarket employees. The association *Espaces*, which runs 26 community gardens in Île-de-France, has been commissioned to deliver the workshops. The project also includes an educational pond where a number of events will be held on the topic of sustainable development, urban ecology and the importance of water in a natural space.

The community garden is also equipped with water recovery systems, wooden compost bins, around ten fruit bushes (blackcurrant bushes, raspberry bushes, redcurrant bushes, etc.) and a timber cabin.

4.2.2.3 Customer satisfaction, health and safety of users and site accessibility

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

Annual customer satisfaction surveys are conducted with customers at the end of their visit in 100 Carmila shopping centres in France. Some 200 to 600 interviews are conducted per centre each year (introduced in 2015). Through this process, Carmila gathered more than 37,800 customer opinions in 2018. They give their views on all aspects of their experience and habits: time taken to get to the centre, mode of transport used, etc. The information collected through this scheme is used to improve the quality of customer service.

In 2018, Carmila added an awareness' assessment of CSR initiatives in its centres to the scope: waste management, local employment and support for charities and associations.

The latest results from 2018 show that 87% of our customers are satisfied with their visit to a Carmila shopping centre. They appreciate, in particular, the cleanliness of the concourse, the approachability of staff and visitor comfort (safety, temperature, smell, lighting in the mall, etc.).

	2018	2017
Shopping centre customer satisfaction rate	87%	86%

4

More specific surveys are also carried out to respond to ad-hoc requirements. In this way, focus groups are organised locally and nationally to work with our clients on particular concepts or issues. In 2018, for example, Carmila conducted two ad-hoc surveys, one of customers of the Grand Vitrolles shopping centre and residents of the catchment area and another at the Échirolles shopping centre in Grenoble.

Carmila also sends mystery customers to shopping centres to assess the quality of the service on offer. The mystery shopper assesses the various stages of the visitor experience, in particular the car park, shopping centre aisles, toilets, stores, signage, welcome, staff and the condition and cleanliness of the centre. In 2019, the digital experience will also be assessed. The results of these surveys are shared with centre managers on a monthly basis so that they can take fast and practical corrective action.

In 2018, Carmila put together a panel of volunteer customers to meet in a digital community of reviewers, the *Shopping Lab*. Over 2,500 customers regularly contribute to surveys, forums and suggestion boxes, post articles and respond to the content posted. This discussion forum is a means of connecting with the core customer base of Carmila shopping centres and, as such, enables customers to play a leading role in the evolution of their centres. This innovative, interactive and collaborative survey tool enables us to gain customer feedback in a faster, less costly way than would be the case with traditional surveys. Those who take part are committed customers who are passionate about their centre and willing to share their opinion and be involved in improving their shopping centre.

Accessibility and user well-being

Carmila designs and maintains shopping centres for the safety and well-being of all (details in Section 4.3.2) and regularly asks its customers how satisfied they are with the whole experience, including transport (details in Section 4.3.3).

Thus, Carmila is committed to ensuring that all of its shopping centres are accessible to everyone and encourages customers and employees to use the most environmentally-friendly modes of transport. With this aim, from the project design phases, the layout of the car park is studied: places are reserved for car-sharing, families, bikes, people with reduced mobility and electric vehicles (with charging stations) guaranteeing better access. 4.1% of our parking spaces are dedicated to alternative spaces (family, people with reduced mobility, car-sharing, bikes, electric cars), amounting to some 4,918 spaces.

For the last three years, Carmila has been working on a systematic review of the signage in its car parks to improve customer circulation and safety. On all sites, overall access surveys identify areas for improvement. A number of measures were implemented:

- direction signs for goods and services: chemists, transport, toilets, etc.;
- signage for streamlined, safe traffic flows: parking guidance system for the circulation of vehicles and the safety of car parks, marking and separation of pedestrian walkways, cycles and motorised vehicles, signage for pedestrians alighting at public transport stops to ensure a completely protected walkway, etc.

Moreover, Carmila takes care to construct buildings offering well-being to those who work there or who visit for shopping or leisure. Signs welcome and thank visitors. Relaxation and rest areas with wifi, as well as secure games for children are on offer as a matter of course. The quality of materials, the space, the décor and toilets are designed for customer well-being.

4.2.3 Responsible purchasing and support for our suppliers

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.

Carmila essentially purchases services and regularly hires 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 and Carrefour.

Supplier social and ethical charter

Carmila's project contractors are required to adhere to Carrefour' Ethics and Social Charter. Requirements include adherence to the eight main conventions of the International Labour Organisation (ILO) and the principles of the UN Global Compact.

The Charter is sent to all suppliers involved in calls to tender for extension or renovation projects. In signing they are bound to adhere to the following five principles throughout all stages of the commercial relationship:

1. strict legal compliance;
2. no infringement of competition law;
3. avoid conflicts of interest;
4. reject any corruption;
5. guarantee confidentiality.

Purchasing Charter of the *Conseil National des Centres Commerciaux* (CNCC)

Carmila appends the CNCC Purchasing Charter to all service agreements: cleaning, caretaking, maintenance, waste management, etc. The Charter includes ethical and social practices. In particular it establishes the principle of fair selection of partners based on objective criteria for comparison. It stipulates that the partners are opposed to and committed against any form of active or passive corruption, and have committed to observing the Conventions of the International Labour Organisation (ILO), social regulations and any regulations specific to its business, particularly:

- not to discriminate in the hiring and management of staff and to promote equal treatment;
- not to use undeclared work;
- to comply with legislation on managing working hours, pay, training, trade union rights, health and safety;
- to comply with local legislation on employing people with disabilities.

Safety and legal compliance of construction sites

Safety and legal compliance of construction sites is covered by a prevention and control system.

Across all sites, a health and safety officer (*coordonnateur sécurité et protection de la santé* – CSPS) oversees the safety of the various contractors. In order to ensure better customer safety, the contract drafted by Carmila expands the CSPS's remit beyond the site itself.

In accordance with the French duty of vigilance law, Carmila asks all contractors working on its sites for a set of documents as evidence of the legality of its activities, that employees are covered by employment law and the validity of insurance.

In order to facilitate the gathering of these documents and ensure that they are authentic and compliant, Carmila calls on a specialist contractor to collect and check these documents.

In 2018, for its extension work at Nice Lingostière, Carmila also opted for additional services to monitor staff working in the zone and check their identity. The aim of these regular, unannounced checks is to prevent undeclared sub-contracting and prevent the use of staff that cannot be checked through the building industry ID card.

Supplier payment terms

Carmila strives to honour supplier payment terms and is continuously working to streamline its payment procedures. In France, the average supplier payment term is 55 days.

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.

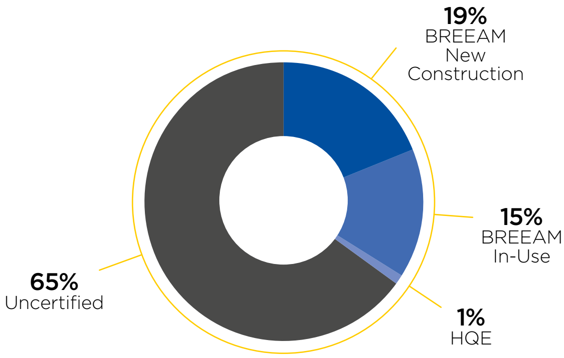
Thus, Carmila is seeking to incorporate the best environmental practices at each stage of a building's life. In both design and operations, Carmila uses a sustainable construction approach, drawing on internationally-recognised environmental certification. For example, during the construction phase, commitments fall within the scope of the Green Construction Site Charter. During operations, Carmila supports its retail brands by raising awareness of environmental impacts and providing them with information guides and techniques to reduce these.

Carmila has set the following targets:

- 50% of its portfolio, in value, will have at least a BREEAM, HQE or other environmental certification by the end of 2019, and 75% by the end of 2021;
- 100% of extension projects must have BREEAM New Construction certification.

To date, 35% of sites by value are certified, compared with 27.7% in 2017.

ENVIRONMENTAL CERTIFICATION RATES IN ASSET VALUES



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4.3.1 Building and renovating with respect for the environment

4.3.1.1 Sustainable buildings

Designing 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 façade orientation and green roofs or high solar reflectivity to limit the need for heating and air conditioning;
- natural materials that are more environmentally-friendly and have a lower carbon impact are preferred, 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.

BREEAM New Construction certification process

Carmila has opted to align its sustainable buildings policy with the BREEAM New Construction 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.

The process has already been rolled out in France and Spain and was extended to Italy in 2018.

DID YOU KNOW?

BREEAM New Construction certifies the environmental performance of Carmila shopping centres

Developed by the Building Research Establishment in 1990, BREEAM New Construction (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. Two types of Breeam New Construction certificates are issued: the design stage before the project and the final stage once the project is done. Buildings' environmental impact areassessed and rated according to ten issues and the final score leads to the award of one of six certification ratings: Acceptable, Pass, Good, Very Good, Excellent or Outstanding.

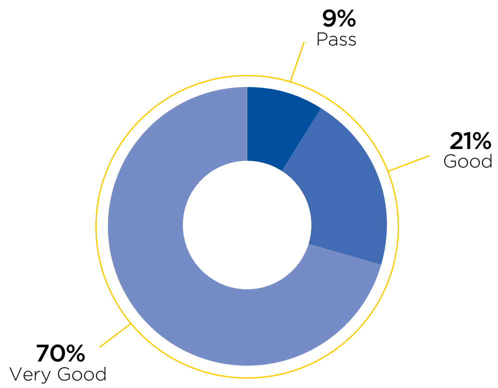
The assessment is based on nearly 70 criteria under nine categories:

- MANAGEMENT: the adoption of sustainable management practices and implementation of sustainability actions through the key stages of design, tender, construction, initial delivery, project management, etc.
- HEALTH & WELL-BEING: daylight, internal and external lighting, natural ventilation, indoor air quality, volatile organic components, thermal comfort, acoustic performance, secure pedestrian access, etc.
- ENERGY: energy efficiency, reduced CO_2 emissions (natural light, low-energy equipment, etc.), calculating the energy used, renewable energy, etc.
- TRANSPORT: access to public transport, alternative modes of transport, safety of pedestrians and cyclists, access to local services (chemists, post offices, schools, etc.), etc.
- WATER: water consumption, detection of major leaks, irrigation systems, etc.
- MATERIALS: Life-cycle analysis of materials, sustainability of materials, responsible sourcing, etc.
- WASTE: construction waste management plan, recycling aggregates, local operational waste, etc.
- ENVIRONMENT & ECOLOGY: ecological value of the site, protection and creation of ecological habitats, long-term improvement of biodiversity, implementation of ecologist's recommendations, etc.
- POLLUTION: NOx emissions from heating systems, reduction of night time light pollution, reduction of noise pollution, minimising watercourse pollution, flood risk management, etc.

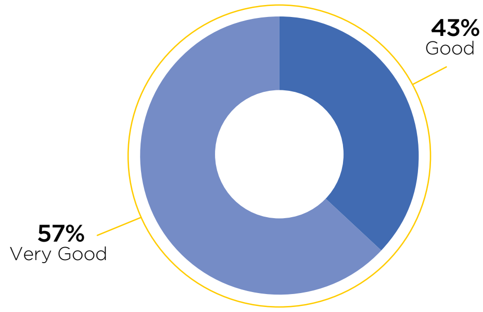
Status of BREEAM New Construction certification for buildings

Seven BREEAM New Construction certifications were awarded in 2018: Saint-Brieuc Langueux, Pau Lescar and Vannes at the design stage; BAB2 in Anglet, Saint-Brieuc Langueux, Mondeville and Rambouillet at the final stage. The four projects inaugurated in 2018 are certified or in the process of certification by BREEAM New Construction certification.

BREEAM NEW CONSTRUCTION CERTIFICATION BY LEVEL AT THE DESIGN STAGE IN CERTIFIED ASSET VALUES



BREEAM NEW CONSTRUCTION CERTIFICATION BY LEVEL AT THE FINAL STAGE IN CERTIFIED ASSET VALUES



EXAMPLES OF ENVIRONMENTAL PRACTICES IN EXTENSIONS AND NEW DEVELOPMENTS COMPLETED SINCE THE LAST EDITION OF THE REPORT

Year	Site	Biodiversity	Transport	Water
2017	Pau Lescar	• Over 8,500 sqm of green spaces outdoors and around 7,000 sqm of landscaped areas • Approximately 400 trees planted (local species) • 8 nesting boxes and 1 insect hotel	• Bus stop less than 200m from the site entrance • 80 car-sharing spaces • Bicycle access with cycle lane and 3 cycle parking areas	• Water-saving toilet facilities • Detection of leaks in toilet facility plumbing • Solenoid valves fitted in toilet facilities in the event of non-use
2018	Athis-Mons	• The project has not resulted in any additional impervious areas • A 20% increase in green spaces compared with the existing area • 140 tall trees from local species and 1,347 shrubs planted • 3 insect hotels	• 10 parking spaces for electric vehicles • 10 spaces reserved for families • 7 car-sharing spaces for employees • Tram and bus stops opposite the shopping centre • 18 bicycle spaces	• Water-saving toilet facilities
2018	Besançon-Chalezeule	• Creation of a green belt, a key element of the site, offering access to its pedestrian grass pathways • Over 170 trees planted on the site • Swales planted with local species • 4 nesting boxes and 5 bat roosting boxes	• 4 spaces for electric vehicles • Tramway stop in the centre of the site (on the main approach, the green belt) • 42 grass parking spaces • 59 car-sharing spaces provided for customers and 4 for employees	• 1 rainwater retention pond measuring 3,200 m^3
2018	Évreux	• 42 planted landscaped swales (1 km) • 1,450 trees and 1,750 shrubs planted, more than 80% of which are local species • A flower meadow planted, requiring limited upkeep and late cutting • BiodiverCity label with an excellent rating • Contract with a local beekeeper for the installation of 6 beehives on site • 2 insect hotels and 5 nesting boxes	• 2 bus-stops on site, moved and upgraded • 50 bicycle spaces in the car park • 4 spaces with electric bicycle charging stations • 15 car-sharing spaces for employees • 19 charging stations for electric vehicles	• Installation of a 30 m^3 rainwater recovery tank for watering green spaces on the forecourt, to supply toilets (flush) and for floor cleaning machines • Retention basins with a total capacity of 4,100 m^3
2018	Orléans-Saran	• Over 8,000 sq.m. in existing afforestation will be retained • 700 trees planted for the project • Around 70% of plants are indigenous • Extensive meadows requiring limited upkeep (cut once a year and no phytosanitary products) • 5 nesting boxes and 10 insect hotels	• Project cycle lanes are connected to existing facilities • 10 spaces for electric vehicles • 163 pervious spaces • 100 car-sharing spaces	• Creation of 4 outdoor rainwater retention basins

Life-cycle analysis

All projects applications made for building permits in the form of authorisations to operate retail facilities (AEC) include life-cycle analysis. Environmental and Health Declaration Forms (*Les Fiches de Déclaration Environnementale et Sanitaire* – FDES) are produced for materials so as to assess the impact on the environment and health of construction materials and equipment and decoration.

Moreover, where Carmila is working towards the “life-cycle analysis” criterion of the BREEAM New Construction certification process, life-cycle analysis (LCA) considers two scenarios for materials so as to choose the one with the lesser impact on the environment. As such, the four sites inaugurated in 2018 (Athis-Mons, Besançon-Chalezeule, Évreux and Saran) were subject to an LCA as part of the BREEAM process.

Biodiversity

Biodiversity is one of the issues taken into account when the shopping centres are designed. Carmila does not choose sites in designated biodiversity protection zones. 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 beehives;
- 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.

Examples of best practice to promote biodiversity are detailed in Section 4.3.1.

? DID YOU KNOW?

BiodiverCity label

BiodiverCity is the leading international label for taking into account biodiversity in real estate, construction and renovation projects. It assesses and displays the ecological performance of buildings based on four major axes:

- axes 1 and 2 are concerned with commitment and resources, respectively;
- axes 3 and 4 focus on assessing the ecological benefits and benefits for users.

The Évreux shopping centre, a leading example of biodiversity protection, was the first of Carmila's shopping centres, and the first retail park in France to be awarded the BiodiverCity label.

Carmila has also made a commitment to planting one tree for each sq.m. of new commercial space in its shopping centre extensions. In partnership with Reforest'Action, in 2018 Carmila continued its programme of reforestation of French forests, planting over 15,000 trees near the sites of Orléans Cap Saran, Évreux, Bensançon-Chalezeule and Athis Mons. This brings the total number of trees planted to 32,000. This project is beneficial for both biodiversity and the climate. It will have enabled 3,634 tonnes of CO_2 to be stored, i.e. the equivalent carbon impact of over 23 million kilometres of journeys by car.

Reversibility and mixed use

Carmila studies opportunities for mixed use and the potential reversibility of its sites. Carmila identified a number of opportunities for mixed use in the area of health, in particular in Île-de-France. As such, dentist surgeries were planned at Villejuif and Reims Cernay, and health facilities opened in Gennevilliers, Montluçon and La Roche-sur-Yon. The health facility project developed in Montluçon will open its doors in 2019 and comprise ten health professionals (GP, gynaecologist, paediatrician, nurses, etc.).

This reversibility and mixed-use programme is part of Carmila's plans to establish a strong local presence (details in Section 4.2.1).

Land use

In all of its extension projects Carmila strives to manage space effectively so as to limit urban sprawl. Accordingly, the construction of developments in areas that are already impervious does not impinge on new natural spaces. These practices of optimisation and landscaping promote effective rainwater management (see details in Section 4.3.2).

Water management using specific landscaping techniques (swales, ponds) is studied for all projects but largely depends on the soil quality (infiltration) and the programme requested.

In all projects, Carmila includes green areas and limits the surfaces artificialisation. In 2018, the percentage of artificial surfaces stood at 29.62% for the four projects inaugurated in 2018. Carmila commits to include 20% of green lands in all projects from 2019.

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 malls with LEDs when renovating ceilings;
- placing recycling areas in prominent positions to promote sorting of waste;
- automatic sensors fitted in the toilet facilities 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.

In this respect, in collaboration with Carrefour Property, Carmila drew up a Green Construction Site Charter setting out the commitments to be met and covering 100% of Carmila's construction sites. This charter is signed by all contractors. It is the framework for practices on the construction site regarding any soil and air pollution, any special protection areas designated by the ecologist, minimum impact of noise and vibrations on the local community, limiting water and energy consumption on-site.

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.

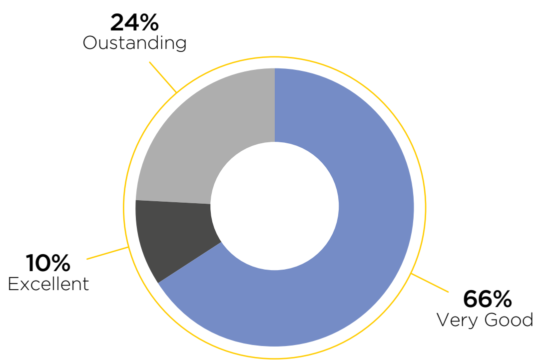
At each construction site applying for BREEAM New Construction certification, an environment officer submits a monthly report on energy and water consumption and the production and recovery of construction waste to the BREEAM environmental project manager.

4.3.2 Limiting our impact on the local environment

4.3.2.1 In-use certification of sites

For the purposes of ethical management of its operating assets, Carmila is rolling out BREEAM In-Use certification, which enables a full review of environmental performance on its sites to be carried out and optimisation solutions to be implemented. In 2018, 13 sites had already begun the labelling process planned for 2019.

CERTIFICATION RATE IN ASSET VALUES



DID YOU KNOW?

Towards BREEAM In-Use certification of shopping centres

BREEAM In-Use certification includes 3 parts: part 1 on Asset Performance, Part 2 on Building Management and part 3 on Occupier Management. BREEAM In-Use evaluation includes nine categories :

- BREEAM In-Use assessment is based on nine strands:
- MANAGEMENT: Environmental management system, purchasing policy, etc.
- HEALTH & WELL-BEING: air quality, comfort, etc.
- ENERGY: heating systems and performance, air-conditioning, ventilation, hot water, lighting, maintenance, etc.
- TRANSPORT: infrastructure for cyclists, proximity to public transport, etc.
- WATER: efficiency of facilities and water-saving systems, etc.
- MATERIALS: fire safety, regular checks, etc.
- WASTE: storage areas, etc.
- ECOLOGY: specific surveys for biodiversity, etc.
- POLLUTION: specific pollution, high-risk equipment, etc.

4.3.2.2 Energy

Effective design of buildings and use of renewable energy sources

Energy efficiency is a major priority for Carmila.

The efficiency of buildings is considered from the design phase and systematically improved during renovation work (see details in Section 4.3.1).

When operating buildings, Carmila adheres to the ambitions of the Carrefour Group with whom 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 sqm of retail surface area by 2025, Carmila and Carrefour are developing joint initiatives to meet this aim: gradual introduction of centralized technical management system (CTM), collaboration on building improvements with a focus on ventilation and natural light and working together on renewable energy projects using photovoltaic technology.

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.

4

DID YOU KNOW?

The Évreux shopping centre is adopting renewable energy

At the Évreux shopping centre, in 2018, around 200 sqm of pedestrian crossings were covered with photovoltaic shelters (3*10 kWC) aimed at powering some of the lighting for the shopping mall fittings. Thermal solar panels enable the production of hot water in the toilet facilities and photovoltaic solar panels power the parking guidance system. Finally, car park lighting is provided only by LEDs.

Monitoring and managing consumption

In order to monitor its energy consumption, Carmila is rolling out a centralised technical management system (CTM):

- Carmila is gradually installing submeters to provide accurate analysis of consumption associated with lighting, heating and air-conditioning. A remote reading of the general meter and the submeters, in real time, is available on a dedicated web portal. This enables head office and local staff to be responsive to consumption, taking corrective measures and carrying out repairs as needed. To date 61 sites have been fitted in this way;
- moreover, an energy expert analyses the electricity and gas consumption of each site on a monthly basis, particularly in terms of local meteorological impacts. The findings are shared with each shopping centre so as to constantly improve the management of energy consumption. In parallel, the electricity supplier sends Carmila warnings of overconsumption.

In 2018, Carmila was accordingly able to focus its efforts on analysing and managing its energy data. By way of an example, the introduction of a CTM has enabled a reduction of at least 10% in the electricity consumption of shopping centres.

In 2018, all managers of operational real estate sites in France were familiarised with policies, instructions and best practice in terms of managing consumption, such as regulating temperatures.

Operational teams on the ground are also raising awareness among partner retailers by offering advice and sharing best practice to complement the environmental appendix attached to the commercial lease.

Carmila has committed to reducing its energy intensity by 15% by 2025 compared with 2017.

The 2017 reporting scope only included France. For the purposes of data comparison, the constant scope only includes sites in France. Carmila has reduced its energy intensity by almost 8% at constant scope.

ENERGY CONSUMPTION AT CONSTANT SCOPE (kWh)

		2018		2017		
Country	**Type**	**Consumption[1]**	**Scope**	**Consumption[1]**	**Scope**	**Variation**
France	Electricity	19,031,849	31	21,072,036	31	-10%
	Gas	9,230,628	13	9,654,212	13	-4%
TOTAL		**28,262,477**	**31**	**30,726,248**	**31**	**-8%**

ENERGY INTENSITY AT CONSTANT SCOPE (kWh/sq.m.)

Country	**Type**	**2018**	**2017**	**Mall surface area**	**Scope**	**Variation**
France	Energy consumption	28,262,477	30,726,248	74,797	31	-8%
	ENERGY INTENSITY *(kWh/sq.m.)*	**378**	**411**	**74,797**	**31**	**-8%**

ENERGY CONSUMPTION AT CURRENT SCOPE (kWh)

		2018		2017	
Pays	**Type**	**Consumption[1]**	**Scope**	**Consumption[1]**	**Scope[2]**
France	Gas	18,929,369	26/26	14,049,245	25/26
	Electricity	49,034,137	82/129	46,234,897	66/128
Spain	Gas	4,636,358	6/13		
	Electricity	25,848,811	22/78		
Italy	Gas	459,755	4/6		
	Electricity	8,385,910	5/8		
TOTAL		**107 294 339**	**109/215**	**60 284 142**	**66/128**

(1) Energy consumption variations adjusted for climate.
(2) Spain and Italy were not in 2017 reporting scope.

ENERGY INTENSITY AT CURRENT SCOPE (kWh/sq.m.)

	2018			2017		
Pays	Energy intensity	Mall surface area	Scope	Energy intensity	Mall surface area	Scope[(2)]
France	314	216,401	82/129	317	189,912	66/128
Spain	334	91,312	22/78			
Italy	441	20,075	5/8			
TOTAL	**327**	**327,788**	**109/215**			

4.3.2.3 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 depending on the project and its characteristics (region, soil type, water level, etc.):

- 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;
- specific treatment facilities are installed (oil separators, oil removers, etc.).

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 toilet facilities and water green spaces;
- installation of water-saving equipment in toilets, such as flow limiters, dual flush mechanisms, etc.

Managing water consumption during shopping centre operation

Carmila's main demands on water consumption are the mall toilets and cleaning. Although water consumption is not a major issue for the Company, Carmila is striving to monitor and limit its consumption through a range of initiatives:

By way of an example, in France:

- water consumption is monitored in real time on a dedicated web portal. Real-time remote metering enables head office and local staff to be responsive to consumption, taking corrective measures and carrying out repairs as needed;
- comparative consumption analysis for the same types of store draws the attention of retailers to the need to manage their water consumption;
- an external contractor is responsible for quickly identifying and reporting water leaks;
- as renovations are carried out, mall toilet facilities are fitted with water-saving equipment: flow limiters, dual flushes, etc.;
- finally, cleaning contractors have been chosen by Carmila on the basis of their environmental and social commitment.

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.

In 2018, all managers of French sites were trained in monitoring and managing water consumption, in particular in using the web portal, knowledge of policies, instructions and best practices.

WATER CONSUMPTION (m^3) AND WATER INTENSITY (m^3/sq.m.) AT CONSTANT SCOPE

	2018		2017				
Country	Water Consumption	Water intensity	Water Consumption	Water intensity	Mall surface area	Scope	Variation
France	112,184	0.7	120,664	0.8	150,088	82	-7.03%

WATER CONSUMPTION (m^3) AND WATER INTENSITY (m^3/sq.m.) AT CURRENT SCOPE

	2018				2017			
Country	Water Consumption	Mall surface area	Water intensity	Scope	Water Consumption[(1)]	Mall surface area	Water intensity	Scope
France	201,046	233,291	0.9	104/129	153,923	201,055	0.8	96/128
Spain	154,770	96,430	1.6	23/78				
Italy	135,165	20,796	6.5	6/8				
TOTAL	**490,981**	**350,517**	**1.4**	**133/215**				

(1) Spain and Italy were not in 2017 reporting scope.

4

4.3.2.4 Waste

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

Building on the programme rolled out in 2017, Carmila, in 2018 fine-tuned its knowledge of the disposal of waste from its shopping centres, put in place targeted action plans and strengthened clauses on waste in the various specifications.

In light of the environmental reporting results from the previous year, Carmila rolled out targeted initiatives in its shopping centres to improve the sorting system, improve communication on best practices and, where necessary, improve the monitoring of services. For example, the waste management system underwent a full upgrade in the Cap Saran shopping centre and the waste recovery rate was improved.

Carmila extended remote monitoring of the waste compactor, trialled at the Torcy BAY 2 shopping centre in 2017, to thirteen other sites. 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, and, therefore, the impact on the climate of collecting and treating waste.

A number of specifications relating to waste were reviewed by manager in charge in 2018. These specifications will be operational from 2019. Waste collection contracts accordingly now include remote monitoring of the waste compactor, the carbon impact of transportation and the introduction of a stream for collecting and recovering biowaste. The green space management contract includes green waste management. The cleaning contract refers to sorting waste and systematically using two different bags, etc.

TOTAL WASTE COLLECTED (tons) AND WASTE RECOVERY RATE (%) AT CONSTANT SCOPE

	2018				2017				
Country	Cardboard collected	Non-hazardous industrial waste collected	Total déchets collectés	Collected waste recovery rate	Cardboard collected	Non-hazardous industrial waste collected	Total collected	Collected waste recovery rate	Scope
France	860	2,859	3,718	23.12%	807	2,724	3,532	22.86%	19

TOTAL WASTE COLLECTED (tons) AND WASTE RECOVERY RATE (%) AT CURRENT SCOPE

	2018					2017				
Pays	Cardboard collected	non-hazardous industrial waste collected	Total collected	Collected waste recovery rate	Scope(1)	Cardboard collected	non-hazardous industrial waste collected	Total collected	Collected waste recovery rate	Scope(2)
France	1,735	8,646	10,381	16.71%	58/129	965	5,581	6,546	14,.74%	44/128
Espagne	1,183	2,705	3,887	30.43%	14/78					
TOTAL(1)	**2,918**	**11,351**	**14,268**	**20,45%**	**72/207**					

(1) Italy is excluded from the scope as it is directly managed by Carrefour or the municipality.
(2) Spain and Italy were not in 2017 reporting scope.

Customer waste management

Customers 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 of recycling habits among customers.

Carmila joined the Yoyo collaborative platform which is working towards improving the recycling of plastic bottles. A pilot was carried out in 2018 in the shopping arcade of the Vénissieux shopping centre. Over 350 households have registered to join the movement, which resulted in over 20,000 bottles being collected. In the spirit of nudging customers towards making sustainable choices, they will receive points which they can exchange for football match tickets, discount vouchers for concerts, etc.

4.3.2.5 Environmental and health risk management

During the design stage of buildings aiming for BREEAM New Construction certification, 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.

Subsequently, regular environmental and health 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 particular, seven environmental themes were reviewed by a consultant: asbestos, refrigerants, water management, pollution management and prevention, waste management and technical risks relating to storage. Action plans are drawn up on the basis of the audit findings.

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 implementing a programme to replace these towers with new measures aimed at preventing the risk of legionellosis associated with their use. Regular testing of water systems includes bacteria and legionella in particular. 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 (facilities classified for environmental protection): refrigerant storage, combustion plants, evaporative coolers, etc. The inventory of these facilities or activities and their relevant standards is updated according to changes in the classification. Compliance with the prefecture notification system as required by the Ministry for the Environment and with the relevant technical and administrative requirements is regularly checked by accredited building control agencies.

4.3.3 Rising together to the climate challenge

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.

GREENHOUSE GAS EMISSIONS RELATED TO ENERGY USE (kgCO_2 eq) AND CARBON INTENSITY (kgCO_2 eq/sq.m.) AT CONSTANT SCOPE

		2018	2017		
Country	Type	Greenhouse gas emissions related to energy use	Greenhouse gas emissions related to energy use	Mall surface area	Scope(1)
France	Electricity	1,086,719	1,203,213		31
	Gas	1,892,279	1,979,113		
	Total	2,978,997	3,182,327		
	CARBON INTENSITY	**40**	**43**	**74,797**	

GREENHOUSE GAS EMISSIONS RELATED TO ENERGY USE (kgCO_2 eq) AND CARBON INTENSITY (kgCO_2 eq/sq.m.) AT CURRENT SCOPE

	2018			2017		
Country	Greenhouse gas emissions related to energy use	Carbon intensity	Scope	Greenhouse gas emissions related to energy use	Carbon intensity	Scope(1)
France	6,680,370	31	82/129	5,520,108	29	66/128
Spain	7,144,198	78	22/78			
Italy	3,503,067	174	5/8			
TOTAL	**17,327,635**	**53**	**109/215**			

(1) Spain and Italy were not in 2017 reporting scope.

Customer carbon impact

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

- effective communication about getting to our shopping centres;
- where possible, additional stops agreed with bus companies;
- car-sharing areas with 510 spaces reserved for car-sharing;
- charging stations for electric vehicles, with 192 spaces;
- Electric bicycle charging stations at Évreux and Rambouillet;
- cycle paths and cycle shelters connected to nearby public roads and pavements. Carmila currently has 1,057 bike spaces.

To date, 1,759 spaces for sustainable means of transport including car-sharing spaces, bike spaces and spaces for electric cars have been rolled out across all of our sites.

In 2018, some centres also held events to promote public transport:

- In Anglet, the BAB 2 shopping centre held a campaign to promote the "tram'bus" with the local public transport network in the Pays Basque urban area. Over 1,000 customers visited the space loaned by Carmila to get information on the local urban network. A competition brought the awareness-raising campaign to social media. 5,000 bus tickets were offered to customers.
- The shopping centres of Mondeville and Hérouville-Saint-Clair provided the local transport company in Caen with an area in which to showcase its transport services, particularly electric bicycle hire.

BREAKDOWN OF VISITS BY MODE OF TRANSPORTS

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 Ensuring ethics are upheld

4.4.1.1 Ethics Committee

Carmila and Carrefour Property's joint Ethics Committee meets annually. 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 coordinating the ethics principles and ensuring the Code of Ethics is adhered to:

- it ensures the Code of Ethics is circulated and that the conditions are in place to ensure that all employees are familiar with them, understand them, take ownership of them and comply with them;
- it ensures the Code of Ethics and Policy for fighting against corruption and influence-peddling are communicated and posted online and that the relevant training is rolled out;
- it puts in place a whistle-blowing procedure and checks that it operates effectively whilst ensuring whistle-blowing is treated independently in full accordance with the law;
- it discusses and implements an action plan on the main ethical issues affecting the business whilst planning ahead and maintaining a broad overview of the issues;
- it advises directors on any issue relating to applying or adhering to our Code of Ethics;
- it monitors and regularly evaluates the effectiveness of the procedure.

4.4.1.2 Code of Ethics: professional code of conduct

The aim of the Code of Ethics is to set out an ethics framework that applies to all employees in their daily activity. It reiterates the commitments in:

- the Universal Declaration of Human Rights;
- the eight fundamental conventions of the International Labour Organisation (ILO);
- OECD guidelines;
- UN Global Compact principles;
- United Nations guidelines;
- Global framework agreement with UNI Global Union.

Carmila's Code of Ethics is as follows:

- respect diversity;
- contribute to a safe and healthy work environment;
- prioritise social dialogue;
- zero tolerance of harassment and discrimination;
- choose and treat suppliers objectively and fairly;
- develop transparency in business relationships;
- uphold commitments to partners;
- refrain from collusion or unfair practices;
- ensure the safety of people and property;
- protect the Company's resources and assets;
- guarantee confidentiality;
- protect the environment;
- maintain personal and collective integrity;
- produce accurate, reliable reports;
- avoid conflicts of interest;
- reject all forms of corruption.

Different methods are used to raise awareness among employees and train them in the Code of Ethics:

- the Code of Ethics is handed out to employees at integration and was sent to all employees in 2018;
- the Code of Ethics and associated e-learning course are available on the intranet;
- the Code of Ethics is displayed in offices.

4.4.1.3 Policy for fighting against corruption and influence-peddling

The implementation of the policy for fighting against corruption and influence-peddling is coordinated by the Carrefour Group's Risk & Compliance Department, under the supervision of the Group's Ethics Committee. Executive Directors are responsible and accountable for the implementation of this policy within their scope. Any individual with a management role must oversee the circulation and implementation of this policy among their team. Each employee must be familiar with this policy and observe these principles in performing their day-to-day duties.

Carmila's policy on fighting against corruption and influence-peddling is as follows:

- employees must refrain from any corruption or influence-peddling;
- employees must guard against situations where they are liable to become either directly or indirectly indebted to third parties keen to establish or have business dealings with any companies in the Carrefour Property/Carmila Group;
- employees must refrain from accepting, either on their own behalf or on behalf of friends or relatives, directly or indirectly, any kind of benefit from anyone who has – or is seeking to establish or develop – business dealings with any companies in the Carrefour Property/Carmila Group.

The Policy also identifies warning signs to help to prevent ambiguous situations, but above all so that employees can take appropriate measures to prevent themselves from being implicated in a corruption scenario.

It also reiterates the key principles in terms of:

- gifts and invitations;
- conflicts of interest;
- use of intermediaries or consultants;
- relations with public officials.

Carmila's Policy for fighting against corruption and influence peddling is communicated to all employees via several media: it is appended to Carmila's Internal regulations, available on the Company's intranet. Finally, each employee exposed to the risk of corruption and influence-peddling is given a 2-hour training course and regular refreshers: an e-learning course and procedures relating to gifts and invitations are communicated to all employees again in the run-up to the Christmas period.

4.4.1.4 Independence statement

Every year, Carmila employees sign their independence statements. In so doing they certify that they have received a copy of the Code of Ethics and policy for fighting against corruption and influence-peddling and commit to reporting certain key issues to their management.

4.4.1.5 Introduction of an ethics whistle-blowing system

Each employee is asked to report any practice or action they deem to be contrary to or incompatible with any of the stated principles:

- to their direct and indirect managers;
- to the Legal Department or Human Resources Department;
- to the members of the Ethics Committee.

Carmila uses the Carrefour group's whistle-blowing hotline, enabling employees or stakeholders who wish to do so to raise the alarm about situations or behaviour that is in contradiction with the Code of Ethics. This whistle-blowing system covers all areas of the Code of Ethics, particularly human rights and the environment, in compliance with the legislation applicable in the various countries. Confidentiality of information is assured at all stages of the whistle-blowing process and it is also possible to submit an anonymous report. Carmila commits to no action being taken against any employee having reported a breach of the Code of Ethics in good faith.

The aim of this whistle-blowing system is to enable Carmila to both prevent serious breaches of its Code of Ethics and take the necessary measures in the event that a breach is found to have taken place.

In 2018, as in 2017, no whistle-blowing reports were submitted to the Ethics Committee.

Over 75% of employees of the Carmila Group present throughout 2018 were trained in the Policy for fighting against corruption and influence-peddling. Carmila is committed to training 100% of its employees in the Corruption Policy in 2019.

4.4.2 Providing the conditions for dialogue and well-being at work

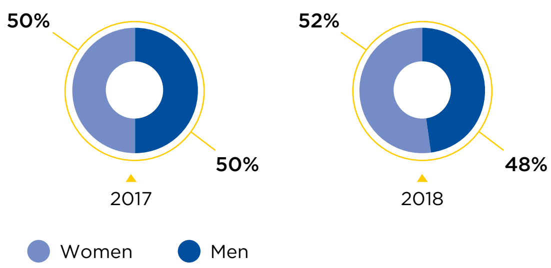
4.4.2.1 A changing workforce

Carmila represents a range of talents and skills suited to Carmila's portfolio and strategic ambitions. After initial growth in its headcount and business over a number of years, 2018 saw a levelling off of Carmila's headcount.

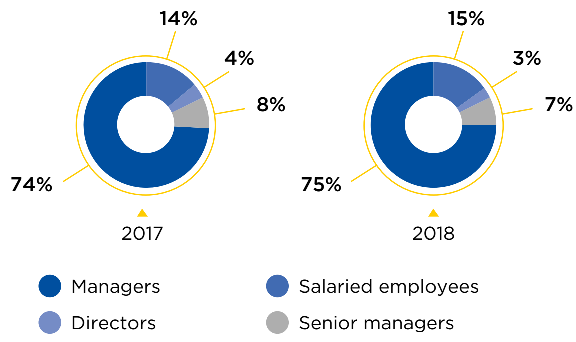
With its desire to establish lasting relations with its employees, the proportion of the workforce with an open-ended employment contract stands at 86% and 99.5% of the headcount works full-time. In addition, Carmila's policy, with a particular focus on young people and the importance of training in its occupations, led to the recruitment of 16 trainees on work-study contracts in 2018.

Total workforce	France	Spain	Italy	Total	Change
Total workforce 2018	152	43	14	209	+7%
Total workforce 2017	140	41	15	196	

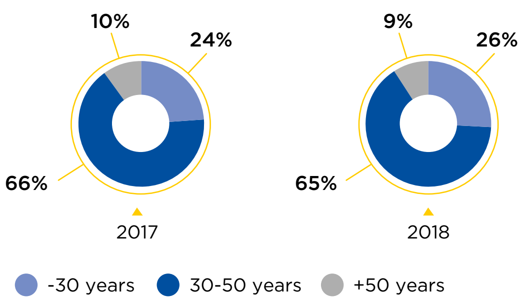
HEADCOUNT BY GENDER AT 31/12/2018



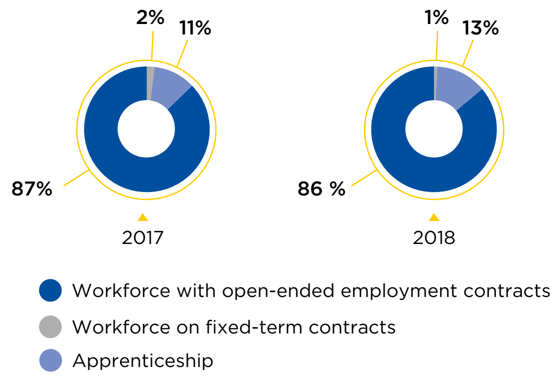
HEADCOUNT BY STATUS AT 31/12/2018



HEADCOUNT BY AGE AT 31/12/2018

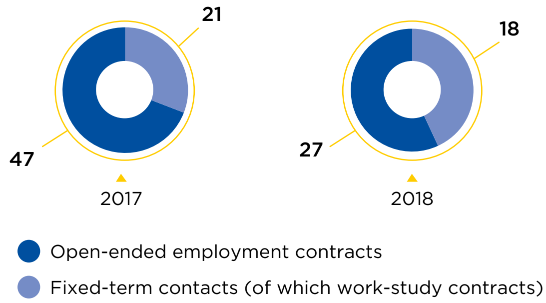


HEADCOUNT BY CONTRACT TYPE AT 31/12/2018



The number of trainees (not included in headcount) in 2018 is 5 against 1 in 2017.

NUMBER OF NEW HIRES



NUMBER OF DEPARTURES OF PEOPLE WITH OPEN-ENDED EMPLOYMENT CONTRACTS BY REASON

	2018	2017
Dismissals	2	2
Resignations & contractual terminations	13	11
Departures during the trial period	2	2
Transfers within the Group	1	1
Turnover rate	**13%**	**22%**

4.4.2.2 Social dialogue

Prioritising social dialogue is part of Carmila's Code of Ethics (details in Section 4.4.2), in accordance, in particular, with the conventions of the International Labour Organisation on freedom of association, the right to organise and collective bargaining (conventions n° 87 and n° 98) and respect for and protection of staff representatives.

Moreover, 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.

In France, staff is represented at the level of the UES Carrefour Property, Almia Management and Cargo Property. 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 to Carmila employees

The following collective agreements apply to Carmila employees, as members of the economic and social unit (EUS) Carrefour Property, Almia Management and Cargo Property:

- collective status of the UES Carrefour Property, Almia Management and Cargo Property dated 16 December 2014 and its amendment signed on 27 September 2018;
- agreement on the generation contract within the 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 UES dated 28 April 2017;
- Carmila Group profit-sharing agreement and its amendments dated 16 June 2014, 23 June 2015, 28 January 2016, 20 June 2016, 28 April 2017 and 26 June 2018;
- Carmila Group Collective Incentive Plan dated 28 April 2017 and its amendment dated 26 June 2018;
- Carrefour group collective agreement on the implementation of the right to disconnect from digital tools dated 7 July 2017;
- agreement on adjustments to and organisation of working time within the UES dated 23 June 2015.

4.4.2.3 Employee satisfaction and well-being

An employee satisfaction survey was conducted in 2018 in France, Spain and Italy. This survey revealed widespread satisfaction on the part of the employees interviewed: 92% of them expressed their pride in working for Carmila and 87% their satisfaction with the Company.

The survey also showed the commitment of those employees interviewed to Carmila's CSR agenda: 86% thought that CSR can improve Carmila's performance and 85% the quality of work relations. 85% wanted to get involved with the Company's CSR initiatives. The findings were shared at a Management Committee meeting and shared with the Management of each country.

4.4.2.4 Health and safety

Carmila takes care to protect the health and safety of its employees. Indeed, protecting people and property is one of the principles of Carmila's Code of Ethics (details in Section 4.4.1). In particular, Carmila is keen to promote well-being at work and stress management, the prevention of musculo-skeletal disorders (MSDs) and to prevent occupational stress and raise awareness of road safety risks.

Action programmes are being implemented in collaboration with the Health and Safety Committee (CHSCT), a body representing staff in France.

Health

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

A number of programmes to promote well-being at work and prevent psychosocial risks have been implemented. 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.

Initiatives have also been taken in other countries. In France, for example, an open-access digital platform offers training modules on well-being, particularly on the topics of nutrition and time management. Also in France, in 2018 employees were offered additional health insurance to improve their level of cover. In addition, employees of the head office in France have access to free sports classes.

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.

Carmila monitors the rate of absenteeism of its employees.

ABSENTEEISM RATE

	Total
2018	6.35%
2017	3.55%

In Italy, Carmila communicated to its employees on societal and well-being issues, particularly violence against women, and diet. In 2019 in Italy, in accordance with national legislation, Carmila will evaluate the stress levels of its employees in the workplace.

Safety

Roads are the main safety risk for Carmila. The company rolled out a number of measures aimed at those of its employees working in the field and regularly using their vehicle: training on preventing road risk and safety at work. Moreover, a leaflet to raise awareness of best practice and rules on road safety has been circulated.

In 2018, there was just one occupational accident with work stoppage and no occupational illness within the Carmila scope. In 2017 there were no occupational accidents or illnesses.

4.4.2.5 Diversity, inclusion and disability

Respecting diversity and rejecting all harassment and all discrimination are two of the principles in Carmila's Code of Ethics (details in Section 4.4.1), sent to all employees. These commitments are inspired by compliance with the conventions of the ILO on equal compensation (no. 100) and discrimination (no. 111).

Moreover, in France, which renews Carmila's moral commitment to combating all forms of discrimination and implementing a policy to promote diversity. In signing this Charter, Carmila commits to:

1. raising awareness and training for directors and managers involved in recruitment, training and career management, then gradually all employees, on the issues surrounding non-discrimination and diversity;
2. promoting the application of the principle of non-discrimination in all its forms in all management practices and decisions by the Company or organisation, in particular in all stages of human resources management;
3. promoting the representation of the diversity of French society with all its differences and riches, cultural, ethnic and social components in the workforce and at all levels of responsibility;
4. communicating its commitment to all employees, clients, partners and suppliers so as to promote respect for and the spreading of these principles;
5. making the development and implementation of the diversity policy a subject of social dialogue with staff representatives;
6. regularly evaluating progress and sharing the practical results of implementing our commitments both internally and externally.

Indeed, based on the conviction that the Company must reflect society, Carmila is committed to raising awareness and incorporating diversity in all its forms, particularly in terms of age, gender, state of health, disability, sexual orientation, social and geographical background, religious beliefs, political opinions, trade union activities, etc. This diversity and non-discrimination policy applies to all human resources procedures and decisions related to working conditions, in particular: recruitment, skills assessment, performance appraisals, calculating variable pay, training and progression.

In 2016, the agreement on gender equality in the workplace and quality of workplace life has the following principles: a hiring policy free of discrimination; professional equality between women and men; equal opportunities in terms of accessing occupational training in particular; support for the employment of disabled workers.

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 2018, the staff intranet was adapted to the specific needs of those suffering from illness, shaking, visual impairment or dyslexia.

In 2018, women accounted for 51.7% of the total workforce and 49.4% of managers (excluding senior management).

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. In order to promote learning, Carmila grants study leave for employees on work-study contracts in France.

In Italy, as part of a National Education Ministry programme, Carmila signed agreements with a number of schools to offer work experience to sixth form students at the head office and in shopping centres. In 2018, for example, pupils from the technical high school helped local retailers who lacked the resources to create their websites.

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

EMPLOYEES WITH A RECOGNISED DISABILITY

	Total
2018	2
2017	3

4.4.2.6 Work-life balance and fulfilment of employees

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

Balance at work

Committed to the Economic and Social Unit's (UES) agreements, Carmila adheres to the Charter "15 commitments for work-life balance" signed by the Carrefour group. Available on the intranet, the charter sets out the Company's commitments around four principles: managers leading by example, respect for work-life balance, effective meetings and good email habits. The subject of work-life balance is also raised at annual appraisals.

The collective agreement on the implementation of the right to disconnect from digital tools (details in Section 4.4.1) formalises the right to disconnect outside of normal working hours and the introduction of judicious management of digital and IT tools during working hours. It also provides for the training of those involved in prevention in the use of digital tools and awareness-raising about good habits when using digital tools.

Flexible working hours

Carmila adapts working hours and supports employees wishing to work part-time or staggered hours.

Carmila's agreement on the organisation of working time reiterates the commitments made to part-time staff:

- priority for full-time equivalent jobs;
- information on job vacancies at the Carrefour group's job fair,

- working part-time is not a barrier to the employee's career progression;
- the transition from part-time to full-time work and vice versa will be facilitated.

The agreement on quality of life at work enshrines the following principles:

- work-life balance;
- support in return to work after familial leave;
- communication on wellbeing at work topics.

Support for parents and carers and leave for family events

Under the Parent Charter signed by the Carrefour group, Carmila's commitments include improving the representation of parents within the Company, creating an environment conducive to working parents, in particular pregnant women, and observing the principle of non-discrimination in the career progression of working parents.

French employees may benefit from prepaid personal services, in particular child care.

In France, under certain conditions Carmila grants paid authorised absences for certain family circumstances: death of a loved one, announcement of the onset of a child's disability, disabled or sick child, house move, birth or adoption of a child, etc.

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.

Remote working

Carmila considers remote working to be an innovative form of work organisation which has the aim of giving greater flexibility to all employees by empowering them and giving them greater autonomy in their work. Remote working also promotes good work-life balance.

As such, remote working is open to all categories of employee represented on Carmila's workforce in France. In 2018, six employees began to organise their work in this way and ten people worked remotely on an ad-hoc basis.

Travel and transport

In addition to the introduction of remote working, in 2018 Carmila implemented a number of initiatives facilitating the mobility of employees within France.

- In accordance with the French law on the energy transition for green growth, Carmila pays employees compensation for each kilometre when they cycle to work, payable in addition to the contribution to a public transport pass. Head office is also equipped with charging stations for electric bicycles and facilities for cyclists (changing rooms, showers).
- To reduce daily commute times whilst bringing people together, Carmila has adopted an app dedicated to car-sharing when commuting to work, Klaxit, and has rolled out a system of car-sharing incentives aimed at all head office employees in Boulogne.
- Two electric cars are available for car-pooling at the Boulogne head office.

To raise awareness among employees and ensure they are increasingly informed about sustainable, facilitated mobility Carmila has implemented awareness-raising initiatives and a multimodel access plan.

Employees and charity work

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

As such, in France, employees took part in the Boulogne-Billancourt Hunger Challenge, alongside the Carrefour Foundation. This charitable sporting event funded the humanitarian work of Action Against Hunger.

Carmila's employees volunteered at the Refettorio Madeleine community kitchen. This partner of the Carrefour Foundation combats food waste whilst promoting social cohesion and the well-being of the most deprived.

Carmila employees also donated products at charity events:

- On the occasion of the International Day of Action for Women's Health, they donated hygiene products to homeless women. This collection was organised for Carillon, a charity working with society's most excluded, supported by the Carrefour Foundation.
- For Emmaüs Défi's *Super Noël* campaign, they donated games and books for struggling families.

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

In Spain, for the second year running, Carmila, Carrefour Property and the Carrefour Foundation jointly organised a charity paddle tennis tournament with 30 teams of two players taking part, each made up of a Carmila or Carrefour Property employee and a Spanish shopping centre tenant. Donations totalling €5,400 were collected for the Bucaneros project developed by the Numen foundation which aims to improve the quality of life of children with cerebral palsy.

Again in Spain, Carmila shopping centres took part in the World CleanUp Day, mobilising some 370 customers and employees who collected over 1,100 kg of rubbish at the port of Palma de Mallorca, on the beach Parador de Mazagón in Heva and at the La Portiña reservoir in Talavera de la Reina.

4.4.3 Supporting talent and skills

Carmila wants to retain talent that have been working for over five years in the commercial real estate and retail sectors so as to maintain a good skill mix.

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.

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

Compensation and recognition

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.

In 2019, the environmental certification objectives for Carmila's portfolio in value terms will be incorporated in the objectives determining the variable pay of all employees.

47 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			
2018	Women	51,746	33,700	46,498
	Men	60,908	45,900	47,430
	Total managers	**54,673**	**40,833**	**42,129**
2017	Women	50,595	34,916	36,259
	Men	59,185	45,963	48,125

In France, Carmila offered interactive workshops aimed at managers on the theme "helping employees to feel valued". Four Carmila managers took part in these workshops in 2018.

In 2018, 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 Management and Cargo Property, benefited from a collective pay rise of 1% of their compensation.

Sharing the Company's strategy

Carmila recognises the contribution of everyone to meeting its strategic objectives and wishes to fully involve its employees in terms of knowing and delivering its strategy and the major trends that influence it.

Each year, Carmila presents the strategy to all employees. Approximately every quarter, Carmila organises a plenary meeting chaired by an outside speaker on a macro-economic subject. The aim of this event is to invite all employees to take a step away from their day-to-day activities and collectively engage in lateral, open thinking about trends that may have a direct or indirect impact on Carmila's commercial strategy and actions. In 2018, the themes addressed were seniors, the paradoxical consumer and the relationship of the French with shopping centres.

Carmila also shares with all employees regular industry analysis for sectors relevant to Carmila and whose evolution is liable to impact Carmila's short or long-term business. As such, in 2018, employees received analysis relating to high street children's clothing, travel agencies, opticians, hearing, hair stylists, etc.

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.

A manager kit promoting best management practices is given to team leaders when welcoming new hires.

Each new employee meets a member of the Human Resources Department individually at a new hires and induction interview.

In 2018, Carmila organised an integration day. Personalised integration pathways for specific business lines are organised for new employees, including in particular immersion in our shopping centres.

In order to welcome and integrate new employees, Carmila announces their arrival to all staff and, as of 2018, supplies their respective managers with "the perfect Manager Kit" containing reminders of the key stages and factors in the integration process.

Career management

Carmila wishes to support its employees in anticipating changes in the skills needed in their areas, to develop their skills and thus enable them to progress in 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. Transparent and personalised, its aim was to respond to the expectations of employees and particularly the younger generations, for whom dynamic career management is very important.

In France, 38 employees had a mid-term 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 management skills framework and tailored support in the form of coaching. One person benefited from Management evaluation and two managers benefited from personal coaching in 2018.

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. Seven employees took part in this in 2018.

Moreover, as part of its forward-looking jobs and skills planning, Carmila devised business line mapping to prepare for the future and support the process of change within business lines.

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.

Training needs are identified jointly by employees and their managers, particularly based on the wishes and points for improvement raised at the annual appraisal. Requests are assessed based on safety requirements and legislation, the training history of the employee and their seniority.

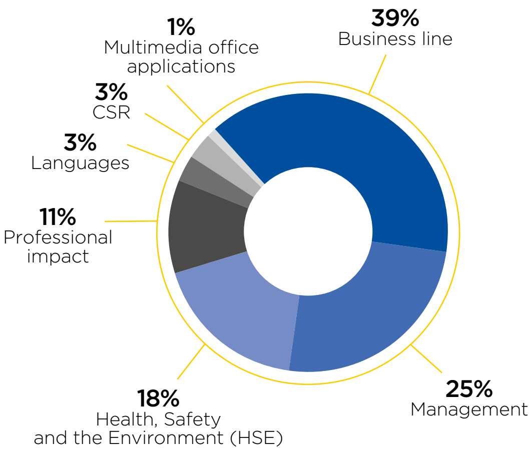
For this, the catalogue on offer in France is broken into three major strands: job-specific and regulatory, personal development and languages training. Although most of these courses are classroom-based, some are available to employees at any time via the e-learning platform "cap formation". In 2018 training was mainly on: business issues, regulatory restrictions, health and safety, CSR and digital technology.

In Italy, in 2018, Carmila carried out a full review of its training plan so that each employee attended at least one training course. In 2018 all directors received one accredited training course in managing emergency situations in the event of a fire. Based on the wishes and needs identified at their appraisal, all employees received training to improve their skills or their personal development: digital innovation, personal development, effective communication, "buying with the eyes" for centre managers, French language lessons, etc.

NUMBER OF TRAINING HOURS

		France	Spain	Italy	Total	Change
2018	Average number of training hours per employee	15.6	42	10.24	21.4	+34%
	Total training hours	**2,293**	**1,890**	**297**	**4,480**	**+38%**
	Percentage of trained employees	50%	97%	100%	65%	
2017	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**	

THEMES OF TRAININGS ACHIEVED IN 2018



4.5 Notes on methodology, cross-reference tables and verification of data

4.5.1 Notes on methodology for environmental data

For all the environmental data presented, the comparison with the N-1 year at current scope will not be available as of next year, due to the inclusion in 2018 of Spain and Italy.

Environmental certifications

The indicator makes it possible to attest to the environmental quality of the heritage, which guarantees sustainable and environmentally friendly design and management, as well as attractiveness to visitors, retailers and investors. For the purposes herein, any environmental approach to an asset recognized by a third party is recognized as a certification (examples: HQE Exploitation, BREEAM In-Use, LEED EBOM, ISO 14001 of an asset, etc.). The indicator relates to all assets in development and operating Carmila portfolio in the three countries where the company is present at 31/12/N. There are no certified assets in Italy in 2018. The certified portion of the assets is expressed as a percentage of the value of the assets held. Each asset is counted only once even if it has several certifications.

Energy consumption by type and related greenhouse gas emissions

In order to be aligned with market practices, the reporting year has been changed. In 2017, the reporting period ran from 1 January to 31 December 2017. In 2018, the reporting period was 1/10/N-1 to 30/09/N for standard electricity and gas reporting.

The constant scope covers 32 sites in France included in reporting in 2017 and 2018, without works. For the purposes of data comparison, the constant scope is between 1 January to 31 December 2017 and 2018.

Reported energy consumption (electricity, gas) is expressed in kWh. This consumption includes energy distributed to public areas. Where actual consumption is not known, consumption is estimated for the missing month(s) based on the actual data for the other months of the reporting year.

In 2017, the reporting scope only included Carmila France sites. In 2018, reporting included the sites of the three countries within the Group where the energy supply contract is managed by Carrefour Property or the sites managed by the Carrefour Hypermarket which have their own meters. We report the consumption of sites we have reliable data. We do not include *tarif bleu* rate consumption as it is very low (<36 kw). Consequently, we exclude from the scope sites that are only supplied on a *tarif bleu* rate: Condé-sur-l'Escaut. We exclude *tarif bleu* consumptions for sites with *tarif bleu* and *tarif jaune* rates: Berck, Évreux, Mondeville and Lorient.

Country	Type	Scope 2018
France	Gas	26/26
Spain	Gas	6/13
Italy	Gas	4/6
France	Electricity	82/129
Spain	Electricity	22/78
Italy	Electricity	5/8

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. The emission factors are as follows:

- France: Natural gas – 2015 – average mix – consumption: 0.205 $kgCO_2e$/kWh GCV;
- France: Electricity – 2018 – average mix – consumption: 0.0571 $kgCO_2e$/kWh;
- Spain: Electricity – average mix 0.238 $kgCO_2e$/kWh;
- Italy: Electricity – average mix 0.406 $kgCO_2e$/kWh;
- Europe: Natural gas – 2013 – Average mix Europe: 0.214 kCO_2e/kWh GCV.

Mall surface area (sq.m.), used to calculate energy intensity and carbon intensity comes from our data management software Qlikview.

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.

The reporting scope includes the sites owned by Carmila in France, Spain and Italy and for which the waste management contract is managed by Carrefour Property Gestion with a master agreement. This scope covers 58 sites in France. Some data are estimated based on a contractual weighting. 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. In Spain, 13 sites are included in the reporting and none in Italy. In 2018, the reporting period ran from 1/10/N-1 to 30/09/N.

Where waste bins cannot be weighed at collection, the weight of these will be reported for the period based on the number of bins collected multiplied by the contractual weight per m^3.

CONTRACTUAL WEIGHTING BY TYPE OF COLLECTION CONTAINER IN FRANCE

According to contractual weighting (Bin)	Bin < 800L	OIW*	97.5 kg
		Boxes	48 kg
	Bin 1,000L	OIW	130 kg
		Boxes	64 kg
According to contractual weighting (Skip)	Skip	OIW	130 kg per m^3
		Boxes	64 kg per m^3

* *OIW : ordinary industrial waste.*

Water and water intensity

The reporting period for water consumption is from 1 January 2018 to 31 December 2018 for Spain, France and Italy. When actual consumption is not known, consumption is estimated on the missing month(s) from the actual data of the other months of the reporting period. It concerns the consumption of drinking water of the common parts only, expressed in m^3.

Artificialisation rate of new projects

The reporting period is from 1 January 2018 to 31 December 2018 and concerns all expansion projects inaugurated in 2018. Spain and Italy have not launched any extension in 2018. The artificialisation rate is calculated in the difference between the artificial surface before project and the artificialized surface after project divided by the total surface of the commercial site.

Customer satisfaction rate

The indicator makes it possible to measure the degree of satisfaction of the visitors, in particular related to the comfort on the various of the visit course. This indicator is used to check the evolution of customer satisfaction. For this first year of reporting the satisfaction rate, the scope of the indicator includes Carmila France only. This data comes from satisfaction surveys conducted at 100 centers and led by marketing teams. Between 200 and 600 clients per center are interviewed. The calculations are done in two stages: the satisfaction rate per site by calculating the number of people who left a score between 7 and 10 on the number of people questioned then the average of the satisfaction rates by site. Surveys are outsourced to a provider who, by virtue of its processing base, weights the data so that each shopping center weighs the same.

4.5.2 Notes on methodology for societal data

For societal information, unless otherwise stated, the scope covered is for the entire Carmila Group composed of Carmila France, Carmila Spain and Carmila Italy and the. Reporting period used is from 1 January to 31 December 2018.

Service kiosk

The number of *Kiosque des services* actions corresponds to the number of marketing actions (digital, media, point-of-sale advertising, event) carried out by Carmila free of charge on behalf of a merchant. All the sites owned by Carmila are included in the scope of reporting.

CSR animations

The indicator "number of days of CSR animation" corresponds to the number of days of CSR animation taking place in the sites held by Carmila. The CSR character is determined on the basis of three criteria: the animation must be related to a theme of general interest, it must involve an interaction with the stakeholders on this theme, and it must not entail a financial profit for the lessor.

Number of alternative places

This indicator measures the accessibility of the sites. The indicator includes the number of two-wheeled seats, the family seats, PMR, carpooling and for electric cars. For this first year of reporting, the scope includes only Carmila France and assets with centre managers owned and managed by Carmila. Each site manager fills out the "identity cards of the centers" file. The CSR department conducts a consistency check and requests a justification for incomplete or inconsistent data.

4.5.3 Notes on methodology for social data

For these indicators, the scope of reporting covers all staff under contract with one of the Carmila Group companies. The reporting period used is the period from 1 January to 31 December 2018.

The scope covered covers the entire Carmila Group composed of Carmila France, Carmila Spain and Carmila Italy.

The total workforce corresponds to the number of employees under contract with one of the companies of the Carmila Group and present at the end of the period. Included in the total workforce are employees on permanent contracts, fixed-term contracts and apprenticeship or professional training contracts. This indicator is also broken down by age group, gender, type of contract (permanent, fixed-term, alternating) and status (employee / manager / senior manager / director). The number of hirings corresponds to the number of indefinite and fixed-term contracts concluded during the period, present or not at the end of the period. the number of hires on permanent contracts includes transfers within the group and contract modifications (from fixed-term contracts to permanent contracts).

The number of departing employees on permanent contracts represents the number of permanent employees who left the company during the reference period for the following reasons: resignation, dismissal, departure during the probationary period, contractual termination, death, departure on retirement and transfer.

The total number of training hours corresponds to the number of hours of face-to-face and distance training given to employees during the full year, whether or not they are present at the end of the period. This indicator is broken down into the number of hours of training per employee.

Rate of turnover

This indicator assesses the ability to retain key skills and maintain employee engagement. Poor working conditions can lead to excessive turnover and a lack of employer brand image. The calculation is the sum of the number of departures in year N and the number of arrivals in year N on the strength at 31 December N-1.

Share of employees exposed to risks who have received training

The indicator assesses the company's ability to provide an ethical environment. It measures the mitigation of the risk of corruption or trading in influence, whether in the context of relations with public authorities or business relations. The Carrefour group has carried out a corruption risk mapping with a review of all the third parties with which the group is in contact. It distinguishes and ranks 37 risk situations associated with 15 risky transactions related to real estate.

Employees considered to be at risk of bribery and trading in influence are those with a direct relationship to third parties (civil servants, contractors, suppliers or partners.) The list of employees exposed is updated annually. The indicator takes into account the permanent workforce over the year of Carmila employees defined as exposed to the risk of corruption and trading in influence over the period from 01/01/N to 31/12/N. Employees exposed to risks are identified by a risk map. Training is recognized if it has one of the following characteristics: a time card; a summons; a training program; a bill; a certificate of training or a diploma. This indicator takes into account a 2H classroom training provided to employees present throughout the year.

4.5.4 Organisational details

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). 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 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.

4.6 Cross-reference tables showing correlation with EPRA, GRI and DPEF

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	T. CO_2e per year	305-1	4.3.3
GHG-Ind-Abs	Total indirect greenhouse gas emissions	T. CO_2e per year	305-2	-
GHG-Int	Carbon intensity related to energy consumption	T CO_2e / relevant denominator	CRE3	4.3.3
Water-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	4.3.2
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
MEASURING SOCIAL PERFORMANCE				
Diversity-Emp	Diversity of employees by gender	% M/F employees	405-1	4.4.2
Diversity-Pay	M/F pay ratio	Ratio as a %	405-2	4.4.3
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	4.4.3
Emp-Turnover	New hires and turnover within the company	Total number of new hires and % turnover	401-1	4.4.2
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	-
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

Non financial performance declaration	Carmila indicators
Business model	Chapter 1
CSR Risks	4.1
CSR Policies and KPIs	4.1
Social consequences of the activity	4.2 and 4.4
Environmental consequences of the activity	4.3
Effects of the activity on human rights	4.4
Effects of the activity on combating corruption	4.4.1 and 4.2.3
Effects of the activity on combating tax evasion	4.1.1.1
Consequences for climate change of the company's activity and use of the goods and services it produces	4.2
Corporate sustainable development commitments	4.2
Corporate commitments on the circular economy	4.3.2
Combating food waste	4.1.1.1
Combating food poverty	4.1.1.1
Animal welfare	4.1.1.1
A responsible, fair and sustainable diet	4.1.1.1
Collective agreements and their impact on the company's economic performance as well as the working conditions of employees	4.4
Actions aimed at combating discrimination and promoting diversity	4.4.2.5
Disability measures	4.4.2.5

4.7 Statutory Auditors' Report

Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated non-financial performance statement included in the Management Report

For the year ended 31 December 2018

This is a free English translation of the Statutory Auditor 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.

To the General Assembly,

In our capacity as the Statutory Auditors of your company (hereinafter the "entity") appointed as the independent third party, certified by the French Accreditation Committee (*Comité Français d'Accréditation* or COFRAC) under number 3-1049[(1)], we hereby report to you on the consolidated non-financial performance statement for the year ended 31 December 2018 (hereinafter the "Statement"), included voluntarily in the Management Report, in accordance with the legal and regulatory provisions of Articles L.225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

It is the Management Board's responsibility to prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators.

The Statement has been prepared applying the procedures of the entity (hereinafter the "Guidelines"), the most significant aspects of which are presented in the Statement and available upon request at the entity's headquarters.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the French Code of Ethics for statutory auditors (*Code de déontologie*). Moreover, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with applicable ethical rules, professional standards, laws and regulations.

Responsibility of the Statutory Auditor appointed as independent third party

On the basis of our work, it is our responsibility to express a limited assurance opinion about whether:

- the Statement complies with the provisions of Article R. 225-105 of the French Commercial Code;
- the information provided (hereinafter the "Information") is fairly presented in accordance with Article R.225-105-I(3) and II of the French Commercial Code concerning policy outcomes, including key performance indicators and actions relating to the main risks.

However, it is not our responsibility to express an opinion on:

- the entity's compliance with other applicable legal and regulatory provisions, particularly relating to the fight against corruption and tax evasion;
- the compliance of products and services with applicable regulatory provisions.

Nature and scope of our work

We performed our work described below in compliance with Article A.225-1 et seq. of the French Commercial Code (*Code de commerce*), 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* or CNCC) relating to this engagement and with ISAE 3000 (international standard on assurance engagements other than audits or reviews of historical financial information).

We conducted work to form an opinion on the Statement's compliance with legal and regulatory provisions and the fair presentation of the Information therein:

- we gained an understanding of the activity of all companies in the consolidation scope, of the Entity's exposure to the main social and environmental risks relating to the business activity and, if applicable, of its effects on respect for human rights and the fight against corruption and tax evasion, including any related policies and their outcomes;
- we assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, by taking into consideration, where relevant, the sector's best practices;
- we verified that the Statement covers every category of information required under Article L.225-102-1, Paragraph III concerning social and environmental matters as well as respect for human rights and the fight against corruption and tax evasion;

(1) Accreditation scope available at www.cofrac.fr.

- we verified that the Statement includes a clear, substantiated explanation in the event that the information required by sub-paragraph two of Article L.225-102-1, Paragraph III of the French Commercial Code is missing;
- we verified that the Statement presents the business model and the main risks relating to the activity of all companies in the consolidation scope, including – if relevant and proportionate – risks due to its business relationships, products or services, as well as policies, actions and outcomes, including key performance indicators;
- we verified that the Statement presents the disclosures required under article R. 225-105, Paragraph II, of the French Commercial Code if they are relevant given the main risks or policies presented;
- we obtained an understanding of the process for selecting and validating the main risks;
- we enquired about the existence of internal control and risk management procedures implemented by the entity;
- we assessed the consistency of the outcomes and key performance indicators with the main risks and policies presented;
- we verified that the Statement covers all companies in the consolidation scope in accordance with Article L. 233-16 within the limits specified in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fair presentation of the Information;
- for key performance indicators and the other quantitative outcomes[(1)] that we considered the most important, we set up:
  - analytical procedures to verify that collected data is correctly consolidated and that any changes to the data are consistent,
  - tests of details based on sampling to verify that definitions and procedures are correctly applied and to reconcile data with supporting documents. The work was carried out at the entity's headquarters and represents between 41% and 100% of consolidated data of key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative disclosures (actions and outcomes) that we deemed the most important[(2)];
- we assessed the overall consistency of the Statement based on our understanding of all companies within the consolidation scope.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance opinion. A higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work drew on the skills of six individuals and was conducted between December 2018 and April 2019 for a total working time of approximately five weeks.

To assist us in conducting our work, we called on our firm's sustainable development and corporate social responsibility (CSR) specialists. We conducted a dozen of interviews with the individuals responsible for preparing the Statement.

Opinion

Based on our work, we have no material misstatements to report that would call into question the compliance of the non-financial performance statement with the applicable regulatory provisions, or the fair presentation of the Information, taken as a whole, in accordance with the Guidelines.

Paris-La Défense, on 4 April 2019

KPMG S.A.

Fanny Houlliot Partner Sustainability Services	Adrien Johner Partner

(1) ***Social indicators:*** *Turnover; Headcount with open-ended employment contract at 31/12; Number of new hires with open-ended employment contract; Number of departures of people with open-ended employment contract; Average annual pay for managers per gender; Train employees in ethics risks.*
Environmental indicators: *Rate of environmental certification in operations or construction by gross asset value; Energy intensity (KWh) per sq.m; Carbon intensity ($kgCO_2e$) per sq.m; Rate of waste recovery; Percentage of artificial surfaces for new projects.*
Societal indicators: *Number of CSR events; Number of kiosk campaigns; End customer satisfaction rate; Number of alternative spaces.*

(2) *Measures taken in favor of inclusion and diversity; Collective agreements on the quality of life at work and results; Actions to manage the environmental footprint; Program of preservation of biodiversity; Code of business conduct; Measures taken in favor of the respect of the environment and Ethics and Social Charter for commercial contracts; Social and environmental initiatives.*

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 215 shopping centres and retail parks in France, Spain and Italy valued at more than €6.4 billion, including 149 leader or co-leader shopping centres, in their catchment areas, accounting for 69% of Carmila's total shopping centres and 87% of its portfolio in terms of appraised value (transfer taxes included) on 31 December 2018, 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 2018[1]).

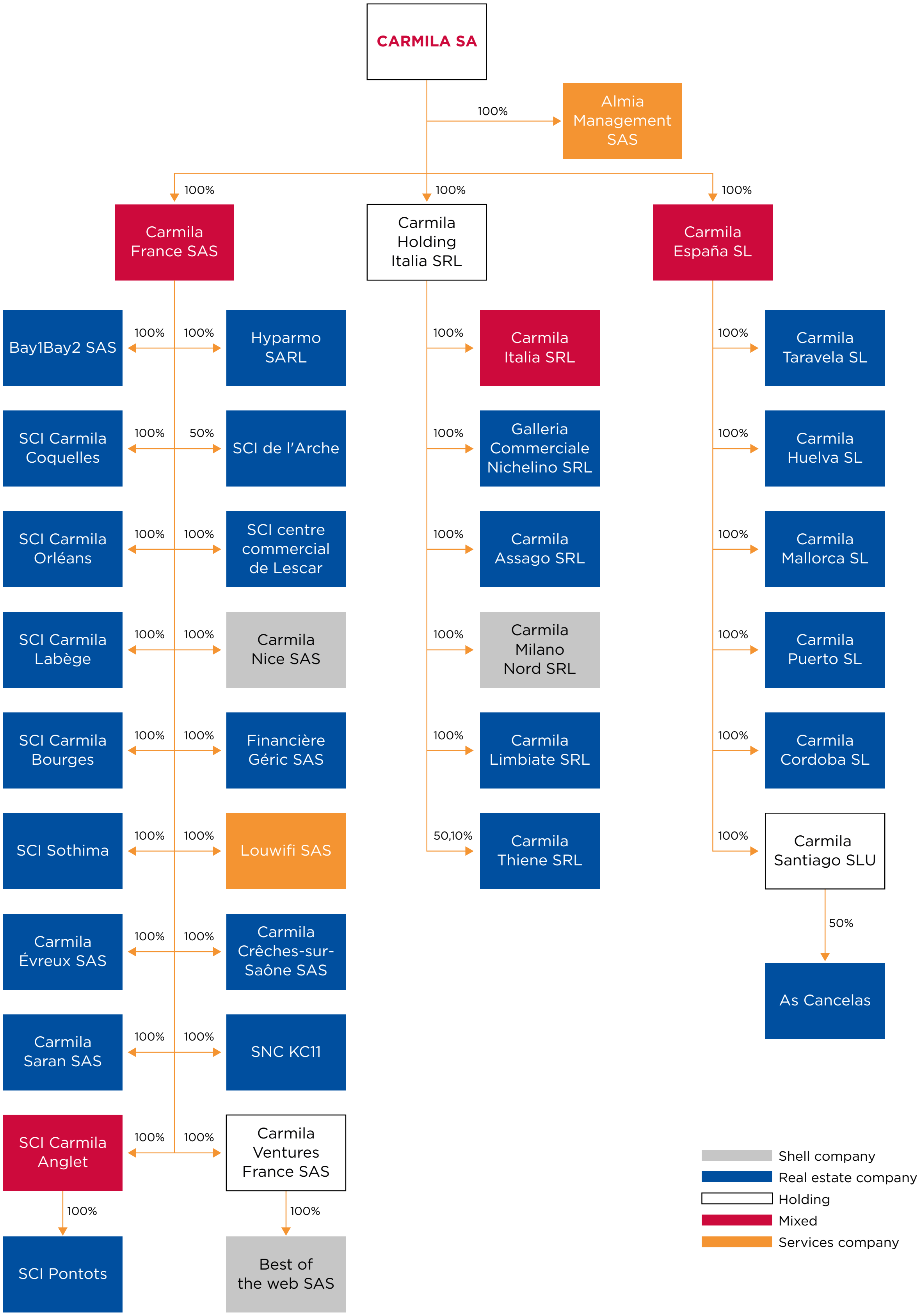
Carmila gathers key areas of expertise needed to develop and enhance the value of its portfolio: asset management, leasing and specialty leasing, omni-channel marketing and communications, shopping centre management, Business Development and investment (renovation, restructuring, expansion and acquisition). 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 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. The Carmila Group and Carrefour group are partners under the Renovation and Development Agreement on all developments on land lots owned together (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 consolidated entities 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

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 €707,907,052, with its head offices at 58, avenue Émile-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 €186,315,000, 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 directly or Indirectly the following Interests:

- a 20% interest in Squaremaker France;
- a 15% interest in Aug'Car;
- a 30% interest in La Barbe de Papa Holding;
- a 20% interest in Cigusto Holding;
- a 30% interest in Loicar; and
- a 24% interest in Centros Ideal.

Invested amount in equity and shareholder loans as of 31 December 2018, amounted to €2.9 million.

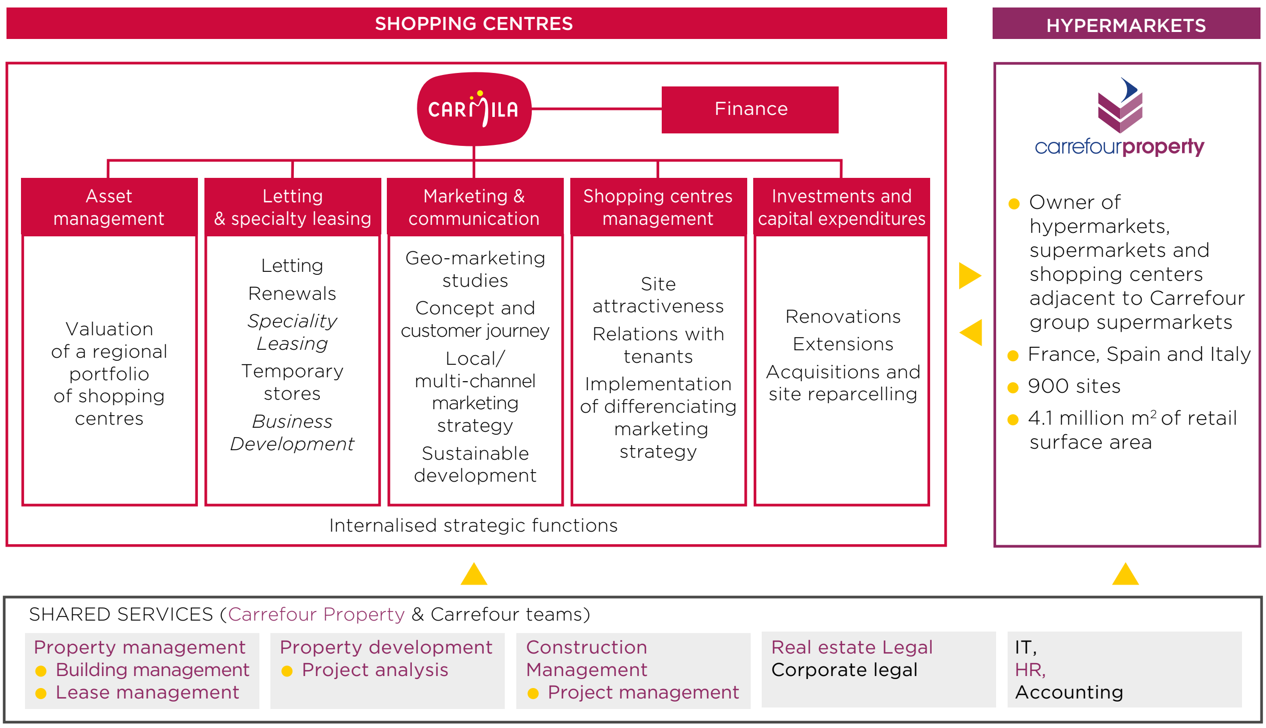
Information on equity interests

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 2018" 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 more than 12,100 stores in addition to its e-commerce sites. The Carrefour group has more than 363,000 employees worldwide and had revenues including VAT of €84.9 billion in 2018. 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 (1,384 stores at the end of 2018) 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 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.

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 2018, the Carrefour group had 503 hypermarkets under its brand in the three countries where the Carmila Group operates, including 247 hypermarkets in France, 205 in Spain and 51 in Italy. Carmila owns around 45% of the shopping centres adjoining Carrefour Hypermarkets across the three territories (France, Spain and Italy).

On 23 January 2018, 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.

In 2019, Carrefour will pursue its transformation, pushing further the initiatives taken in 2018.

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., effectve 12 June 2017, 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. Following the Merger, the merged entity was renamed Carmila and listed on compartiment A of Euronext Paris.

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. It aims at aligning interests of both Groups in project commonly developd on their sites.

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.

At 12 June 2017 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 11 to the Company's Consolidated Financial Statements for 2018 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 sq.m.) 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 €7,311 thousand in 2017 and €7,845 thousand in 2018.

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 €4,405 thousand in 2017 and €4,624 thousand in 2018 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 €1,860 thousand in 2017 and €2,363 thousand In 2018, 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 €145 thousand in 2017 and €168 thousand in 2018 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 in 2017. 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, a fixed annual compensation equal to 1.3% of annual net rents collected, with net rents defined in the same manner as for the agreements in France, and €79 thousand for design and urban planning services (only in 2017). Carmila Italia paid Carrefour Property Italia €626 thousand in 2017 and €664 thousand in 2018 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 €2,815 thousand in 2017 and €3,274 thousand in 2018.

(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 €613 thousand in 2017 and €789 thousand In 2018 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.

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 "My J'Aide" 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 215 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 2018, around 72% 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 (1.5% and 0.6% for 2019 respectively)[1]. Although the position in Spain is more favourable (2.2% 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 Klépierre and Altarea) and European competitors (such as Unibail-Rodamco-Westfield, 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 activity and tenant's revenues and therefore have an adverse impact on the Group's occupancy rate and 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 2019.

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 fixed by independent external experts who carry appraisals. The financial occupancy rate for the Group's shopping centres was 94.7%[(1)] on 31 December 2017 and 94.3% on 31 December 2018.

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 5.2.1 "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 in 2017 and 96.2% in 2018. The strategic vacancy isolate lots that are impacted by ongoing restructuring or expansions in the portfolio and therefore vacants. In order to be defined as a strategic vacancy, premises must be subject to restructuring or expansions with confirmed capital expenditure.

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- 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 charges supported by tenants 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 2.3 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. 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 Sébastien Vanhoove, 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 2018 the Carmila Group's gross debt totalled €2,389.9 million (see Section 3.7 "The Group's financial policy" of this document for a description of the main financing agreements). At this same date, the Carmila Group had total cash of €212.7 million, for net debt of €2,177.2 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 Cover: 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 2018, this ratio was 4.9;
- 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 2018, this ratio was 34.0% with a denominator that includes transfer taxes, and 35.8% 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 positive outlook since 12 June 2018 by Standard and Poor's, which confirmed this rating when Carmila and Cardety merged on 12 June 2017 (hereafter "the Merger") and on 12 June 2018. 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 2018, the Carmila Group's consolidated gross financial debt was €2,390 million, of which €280 million was variable-rate and €2,110 million was fixed-rate or capped following hedging transactions and a consolidated net debt of €2,177 million.

The Carmila Group's hedging policy involves the use of derivative instruments (swaps and caps). For more details please refer to the Note 6.2.8 of the Consolidated financial statements in Section 7.1 "Consolidated financial statements" of this document and Section 3.7 "Financial policy" of this document.

Liquidity risk

At 31 December 2018, the Carmila Group's consolidated gross financial debt was €2,390 million, and its consolidated net debt was €2,177 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 6.2.7 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 bonds, totalling €1.55 billion in aggregate with €600 million due in September 2023 and in September 2024 and €350 million due in March 2028.

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 "Financial policy" 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 6 of the Consolidated financial statements in Section 7.1 "Consolidated financial statements" and Section 3.7 "Financial policy" 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.

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(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 Property legal department is also responsible for monitoring disputes and litigations supported by outside experts, where necessary.

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.

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 Section "Promoting the weel-being and development of employees" (see Section 4.4.2.5 "Diversity, inclusion and disability").

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 Committees 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 was incorporated into the internal rules of Carmila and Carrefour Property economic and social union.

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 of the Group 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 is applicable since 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. A black-out period calendar is fix by the Board of Carmila every year.

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 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 for or 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.

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(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 2018 is included in Note 7.9 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 "Financial policy" and under the paragraph "Transactions with related parties" included in Section 7.1 "Consolidated Financial Statements 2018" 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.

GOVERNANCE AND CAPITAL

6.1 Corporate governance

At their respective Extraordinary general meetings of 12 June 2017, the shareholders of Cardety and Carmila SAS 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 have therefore evolved, which has resulted in the modification of its governance (see the Company's Registration Document 2017).

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.

In addition, at its meeting of 12 June 2017, the Board of Directors decided that the Company would refer to the AFEP-MEDEF Code of Corporate Governance. 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.

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 2018

Composition of the Board of Directors at 1 January 2018

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. As of 1 January 2018, the Board of Directors comprised fourteen directors.

Additionally, Messrs Frédéric Bôl, Laurent Fléchet and Pedro Antonio Arias serve as non-voting members of the Board and Mr Olivier Lecomte serves as Lead Director on the Board for the duration of his term of office as a director, namely, until the Ordinary general meeting called to approve the financial statements for the year ending 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 by rotation, in accordance with the recommendations of the AFEP-MEDEF Code, the General 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 General 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 sitting on the Board of Directors.

On 1 January 2018, the Board of Directors was composed as follows:

	Independent director	Date of first appointment	Term of office ending
Ehrmann Jacques	No	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Vallée Laurent	No	4 September 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
Pezant Raphaëlle	No	3 October 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2018
Cheval Marie	No	3 October 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
Farjon Séverine	Yes	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2018
Guillen Valérie	Yes	18 April 2016	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017
Lecomte Olivier	Yes	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
Luccioni Laurent	Yes	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
Mauger Francis	No	18 June 2012	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2018
Moussalem Nadra	No	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019
AXA REIM France (rep. by Del Monaco Amal)	Yes	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Cardif Assurance Vie (rep. by Robin Nathalie)	Yes	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Prédica (rep. by Chabas Emmanuel)	Yes	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Sogecap (rep. by Briand Yann)	Yes	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Arias Pedro Antonio		12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Bôl Frédéric		20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020
Fléchet Laurent		20 May 2015	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 1 January 2018, six out of fourteen 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 since 1 January 2018

At the General meeting of 16 May 2018, Ms Maria Garrido, of Spanish nationality, was appointed as director, to replace Mrs Valérie Guillen, who resigned, for a period of four years, namely, until the Ordinary general meeting called to approve the financial statements for the year ended 31 December 2021. She was put forward to the Meeting as a candidate in view of her international experience in operational marketing and strategy, gained in various leading companies in the fast-moving consumer goods sector.

Further to the decision of the Board of Directors taken on 24 October 2018, **Ms Claire Noël du Payrat,** of French nationality, was co-opted as director to replace Ms Raphaëlle Pezant, who resigned, for the remainder of the latter's term of office, namely, until the General meeting called in 2019 to approve the financial statements for the year ended 31 December 2018. The General meeting taking place on 16 May 2019 will be asked to vote to ratify that cooption.

Frédéric Bôl resigned from his position as a non-voting member of the Board of Directors on 10 July 2018.

Changes to the composition of the Board of Directors and its Committees during the financial year are set out below.

	Departures	Appointments
Board of Directors	Valérie Guillen Raphaëlle Pezant Frédéric Bôl (non-voting Board member)	Maria Garrido Ms Claire Noël du Payrat
Audit Committee	Valérie Guillen Laurent Vallée	Maria Garrido Ms Claire Noël du Payrat
Strategic Investment Committee	NA	NA
Compensation and Nominating Committee	Raphaëlle Pezant	Laurent Vallée

The diversity of the composition of the Board of Directors has been maintained by these new appointments. On 31 December 2018, the Company's Board of Directors comprised 14 directors (eight men and six women), including nine independent directors and three non-voting Board members.

Composition of the Board of Directors at 3 April 2019

On 3 April 2019, the Board of Directors co-opted Mr Jérôme Nanty as director to replace Mr Francis Mauger, who resigned and at the same meeting was co-opted to the position of Company non-voting Board member to replace Mr Frédéric Bôl, who resigned. These two co-options will be submitted for approval to the General Meeting held on 16 May 2019 to approve the financial statements for the year ending 31 December 2018.

The table below shows the composition of the Company's Board of Directors as of 3 April 2019.

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)	Length of service on the Board	Number of shares held	Presence in committees
Ehrmann Jacques Chairman and CEO	M	France	58 years	No	20/05/2015	12/06/2017	31/12/2020	43 months	39,664	SIC
Vallée Laurent Director	M	France	47 years	No	04/09/2017	04/09/2017	31/12/2019	16 months	1,000	SIC CAC
Cheval Marie Director	F	France	44 years	No	03/10/2017	03/10/2017	31/12/2019	15 months	1,000	SIC
Farjon Séverine Director	F	France	43 years	Yes	20/05/2015	12/06/2017	31/12/2018	43 months	1,001	CNC (Chairman)
Noël du Payrat Claire Director	F	France	50 years	No	24/10/2018	24/10/2018	31/12/2018	2 months	1,000	AC
Garrido Maria Director	F	Spain	45 years	Yes	16/05/2018	16/05/2018	31/12/2021	7 months	1,000	AC
Lecomte Olivier Director	M	France	53 years	Yes	12/06/2017	12/06/2017	31/12/2019	18 months	1,000	AC (Chairman) CNC
Luccioni Laurent Director	M	France	47 years	Yes	12/06/2017	12/06/2017	31/12/2019	18 months	1,020	N/A
Nanty Jérôme Director	M	France	57 years	No	03/04/2019	03/04/2019	31/12/2018	-	-	CNC
Moussalem Nadra Director	M	France	42 years	Yes(1)	12/06/2017	12/06/2017	31/12/2019	18 months	1,000 Carrefour shares	SIC
AXA REIM France (rep. by Amal Del Monaco) Director	F	Spain	45 years	Yes	12/06/2017	12/06/2017	31/12/2020	18 months	5,835,926	CNC
Cardif Assurance Vie (rep. by Nathalie Robin) Director	F	France	56 years	Yes	12/06/2017	12/06/2017	31/12/2020	18 months	12,050,973	SIC (Chairman)
Prédica (rep. by Emmanuel Chabas) Director	M	France	42 years	Yes	12/06/2017	12/06/2017	31/12/2020	18 months	12,564,212	SIC
Sogecap (rep. by Yann Briand) Director	M	France	43 years	Yes	12/06/2017	12/06/2017	31/12/2020	18 months	7,684,625	AC
Arias Pedro Antonio	M	France	48 years		12/06/2017		31/12/2020	18 months		
Fléchet Laurent	M	France	53 years		12/06/2017		31/12/2020	18 months		
Mauger Francis	M	France	68 years		03/04/19		31/12/2018	78 months(2)	1,000	Permanent guest at the SIC

AC = Audit Committee.
CNC = Compensation and Nominating Committee.
SIC = Strategic and Investment Committee.
(1) During its annual review of the Directors independency status, the Board of Directors noted that Mr. Nadra Moussalem complied with the independent criteria required.
(2) Mr Francis Mauger used to be Director of the Company since 18 June 2012 and was appointed as non-voting director during the Board of Directors of 3 April 2019, replacing Mr Frédéric Bôl who resigned.

On 3 April 2019, the Board of Directors co-opted Mr. Jérôme Nanty as director, to replace Mr. Francis Mauger, who resigned, and at the same meeting, was co-opted to the position of non-voting Board member, to replace Mr. Frédéric Bôl, who resigned. These two co-optations will be submitted for approval to the General Meeting held on 16 May 2019 to approve the financial statements for the year ending 31 December 2018.

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

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Executive Director of Assets, International Development and Innovation of Carrefour Group
- Member of the Management Board of Frojal (SA)
- Chairman of Tamlet (SAS)
- Director of Atacadao SA (listed company – Brazil)
- Member of the Human Resources Committee of Atacadao SA (listed company – Brazil)
- Member of the Strategic Committee of Atacadao SA (listed company – Brazil)
- Director of Carrefour Property España (Spain)
- Chairman of the Board of Directors of Carrefour Property Italia (Italy)
- Director of Carrefour SA (listed company – Turkey)
- Director of Edmond de Rothschild S.A.
- Member of the Supervisory Board of Edmond de Rothschild (France)
- Member of the Management Committee of Adialéa (SAS)
- Member of the Appointments Committee of Adialéa (SAS)
- Co-Manager of Jakerevo (SCI) and Testa (SC)
- Vice-Chairman of CNCC (Conseil national des Centres Commerciaux)

Offices and positions held and expired over the past five years:

- Chairman and Chief Executive Officer of Carmila SAS
- Board member and Chairman of the Audit Committee of Atacadao SA (Brazil)
- 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 Participation Métropole (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 Energie (SARL), Alpha (SARL), Azel (SCI), Casino Développement (SNC), Hyper 19 (SNC) and SNC Maud
- Permanent representative of Mercialys (SA), Chairwoman of Mercialys Gestion (SAS) and Mery 2 (SAS)
- Permanent representative of Casino Guichard-Perrachon (SA – listed company), Chairwoman of IGC Promotion (SAS) and Théiadis (SAS)
- Permanent representative of L'Immobilière Groupe Casino (SAS), Chairwoman 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 et SCI Zac du Roubaud Saint-Jean
- Permanent representative of GreenYellow (SAS), Chairwoman 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), Chairperson of GreenYellow Holding (SAS)
- Permanent representative of Ksilicium Développement (SAS), Chairwoman of the companies: Ksilicium Finance Metropole (SAS) and Ksilicium Finance Réunion (SAS)
- Permanent representative of Plouescadis (SAS), Chairwoman 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, director 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

Laurent VALLÉE

MAIN POSITION IN THE COMPANY

Director, member of the Strategic and Investment Committee and of the Compensation and Nominating Committee

MAIN POSITION OUTSIDE THE COMPANY

Secretary General of Carrefour

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Secretary General of Carrefour
- Delegate General of the Carrefour Foundation
- Director of Carrefour China Fondation for food safety (HK)
- Permanent representative of the Société d'exploitation Amidis & Cie, Director of SA Mestdagh (Belgium)

Offices and positions held and expired over the past five years:

None.

Marie CHEVAL

MAIN POSITION IN THE COMPANY

Director and member of the Strategic and Investment Committee

MAIN POSITION OUTSIDE THE COMPANY

Executive Director of Hypermarchés Carrefour France

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Executive Director of Hypermarchés Carrefour France
- Director of Laurent Perrier
- Director of Carrefour Banque
- Director of Market Pay
- Director of Groupe M6

Offices and positions held and expired over the past five years:

- Director of FNAC Darty (listed company – France)
- Director 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
- Chairwoman of Carrefour Omnical
- Chairwoman of Digital Media Shopper
- Director of SRP Groupe (listed company – France)

Séverine FARJON

MAIN POSITION IN THE COMPANY

Director and member of the Compensation and Nominating Committee

MAIN POSITION OUTSIDE THE COMPANY

Chief Executive Officer of RAISE REIM

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Chief Executive Officer of RAISE REIM
- Chairwoman of Carré d'AS

Offices and positions held and expired over the past five years:

None.

Maria GARRIDO

MAIN POSITION IN THE COMPANY

Director and member of the Audit Committee

MAIN POSITION OUTSIDE THE COMPANY

Chairwoman and CEO of Havas X

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Chairman and CEO of Havas X
- Director of the Insights & Analytics Department, Havas Group
- Vice-President of Brand Marketing for the Vivendi group.

Offices and positions held and expired over the past five years:

Director of International Players from 2012 to 2015.

Claire NOËL DU PAYRAT

MAIN POSITION IN THE COMPANY

Director and member of the Audit Committee

MAIN POSITION OUTSIDE THE COMPANY

Director of Financial Control, Carrefour Group

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Director of Financial Control, Carrefour Group
- Member of the Audit Committee of Atacadão (Brazil)

Offices and positions held and expired over the past five years:

- Director of Veolia Australia
- Chairwoman of the association "Vivons solidaire"

Olivier LECOMTE

MAIN POSITION IN THE COMPANY

Director, Chairman of the Audit Committee and member of the Compensation and Nominating Committee

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Director of S.A. Ingénieurs de l'Ecole Centrale des Arts et Manufactures
- Professor at l'École Centrale de Paris
- Member of the Supervisory Committee and of the Unit overseeing serious adverse reactions at the Robert-Debré Hospital
- Member of the Steering Committee of SIRIC, SOCRATE/ Institut Gustave Roussy
- Member of the AP-HP Digital Committee

Offices and positions held and expired over the past five years:

- Director of the Paris & Co association
- Director of Carmila SAS
- Chairman of Le Laboratoire Paris Region Innovation (Paris Lab)

Laurent LUCCIONI

MAIN POSITION IN THE COMPANY

Director

MAIN POSITION OUTSIDE THE COMPANY

Managing Director of PIMCO Europe Ltd

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Managing Director of PIMCO Europe Ltd
- 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 SAS

Jérôme NANTY

MAIN POSITION IN THE COMPANY

Director, member of the Remuneration and Appointing Committee

MAIN POSITION OUTSIDE THE COMPANY

Executive Director of Carrefour Group and France Human Ressources

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

None

Offices and positions held and expired over the past five years:

None

Nadra MOUSSALEM

MAIN POSITION IN THE COMPANY

Director, member of the Strategic and Investment Committee

MAIN POSITION OUTSIDE THE COMPANY

Chief Executive Officer Europe at Colony Capital

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Chief Executive Officer Europe at Colony Capital
- Chairman of Colony Capital SAS
- Chairman of AccorInvest
- Chairman of Continental Property Investments
- 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 Capital on the Executive Management Board of ColAubergenville SCI
- Representative of Colony Capital SAS as Chairman of CFI NNN France Portfolio SAS
- Permanent representative of Colony Capital SAS as Chairman of Colquattro French Portfolio SAS
- Permanent representative of Colony Capital SAS on the Executive Management Board of ColEden SCI
- Representative of Colony Capital SAS as Chairman of Colbravo SAS
- Permanent representative of Colony Capital on the Executive Management Board of CFI NNN PIAZZA SCI
- Legal representative of ColFields SAS
- Legal representative of ColMdB SAS
- Legal representative of ColPower SCI
- Legal representative of ColPowerSister SAS
- Legal representative of ColPowerSister Holding SAS
- Legal representative of ColPowerMother SAS
- 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
- Manager 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)
- Chairman of Col Invest Italy (Italy)
- Permanent representative of Colony Capital SAS, subsidiary in Rome (Italy)

Offices and positions held and expired over the past five years:

- 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)
- Director of Edenred (listed company – France)
- Chairman of Colkart SAS
- Permanent representative of Colony NorthStar SAS as Chairman of Colkart Investment Europe
- Chairman of Data IV Services – Held within Data 4 Group companies as corporate representative
- Chairman of Data IV France – held within Data 4 Group companies as corporate representative
- Chairman of DC 115 SAS

Amal DEL MONACO, representative of AXA REIM FRANCE

MAIN POSITION IN THE COMPANY

Director and member of the Compensation and Nominating Committee

MAIN POSITION OUTSIDE THE COMPANY

Head of Sector Specialists at AXA IM – Real Assets

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Head of Sector Specialists at AXA IM – Real Assets
- 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 in 1001 Vies Habitat (formerly Logement Français) (SA with Supervisory and Management Boards)
- Permanent representative of AXA REIM France at Carmila (SA)
- Director of AXA Real Estate Investment Managers Belgium
- Director of Marsheg 1 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 Dagenham 2 BV (Netherlands)
- Director of Élysées Neuf BV (Netherlands)
- Director of Paktkohlestahlden 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 Harvitour Limited
- 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 SAS
- 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

MAIN POSITION OUTSIDE THE COMPANY

Director of BNP Paribas Cardif Property

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Real Estate Director of BNP Paribas Cardif
- Member of the Supervisory Board, member of the Investment Committee and of the Audit Committee of Covio Hôtels (listed company – France)
- Member of the Supervisory Board of Covivio Immobilien
- Member of the Supervisory Board of Primonial Capimmo
- 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 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 SAS
- Director, member of the Investment Committee and of the Compensation Committee of Foncière Développement Logements (listed company – France)
- Member of the Strategic Committee of Foncière des Murs Management
- Member of the Investment Committee of Foncière des Murs (listed company – France)

Mr Emmanuel CHABAS, representative of PRÉDICA

MAIN POSITION IN THE COMPANY

Director, member of the Strategic and Investment Committee

MAIN POSITION OUTSIDE THE COMPANY

Head of property investment at Crédit Agricole Assurances

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Head of Real Estate Investment at Crédit Agricole Assurances
- Member of the Supervisory Board of Covivio Hôtels
- Member of the Supervisory Board and General meeting of Covivio Immobilien
- Member of the Board of Directors of Central
- Member of the Board of Directors and of the Audit Committee of AccordInvest Group
- Member of the Board of Directors of Camp Invest OPPCI
- Member of the Board of Directors of Iris Invest OPPCI
- Chairman & CEO, director and representative of Prédica on the Board of Directors of Foncière Hypersud
- Director of OPPCI B2 Hotel Invest
- Member of the Supervisory Board and permanent representative of Prédica on the 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 IMEFA5, SCI IMEFA 6, SCI IMEFA 8, SCI IMEFA9, SCI IMEFA 10, SCI IMEFA 11, SCI IMEFA12, SCI IMEFA 13, SCI IMEFA 16, SCI IMEFA17, SCI IMEFA 18, SCI IMEFA 20, SCI IMEFA22, SCI IMEFA 25, SCI IMEFA 32, SCI IMEFA33, SCI IMEFA 34, SCI IMEFA 35, SCI IMEFA36, SCI IMEFA 37, SCI IMEFA 38, SCI IMEFA39, SCI IMEFA 42, SCI IMEFA 43, SCI IMEFA44, SCI IMEFA 45, SCI IMEFA 47, SCI IMEFA48, SCI IMEFA 49, SCI IMEFA 50, SCI IMEFA51, SCI IMEFA 52, SCI IMEFA 53, SCI IMEFA54, SCI IMEFA 57, SCI IMEFA 58, SCI IMEFA60, SCI IMEFA 61, SCI IMEFA 62, SCI IMEFA63, SCI IMEFA 64, SCI IMEFA 66, SCI IMEFA67, SCI IMEFA 68, SCI IMEFA 69, SCI IMEFA72, SCI IMEFA 73, SCI IMEFA 74, SCI IMEFA76, SCI IMEFA 77, SCI IMEFA 78, SCI IMEFA79, SCI IMEFA 80, SCI IMEFA 81, SCI IMEFA82, SCI IMEFA 83, SCI IMEFA 84, SCI IMEFA85, SCI IMEFA 89, SCI IMEFA 91, SCI IMEFA92, SCI IMEFA 96, SCI IMEFA 97, SCI IMEFA98, SCI IMEFA 99, SCI IMEFA 100, SCI IMEFA101, SCI IMEFA 102, SCI IMEFA 103, SCI IMEFA 104, SCI IMEFA 105, SCI IMEFA 107, SCI IMEFA108, SCI IMEFA 109, SCI IMEFA 110, SCI IMEFA112, SCI IMEFA 113, SCI IMEFA 115, SCI IMEFA116, SCI IMEFA 117, SCI IMEFA 118, SCI IMEFA120, SCI IMEFA 121, SCI IMEFA 122, SCI IMEFA123, SCI IMEFA 126, SCI IMEFA 128, SCI IMEFA129, SCI IMEFA 131, SCI IMEFA 132, SCI IMEFA140, SCI IMEFA 148, SCI IMEFA 149, SCI IMEFA150, SCI IMEFA 155, SCI Lyon Tony Garnier, SCI Villeurbanne La Soie Ilot H, SCI IMEFA 158, SCI IMEFA159, SCI IMEFA 161, SCI IMEFA 162, SCI IMEFA163,

SCI IMEFA 164, SCI IMEFA 165, SCI IMEFA165, SCI IMEFA 165, HDP Bureaux, SCI HDP Hotel, SCI HDP La Halle, SCI IMEFA 169, SCI IMEFA170, SCI IMEFA 171, SCI IMEFA 172, SCI IMEFA 173 / 173 SCI IMEFA 174, SCI IMEFA 175, SCI IMEFA176, SCI IMEFA 177, SCI IMEFA 178 / 178 SCI IMEFA 179, SCI IMEFA 180 / 180 SCI IMEFA 181, SCI IMEFA 182 / 182 SCI IMEFA 183 / 183 SCI IMEFA 184 / 184 SCI IMEFA 185 / 185 SCI IMEFA 186, SCI IMEFA 187, SCI IMEFA188, SCI IMEFA 189, SCI IMEFA 190, SCI IMEFA190, SCI IMEFA 190, 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
- Chairman of the Partnership Committee and Member of the Board of Directors of SCI Holding Dahlia
- 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 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
- 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 Icade Santé Oversight Committee
- Director of OPCI Lapillus 1
- Member of the Real Estate Committee of FFA
- Member of the Supervisory Board and of the Audit Committee of Patrimoine et Commerce

Offices and positions held and expired over the past five years:

- 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

MAIN POSITION OUTSIDE THE COMPANY

Real Estate Director of Sogecap

MAIN AREAS OF EXPERTISE AND EXPERIENCE

See biography on page 165-166 of this Registration Document

MAIN OFFICES AND POSITIONS HELD OUTSIDE OF THE COMPANY OVER THE PAST FIVE YEARS

Offices and positions held at 31 December 2018:

- Real Estate Director of Sogecap
- 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
- Director of Covivio Hôtels
- Chief Executive Officer of Sogecap Real Estate

Offices and positions held and expired over the past five years:

- Director of Carmila SAS

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 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 worked in various roles at La Poste group: Director of Strategy for La Poste Financial Services, then for La Banque Postale; Director of Marketing and Commerce (2006-2009) then Director of Operations of 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. Since September 2018, she has been Executive Director of Hypermarchés France.

Amal Del Monaco is Head of Sector Specialists at AXA IM – Real Assets. She manages a centralised team of real estate specialists within the Asset Management & Development team. She is a member of AXA IM – Real Assets Global Leadership Group and Deputy CEO of AXA REIM France. Amal joined AXA IM – Real Assets in 1997 and has been a member of the fund management team since 2001. In 2007, she took charge of AXA France fund management before becoming Co-Head of AXA European Mandates, where she was responsible for managed mandates on behalf of Mandats AXA until December 2017. She has over 20 years' experience in the real estate sector. A graduate of the University of Granada in 1996, she earned an MBA from the Institut Supérieur de Gestion in 1998. She is also a member of the Royal Institute of Chartered Surveyors.

Séverine Farjon, a graduate of the Institut d'Études 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. She has also served as Chairwoman of Carré d'As since 2016.

Maria Garrido directs the Insights & Analytics department of the Havas Group and is CEO of Havas X. She manages a team of more than 300 people covering Insights, Content, Innovation and operating in around 40 different countries. Recently, Maria Garrido was also appointed Vice-President of Brand Marketing for the Vivendi group. Maria joined the Havas group in 2014, having spent 18 years working and travelling in north America, Latin America and Europe. She worked in Operational Marketing and Strategic roles at a number of leading fast-moving consumer goods companies, such as Colgate Palmolive Co and Mondelez. Maria has spoken at a number of major media events, most recently at Cartagena Inspira, Mumbrella Australia and Consumer Healthcare in Mumbai. She was also a member of the Media Jury at the Cristal Media Festival, at the Dubai Lynx creative festival, and at the Cannes Lions Festival.

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 was also a director of the association Paris & Co. He is joint founder of a biotech start-up, Theravectys (a spin-off of the Pasteur Institute), Director of S.A. Ingénieurs de l'École Centrale des Arts et Manufactures, member of the Supervisory Committee and the Unit overseeing serious adverse reactions at the Robert-Debré Hospital, member of the Steering Committee of the integrated cancer research site (SIRIC) at the Institut Gustave Roussy, and a member of the Digital Council of the CEO for Assistance Publique – Hôpitaux de Paris, and, since 2003, a professor at l'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.

Jérôme Nanty Is a graduate of the Institut d'études politiques de Paris and holds a master's degree in public law. He began his career in 1986 at Société Générale, before joining the capital markets division at Crédit Lyonnais in 1989, first as a bond markets operator and subsequently as a manager of a portfolio of bond issuers. In 1998, he joined the bank's Human Resources department as manager of employment policy and later labour relations. From 2001 to 2004, he served as Director of Labour and Social Relations for the Crédit Lyonnais group. From 2003 onwards, he held the same position at the Crédit Agricole group. As such, he was in charge of the labour aspect of the merger of Crédit Lyonnais with Crédit Agricole He was appointed as Director of Human Resources at LCL in 2005 and at the Caisse des Dépôts group in 2008. From 2013 to 2016, he was General Secretary of the Transdev group. Since July 2016, he has served as General Secretary and Director of Human Resources of the Air France-KLM group. On 2 October 2017, Jérôme Nanty joined the Carrefour group as Executive Director for Human Resources for the Group and France. He will bring to Carmila's Board of Directors his expertise in Human Resources, and his knowledge of the Carrefour Group's social policy.

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.

Claire Noël du Payrat is a graduate of HEC. She began her career in 1993 as an Internal Auditor for the Savencia Group, before joining the Nestlé group in 1996 as Product Management Controller then Administrative and Financial Manager. From 2006 to 2008, she served as Management and Financial Control Director at Sagem Mobiles. She went on to join Veolia Environmental Services then Veolia Environnement where she became Director of Group Management Control. Her term as a Director of Veolia Australia ended in April 2018. Since 2018, she has headed Carrefour Group's financial control division.

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 Executive 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 referred to the criteria set out by 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, corporate banker or adviser:
  - 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 Carmila 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 Compensation and Nominating Committee, on 4 February 2019 the Board of Directors carried out an annual review of directors' status as independent.

With respect to the criteria defined under the AFEP-MEDEF Code, the Company's Board of Directors, on the recommendation of the Compensation and Nominating Committee, considered that Nathalie Robin (permanent representative of Cardif Assurance Vie), Yann Briand* (permanent representative of Sogecap), Emmanuel Chabas (permanent representative of Prédica), Amal Del Monaco (permanent representative of AXA REIM France), and the legal entities that they represent, in addition to Séverine Farjon, Maria Garrido, Olivier Lecomte, Nadra Moussalem and Laurent Luccioni are independent members.

Having heard the opinion of Carmila's Compensation and Nominating Committee, the Board of Directors considered that the fact that directors represent certain shareholders (*i.e.* AXA REIM France, Cardif Assurance Vie, Prédica and Sogecap, directly or through other entities of their group) does not affect their independence. In particular, in this respect the Board noted the lack of control of the Company by them, the status of institutional investor of these shareholders, the absence of a significant business relationship and the absence of a potential conflict of interest.

Thus, nine (9) out of a total of fourteen (14) members of the Board of Directors, more than half of the Board, qualify as independent, according to the criteria adopted by the Company.

Details concerning the situation of each of the Company's directors in terms of the independence criteria of the AFEP-MEDEF Code, are set forth below.

	Ehrmann Jacques	Vallée Laurent	Cheval Marie	Farjon Séverine	Maria Garrido	Claire Noël du Payrat	Lecomte Olivier	Luccioni Laurent	Mauger Francis	Moussalem Nadra	AXA REIM France (rep. by Del Monaco Amal)	Cardif Assurance Vie (rep. by Robin Nathalie)	Prédica (rep. by Chabas Emmanuel)	Sogecap (rep. by Briand Yann)
Criteria 1: A salaried employee and Corporate officer during the last five financial years	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Criteria 2: Cross-directorships	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Criteria 3: Significant business relationship	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Criteria 4: Family ties	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Criteria 5: Statutory Auditors	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Criteria 6: Duration of term of office is greater than 12 years	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Criteria 7: Non-Executive Corporate Officer status	✗	√	√	√	√	√	√	√	√	√	√	√	√	√
Criteria 8: Significant shareholder status	✗	✗	✗	√	√	✗	√	√	✗	√	√	√	√	√

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 Registration 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.

6

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 SAS under the terms of the draft merger agreement.

As of the date of this document, there are no restrictions accepted by the Company's Board of Directors or by its Executive Management concerning the sale of their interest in the Company's share capital, with the exception of the rules related to the prevention of insider trading and the Company's Internal Regulations which impose an obligation on members of the Board of Directors and the Company's Executive Management to hold shares.

Statement concerning the members of the Board of Directors and of Executive Management

To the Company's knowledge, as of the date of this Registration 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 Registration 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 Maria Garrido, Independent director; and
- Mrs Claire Noël du Payrat.

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 examination of the financial statements is also accompanied by a presentation given by management describing the Company's risk exposure, including social and environmental risks, and setting out the Company's off-balance sheet commitments and accounting options used.

For a description of the activities of the Audit Committee in 2018, see page 174.

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 Registration 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 Chairwoman);
- Mr Nadra Moussalem, independent director;
- Mr Emmanuel Chabas, independent director, permanent representative of Prédica;
- Mr Laurent Vallée;
- Mr Jacques Ehrmann; and
- Mrs Marie Cheval.

The application of Mrs Marie Cheval to replace Mr Francis Mauger (who will remain a standing invitee of the Committee) on the Strategic Investments Committee was proposed by the Board of Directors at its meeting on 3 April 2019, which approved the appointment. Mr Francis Mauger will remain permanent guest of the Strategic and Investment Committee.

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 2018, see page 174.

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 Registration 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 Chairwoman);
- Mr Olivier Lecomte, independent director;
- Mrs Amal Del Monaco, independent director, permanent representative of AXA REIM France;
- Mr Jérôme Nanty; and
- Mr Laurent Vallée.

Following his appointment as a Director by the Board on 3 April 2019. Mr Jérôme Nanty's replaced Mrs Marie Cheval on the Compensation and Nominating Committee.

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 or preference 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, age, qualifications, professional experience, 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.

The Compensation and Nominating Committee draws up a plan for replacement of the Company's main Executive Corporate Officers, which is then presented to the Board of Directors. The Compensation and Nominating Committee has in particular examined and presented to the Board the succession plan for Yves Cadélano at its meeting of 26 June 2018.

For a description of the activities of the Compensation and Nominating Committee in 2018, see page 174.

6.1.2.4 Functioning of the Board of Directors and its work in 2018

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 By-laws 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

The description below reflects the main provisions 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, (such 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 the Company and/or one of its Subsidiaries and 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 transferable 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, any entity that 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, directly or indirectly holding at least fifty per cent (50%) of the capital and voting rights of such person; 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.

In respect of the financial year 2018, the Lead Director has implemented measures intended to identify and analyse situations posing a potential conflict of interest. The Lead Director has also taken steps to assist the Chairman in ensuring the proper functioning of the Company's supervisory bodies, particularly in the definition of the 2019 timetable for Board and Committee meetings, the organisation of the transmission in due time to Board and Committee members of the information necessary for their discussions, and in the digitalisation of Board and Committee documentation.

(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.

For year 2018, Evaluation of the Board was conducted by the Remuneration and Appointing Committee, and subsequently by the Board of Directors. This evaluation notably highlighted the involvment and effective contribution of each Director to the work of the Board. The conclusions were presented to the Board of Directors on 3 April 2019. In general, the functioning of the Board and the Committees is considered very satisfactory by their members. Directors appreciate the diversity of profiles and skills, the quality of debates among members, as well as the size and number of Boards held in 2018. Among the identified areas for improvement and to strengthen the knowledge of Board members on the activity of the Company, it was noted the possibility of organizing training on the evolution of markets, strategy and the regulatory environment.

Communication with shareholders and the markets

Managing shareholder relations with the Company's Board of Directors, particularly with regard to corporate governance, is the task of the Chairman of the Board.

On 12 June 2018, Standard & Poor's confirmed the Company's BBB rating while upgrading its outlook from "neutral" to "positive".

Board of Directors Diversity Policy

The Board of Directors' diversity policy for 2018 was aimed at maintaining a composition that reflected the diversity of Company stakeholders: partner networks, shareholders. Upholding diversity is embedded in the Company's ethics principles. Through the profile of each director (presented in Section 6.1.2.1 of this Chapter), it also seeks to ensure a good balance and fair distribution of experiences, qualifications, cultures, ages, nationalities and seniority, in line with the Company's needs.

This policy also promotes an inclusive working environment that respects ethnic diversity and gender equality, as detailed in the Company's professional code of conduct. It also includes a requirement for gender balance on the Board and its Committees. With a rate above the legal requirements (43%), of the Board's fourteen Directors, six are women. As of the date of this Registration document, a woman sits on each Committee, the Compensation and Nominating Committee has a majority of women and two of the three committees are chaired by women.

This focus on gender balance also runs through the internal organisation, discussed each year at the Board of Directors. At its meeting on 14 February 2018, the Compensation and Nominating Committee proposed that once a year a Board meeting should be dedicated to the diversity policy. The CSR report sets out the figures and measures taken to promote diversity within the Company. In 2018, women accounted for 52% of the total workforce and 49% of managers (excluding senior management). They make up 18% of management as of the date of this Registration Document.

The Board supported measures taken in 2018 to promote gender equality and diversity more generally in the workplace: in France since 2018 Carmila has been a signatory of the Diversity Charter, which renews Carmila's moral commitment to combating all forms of discrimination and implementing a diversity policy. Practical measures have been introduced to gradually close the gender pay gap. An agreement on gender equality in the workplace and quality of life at work was signed by management and unions on 28 April 2016.

The diversity policy also takes into account the varied and complementary skills of directors. Some have strategic skills and other financial skills or more specific skills (expertise in the real estate sector, marketing, asset management, legal, management experience). The range and complementary nature of experiences and expertise of members of the Board allows a fast and in-depth understanding of the issues around the Company's development as well as high-quality decision making.

The Board also wanted to become more international by proposing to the Annual General Meeting of 16 May 2018, the appointment of Spanish national Mrs Maria Garrido with international experience in operational marketing and strategy, gained in various leading companies in the fast-moving consumer goods sector.

In addition, in accordance with the provisions of Law 2018-771 of 5 September 2018 for the freedom to choose one's professional future, which provides for the diversity policy to be supplemented by information on how society seeks a balanced representation of women and men on the executive committees and on the results of gender diversity in the top 10 positions with greater responsibility, the Group commissioned an expert third party in the first quarter of 2019 to perform a gender analysis indicating in particular, the gender distribution at hiring, by typology of contracts, by average hour of training, but also by salary bracket. This first diagnostic performed in France, will be deployed in Spain and Italy.

Work of the Board of Directors and of its Committees in 2018

Work of the Board of Directors in 2018

The Board of Directors met eight times during 2018. Since 1 January 2018, the attendance rate based on Directors present has been 79%.

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 2017,
  - approval of the Management Report to the Board of Directors on the financial statements for the year ended 31 December 2017 and of the Corporate Governance report,
  - implementation of the new share buyback programme approved by the General meeting of 16 May 2018,
  - implementation of a dividend payment in new shares approved by the General meeting of 16 May 2018, and delegation of powers granted to the Chairman and CEO to proceed with a capital increase following payment of the dividend in shares,
  - implementation of two new preference share plans,
  - renewal of annual authorisation for bond issues,
  - approval of the half-yearly financial statements at 30 June 2018 and of the corresponding Financial Report;
- *General meeting:*
  - authorisation of regulated agreements entered into or ongoing during the financial year ended 31 December 2017,
  - convening of the General meeting called to approve the financial statements for the financial year ended 31 December 2017;

- *governance of the Company:*
  - setting directors' fees to be distributed during the financial year 2017,
  - annual review of directors' independence,
  - review of senior executives' compensation and breakdown of directors' fees,
  - appointment of a new Deputy CEO,
  - appointment of a director and cooption of a director,
  - reconstitution of the Committees of the Board of Directors,
  - resignation of a non-voting member of the Company's Board,
  - the desired balanced composition of the Board of Directors, and of the Committees reporting thereto, particularly in terms of diversity (representation of women and men, nationalities, age, qualifications and professional experience, etc.),
  - the succession plan of Mr Yves Cadélano;
- *strategy and growth:*
  - reflections on the Company's acquisition, expansion and disposal projects.

Work of the Audit Committee in 2018

The Audit Committee met four times during the financial year 2018, and the attendance rate was 94%. The Committee meetings mainly concerned:

- review of the draft individual and consolidated financial statements for the year ended 31 December 2017, and the half yearly results at 30 June 2018, 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 2017;
- examination of the Board of Directors' Management Report on the financial statements for the year ended 31 December 2017 concerning procedures for internal control 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 2019 budget; and
- review of the risk mapping and the internal control audit.
- and more specifically, the actions taken and the procedures put in place with regards to IT security, compliance with GDPR regulation and the Sapin II Law regarding the fight against fraud and corruption.

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 2018

The Strategic and Investment Committee met seven times during the financial year 2018, and the attendance rate was 93%.

The Committee met to discuss the following main topics:

- the Company's acquisition, disposal and asset expansion projects and opportunities;
- possible changes to be made to the Company's 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 2018

The Compensation and Nominating Committee met four times in 2018. The attendance rate was 90%. The main subjects discussed were as follows:

- annual review of the status of independent director(s);
- review of the Corporate Governance report;
- review of senior executives' compensation;
- setting the amount of directors' fees to be paid for the year ended 31 December 2017;
- implementation of two preference share plans (PSP 2018);
- statement on the final conditions for vesting of shares under the 2016 Performance Plan;
- review of the composition, organisation and functioning of the Board of Directors and its committees;
- the appointment of two new female directors;
- the plan for replacement of Mr Yves Cadélano;
- examination of the new governance and 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.

The individual attendance rate for each director at meetings and Board meetings and of the Committees reporting thereto, is set out in the table below.

	Attendance at Board meetings	Attendance at Audit Committee meetings	Attendance at Compensation and Nominating Committee meetings	Attendance at Strategic and Investment Committee meetings
Ehrmann Jacques	8/8			7/7
Vallée Laurent	5/8	2/3		5/7
Pezant Raphaëlle	6/6		4/4	
Cheval Marie	7/8		3/4	
Farjon Séverine	8/8		4/4	
Maria Garrido	4/5	3/3		
Lecomte Olivier	8/8	4/4	4/4	
Luccioni Laurent	7/8			
Mauger Francis	8/8			6/7
Moussalem Nadra	6/8			7/7
Valérie Guillen	2/3	1/1		
Claire Noël du Payrat	2/2	1/1		
AXA REIM France (rep. by Amal Del Monaco)	5/8		3/4	
Cardif Assurance Vie (rep. by Nathalie Robin)	8/8			7/7
Prédica (rep. by Emmanuel Chabas)	8/8			7/7
Sogecap (rep. by Yann Briand)	7/8	4/4		
Pedro Antonio Arias	2/8			
Frédéric Bôl	0/5			
Laurent Fléchet	4/8			

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 SAS.

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.

At its meeting of 27 July 2018, the Board of Directors decided to appoint Mr Sébastien Vanhoove as Deputy Chief Executive Officer of the Company as from 1 august 2018, replacing Mr Yves Cadélano, who resigned, for a period of three years to expire on conclusion of the Company's Ordinary general meeting called to approve the financial statements for the year ending 31 December 2020.

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 Section 6.1.2.4(2).

6.2 Compensation and benefits in kind granted to directors and corporate officers

6.2.1 Compensation and benefits in kind 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 non-voting Board member or to each Committee member, up to a limit approved by the Company's General 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 General 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 2018, 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 13 February 2019, the Board of Directors, on the proposal of the Compensation and Nominating Committee, decided to pay directors and non-voting Board members a total of €311,250.00 in 2019 in respect of directors' fees for the financial year 2018, prorated according to the period of their term of office served during 2018. It should be noted that the following directors have waived their directors' fees: Marie Cheval, Raphaëlle Pezant, Claire Noël du Payrat, Francis Mauger, Laurent Vallée, Laurent Luccioni and the company AXA REIM France represented by Amal Del Monaco. Thus, Jacques Ehrmann, Nadra Moussalem, Olivier Lecomte, Laurent Fléchet, Frédéric Bôl, Pedro Antonio Arias, Séverine Farjon, Maria Garrido, Valérie Guillen, and the companies Cardif Assurance Vie represented by Nathalie Robin, Sogecap represented by Yann Briand and Prédica represented by Emmanuel Chabas received directors' fees in respect of the financial year 2018.

The table below sets out the amount of directors' fees and other compensation received by directors in respect of the financial years 2017 and 2018:

(gross amount in euros)	Gross amounts paid in respect of financial year 2018	Gross amounts paid in respect of financial year 2017
Mr Pedro Antonio Arias		
Directors' fees	7,500.00	8,705.36
Other compensation	NA	NA
Mr Jérôme Bédier		
Directors' fees	NA	Waiver
Other compensation	NA	NA
Mr Frédéric Bôl		
Directors' fees	5,000.00	Waiver
Other compensation	NA	NA
Mrs Marie-Noëlle Brouaux		
Directors' fees	NA	Waiver
Other compensation	NA	NA
Mrs Anne Carron		
Directors' fees	NA	Waiver
Other compensation	NA	NA
Mrs Marie Cheval		
Directors' fees	Waiver	Waiver
Other compensation	NA	NA
Mr Jacques Ehrmann		
Directors' fees	30,000.00	33,919.17
Other compensation	NA	NA
Mrs Séverine Farjon		
Directors' fees	40,000.00	45,476.19
Other compensation	NA	NA
Mr Laurent Fléchet		
Directors' fees	10,000.00	10,090.91(1) 14,658.01(2)
Other compensation	NA	NA
Mrs Maria Garrido		
Directors' fees	22,500.00	NA
Other compensation	NA	NA
Mrs Valérie Guillen		
Directors' fees	15,000.00	29,090.91
Other compensation	NA	NA
Mr Olivier Lecomte		
Directors' fees	65,000.00	39,866.07
Other compensation	NA	NA
Mr Laurent Luccioni		
Directors' fees	Waiver	Waiver
Other compensation	NA	NA
Mr Francis Mauger		
Directors' fees	Waiver	Waiver
Other compensation	NA	NA
Mr Nadra Moussalem		
Directors' fees	27,500.00	17,187.50
Other compensation	NA	NA
Mrs Claire Noël du Payrat		
Directors' fees	Waiver	NA
Other compensation	NA	NA
Mrs Raphaëlle Pezant		
Directors' fees	Waiver	Waiver
Other compensation	NA	NA

(1) In respect of directorship.
(2) In respect of non-voting membership.

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(gross amount in euros)	Gross amounts paid in respect of financial year 2018	Gross amounts paid in respect of financial year 2017
Mr Laurent Vallée		
Directors' fees	Waiver	Waiver
Other compensation	NA	NA
AXA REIM France represented by Ms Amal Del Monaco		
Directors' fees	Waiver	Waiver
Other compensation	NA	NA
Cardif Assurance Vie represented by Ms Nathalie Robin		
Directors' fees	30,000.00	17,187.50
Other compensation	NA	NA
Prédica represented by Mr Emmanuel Chabas		
Directors' fees	30,000.00	15,187.50
Other compensation	NA	NA
Sogecap represented by Mr Yann Briand		
Directors' fees	28,750.00	12,187.50
Other compensation	NA	NA

(1) In respect of directorship.
(2) In respect of non-voting membership.

6.2.2 Compensation and benefits in kind 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.

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 2018, as shown in (3) of Section 6.2.2.1 of this Registration Document, is conditional upon shareholder approval at the next Ordinary general meeting called to approve the financial statements for the year ended 31 December 2018.

6.2.2.1 Compensation and benefits in kind granted to the Chairman of the Board of Directors and to the CEO and Deputy CEOs, in respect of the financial year 2018

(1) Principles of compensation for Executive Corporate Officers

(a) Jacques Ehrmann, Chairman & CEO

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 is Executive Director of the Carrefour group in charge of Assets, International Development and Innovation, pursuant to an employment contract with Carrefour. Jacques Ehrmann does not have a contract of employment with the Company.

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 is not eligible to receive any severance indemnity (in respect of voluntary resignation, dismissal, forced resignation or retirement) upon termination of his corporate office within the Company, nor is he eligible to receive any indemnity in respect of a non-compete clause or a supplementary pension plan.

Jacques Ehrmann holds 39,664 shares in the Company as of the date of this Registration Document.

(b) Yves Cadélano, Deputy CEO until 31 July 2018

Yves Cadélano was appointed Deputy CEO of the Company at the meeting of the Board of Directors held on 12 June 2017.

At the time Yves Cadélano was also Real Estate Director of the Carrefour group. In this respect, he was responsible for Carrefour Property France, Carrefour Property Espagne and Carrefour Property Italie. He was also Deputy CEO of Almia Management and was responsible for oversight of Carmila Espagne and Carmila Italie.

Yves Cadélano does not receive any compensation in respect of his corporate office within the Company.

Yves Cadélano resigned from all these positions with effect from 31 July 2018.

Yves Cadélano was not eligible to receive any severance indemnity (in respect of voluntary resignation, dismissal, forced resignation or retirement) upon termination of his corporate office within the Company effective from 31 July 2018, nor was he eligible to receive any indemnity in respect of a non-compete clause or a supplementary pension plan.

Yves Cadélano holds 13,666 shares in the Company as of the date of this Registration Document.

(c) Géry Robert-Ambroix, Deputy CEO

Géry Robert-Ambroix was appointed Deputy CEO of the Company by the Board of Directors on 12 June 2017.

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 is not eligible to receive any severance indemnity (in respect of voluntary resignation, dismissal, forced resignation or retirement) upon termination of his corporate office within the Company, nor is he eligible to receive any indemnity in respect of a non-compete clause or a supplementary pension plan.

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 32,747 shares in the Company as of the date of this Registration Document.

(d) Sébastien Vanhoove, Deputy CEO as from 1 August 2018

Sébastien Vanhoove was appointed Deputy CEO of the Company at the meeting of the Board of Directors held on 27 July 2018.

Sébastien Vanhoove is Chairman of Carrefour Property France. In this capacity he is responsible for Carrefour Property France and its subsidiaries. He holds an employment contract with Carrefour Management which covers these roles. Sébastien Vanhoove does not receive any compensation in respect of his corporate office within the Company.

Sébastien Vanhoove is not eligible to receive any severance indemnity (in respect of voluntary resignation, dismissal, forced resignation or retirement) upon termination of his corporate office within the Company, nor is he eligible to receive any indemnity in respect of a non-compete clause or a supplementary pension plan.

Sébastien Vanhoove is also Deputy CEO of Almia Management, a subsidiary of the Company, and receives fixed compensation in respect of that position.

Sébastien Vanhoove does not hold any shares in the Company as of the date of this Registration Document.

However, in accordance with the provisions of Article 1.6.3 of the Internal Regulations of the Board of Directors, providing for the holding of 5,000 shares by the Deputy Chief Executive Officers during their term of office, and in light of the recent appointment of Mr Sébastien Vanhoove, the latter has committed to acquire 1,000 shares before the next meeting. In addition, it has been agreed, in accordance with the recommendations of Article 22 of the AFEP-MEDEF Code, that Mr Sébastien Vanhoove will devote 100% of the free allocations of shares from which he is a beneficiary to the achievement of the threshold of 5,000 shares.

(2) Structure of annual fixed and variable compensation received by the Executive Corporate Officers

(a) Jacques Ehrmann

With regard to the financial year 2018, the portion of *Jacques Ehrmann's* fixed compensation borne by the Company each year amounts to €353,000.

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 payable to him by the Company were fixed as follows: (i) 50% based on general quantitative criteria (actual consolidated NRI 2018, like-for-like growth of rental income 2018, EPRA Cost Ratio 2018, growth in recurring income 2018 versus 2017); (ii) 20% based on individual quantitative criteria (change in vacancy rate, lease renewals, revenues generated by certain businesses (specialty leasing & temporary stores) acquisition volume, yield-on-cost (YOC) of delivered projects, number of kiosk campaigns and financial occupancy rate restated for strategic vacancies); and (iii) 30% based on qualitative criteria (governance, audit and internal control, CSR, innovation and entrepreneurship; financial communication and quality of partner and customer relations).

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 13 February 2019, the Board of Directors noted, upon consultation with the Compensation and Nominating Committee, that the performance criteria for the variable compensation of Jacques Ehrmann had been met at 157% with respect to the general quantitative criteria, at 156% with respect to the individual quantitative criteria and at 140% with respect to the individual qualitative criteria, corresponding to an attainment rate of 152% overall.

The annual variable compensation of Jacques Ehrmann for the financial year 2018 amounts to €455,176.

(b) Yves Cadélano

One half of the fixed compensation of Yves Cadélano under his contract of employment with Carrefour Management was paid by the Company in respect of his operational role within the Company, and the other half was paid by the Carrefour group in respect of his services for Carrefour Property France.

With regard to the financial year 2018, the portion of Yves Cadélano's fixed compensation payable by the Company in respect of his operational role was €175,000 per annum, this amounts to €116,667 on a prorata temporis basis for the period up to and including 31 July 2018.

Variable compensation received by Yves Cadélano for his operational role with the Company was determined on the basis of performance criteria relating only to the Carmila Group. Following his departure, Yves Cadélano will not receive any annual variable compensation in respect of 2018.

The fixed 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

With regard to the financial year 2018, the portion of Géry Robert-Ambroix's fixed compensation payable by the Company in respect of his operational role amounts to €350,000 per annum.

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.

With respect to the financial year 2018, the performance criteria used to determine his variable compensation were fixed as follows: (i) 40% based on general quantitative criteria (actual consolidated NRI 2018, like-for-like growth of rental income 2018, EPRA Cost Ratio 2018, growth in recurring income 2018 versus 2017); (ii) 30% based on individual quantitative criteria (change in vacancy rate, lease renewals, revenues generated by certain businesses (Specialty leasing & temporary stores), acquisition volume, yield-on-cost (YOC) of delivered projects, number of kiosk campaigns and financial occupancy rate restated for strategic vacancies]); and (iii) 30% based on qualitative criteria (governance, audit and internal control, CSR, innovation and entrepreneurship; financial communication and quality of partner and customer relations).

At its meeting of 13 February 2019, the Board of Directors noted, upon consultation with the Compensation and Nominating Committee, that the performance criteria for the variable compensation of Géry Robert-Ambroix had been met at 157% with respect to the general quantitative criteria, at 156% with respect to the individual quantitative criteria and at 131% with respect to the individual qualitative criteria, corresponding to an attainment rate of 149% overall.

The annual variable compensation of Géry Robert-Ambroix in respect of his employment contract for the financial year 2018, amounts to €208,460.

In respect of 2018, the benefits in kind payable to him amount to €2,112.

(d) Sébastien Vanhoove

One half of the fixed compensation of Sébastien Vanhoove under his employment contract 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 Company has entered into a secondment agreement with the Carrefour group under which half of Sébastien Vanhoove's working hours are seconded to the Company and his fixed and variable compensation is charged back to the Company as from 1 August 2018.

With regard to the financial year 2018, the portion of Sébastien Vanhoove's fixed compensation payable by the Company amounts to €135,000 (50%) with effect from 1 August 2018, *i.e.* €56,250 on a prorata temporis basis from 1 August.

Variable compensation received by Sébastien Vanhoove for his operational role with the Company is determined on the basis of performance criteria relating only to the Carmila Group.

In respect of the financial year 2018, the variable portion of Sébastien Vanhoove's compensation amounts – prorata temporis since his appointment – to 40% of his gross fixed compensation paid by the Company if 100% of the performance criteria are achieved, and up to 80% of his gross fixed compensation paid by 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 achieved.

For the same financial year, the performance criteria used to determine the variable compensation payable to him by the Company are identical to those established for Yves Cadelano, namely: (i) 40% based on general quantitative criteria (actual consolidated NRI 2018, like-for-like growth of rental income 2018, EPRA Cost Ratio 2018, growth in recurring income 2018 versus 2017); (ii) 30% based on individual quantitative criteria (change in vacancy rate, lease renewals, specialty leasing & temporary stores, yield-on-cost (YOC) of delivered projects, number of kiosk campaigns and financial occupancy rate restated for strategic vacancies); and (iii) 30% based on qualitative criteria (governance, audit and internal control, CSR, innovation and entrepreneurship; financial communication and quality of partner and customer relations).

The variable compensation received by Sébastien Vanhoove in respect of his operational role with Carrefour, which is paid to him by Carrefour Management is fixed according to performance criteria established by the Carrefour group.

At its meeting of 13 February 2019, the Board of Directors noted, upon consultation with the Compensation and Nominating Committee, that the performance criteria for the variable compensation of Sébastien Vanhoove had been met at 157% with respect to the general quantitative criteria, at 156% with respect to the individual quantitative criteria and at 131% with respect to the individual qualitative criteria, corresponding to an attainment rate of 149% overall.

The annual variable compensation of Sébastien Vanhoove, in respect of the financial year 2018, amounts to € 40,948 for the period from 1 August 2018 to 31 December 2018.

The fixed and variable compensation amounts payable by the Company to Sébastien Vanhoove in respect of his operational role with the Company are billed by the Carrefour group to the Company, as described here above.

(3) Summary of compensation of each senior Executive Corporate Officer over the last two financial years

Mr Jacques Ehrmann CEO	Financial year 2018*		Financial year 2017*			
	Amounts due for the year	Amounts paid during the year	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)*	€353,000	€353,000	€353,000	€196,326	€353,000	€196,326
Annual variable compensation	€455,176	€480,680(3)	€480,680	€267,337	NA	NA
Multiannual variable compensation(2)	NA	NA	NA	NA	€299,500	NA
Directors' fees	€30,000	€41,667(3)	€41,667	€33,919	NA	NA
Benefits in kind	NA	NA	NA	NA	NA	NA
Contractual seniority bonus *(pegged to the collective bargaining agreement for the real estate sector)*	NA	NA	NA	NA	NA	NA
PERCO (Group pension plan)	NA	NA	NA	NA	NA	NA
Provision for retirement bonus	NA	NA	NA	NA	NA	NA
TOTAL	**€838,176**	**€875,347**	**€875,347**	**€497,582**	**€652,500**	**€196,326**

(1) On a prorata temporis basis as from 12 June 2017.
(2) Amount due under the multiannual variable remuneration plan of Carmila SAS for the period 2014-2016, paid in 2017.
(3) Total paid in the reporting periods pre merger (within Carmila SAS, absorbed company) and post merger (within Carmila SAS, previously Cardety SA, merging company).
** Fixed and variable compensation paid by Carmila.*

	Financial year 2018	Financial year 2017
Value of options granted during the year	NA	NA
Valuation of Carmila preference shares allocated free of charge in the year (1st PSP 2018 dated 16 May 2018)	€276,921	NA
Value of Carmila free shares attributed in the financial year (2017 Performance Share Plan)	NA	€495,014

Yves Cadélano Deputy CEO	Financial year 2018*				Financial year 2017*			
	Amounts due for the year		Amounts paid during the year		Amounts due for the year		Amounts paid during the year	
	Annual basis	Prorata temporis until 31 July 2018	Annual basis	Prorata temporis until 31 July 2018	Annual basis	Prorata temporis since the Merger(1)	Annual basis	Prorata temporis since the Merger(1)
Fixed compensation *(gross pre-tax base)*	€175,000	€116,667	€175,000	€116,667	€175,000	€97,329	€194,658	€97,329
Annual variable compensation	NA	NA	€111,580	€111,580(3)	€111,580	€62,057	NA	NA
Multiannual variable compensation(2)	NA	NA	NA	NA	NA	NA	€128,624	NA
Directors' fees	NA	NA	NA	NA	NA	NA	NA	NA
Benefits in kind	NA	NA	NA	NA	NA	NA	NA	NA
Contractual seniority bonus *(pegged to the collective bargaining agreement for the real estate sector)*	NA	NA	NA	NA	NA	NA	NA	NA
PERCO (Group pension plan)	NA	NA	NA	NA	NA	NA	NA	NA
Provision for retirement bonus	NA	NA	NA	NA	NA	NA	NA	NA
TOTAL	**€175,000**	**€116,667**	**€286,580**	**€228,247**	**€286,580**	**€159,386**	**€323,282**	**€97,329**

(1) On a prorata temporis basis as from 12 June 2017.
(2) Amount due under the multiannual variable remuneration plan of Carmila SAS for the period 2014-2016, paid in 2017.
(3) Total paid in the reporting periods pre merger. (within Carmila SAS, absorbed company) and post merger (within Carmila SAS, previously Cardety SA, merging company).
** Fixed and variable compensation paid by Carmila.*

	Financial year 2018* (up to 31 July 2018)	Financial year 2017
Value of options granted during the year	NA	NA
Valuation of Carmila shares allocated free of charge in the year (1st PSP 2018 dated 16 May 2018)	NA*	NA
Value of Carmila free shares attributed in the financial year (2017 Performance Share Plan)	NA*	€122,704

* *Mr Yves Cadélano forfeited all his performance share allocation rights following his departure from the Company on 31 July 2018.*

	Financial year 2018			
	Amounts due for the year		Amounts paid during the year	
Mr. Sébastien Vanhoove Deputy CEO	**Annual basis**	**Prorata temporis as from 1 August 2018**	**Annual basis**	**Prorata temporis as from 1 August 2018**
Fixed compensation (gross pre-tax base)(1)	€135,000	€56,250	€135,000	€56,250
Annual variable compensation	€98,275	€40,948	NA	NA
Multiannual 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
Provision for retirement bonus	NA	NA	NA	NA
TOTAL	**€233,275**	**€97,198**	**€135,000**	**€56,250**

* *Fixed and variable compensation paid by Carmila.*
(1) *Mr Sébastien Vanhoove is also paid annual gross fixed compensation of €30,000 as Deputy CEO of Almia Management, a subsidiary of the Company.*

	Financial year 2018 (as from 1 August 2018)
Value of options granted during the year	NA
Valuation of Carmila shares allocated free of charge in the year (2nd PSP 2018 dated 24 October 2018)	€91,526
Value of Carmila free shares attributed in the financial year (2017 Performance Share Plan)	NA

	Financial year 2018		Financial year 2017			
	Amounts due for the year	Amounts paid during the year	Amounts due for the year		Amounts paid during the year	
Mr Géry Robert t-Ambroix Deputy CEO			**Annual basis**	**Prorata temporis since the Merger(1)**	**Annual basis**	**Prorata temporis since the Merger(1)**
Fixed compensation *(gross pre-tax base)*	€350,000	€350,000	€350,000	€194,658	€350,000	€194,658
Annual variable compensation	€221,480	€221,480(4)	€221,480	€150,801(2)	NA	NA
Multiannual variable compensation(3)	NA	NA	NA	NA	€257,247	NA
Directors' fees	NA	NA	NA	NA	NA	NA
Benefits in kind (company car)	€2,112	€2,112	€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	NA	NA
PERCO (Group pension plan)	NA	NA	NA	NA	NA	NA
Provision for retirement bonus	NA	NA	NA	NA	NA	NA
TOTAL	**€573,592**	**€573,592**	**€574,228**	**€346,987**	**€609,995**	**€196,186**

(1) *On a prorata temporis basis as from 12 June 2017.*
(2) *Including incentive compensation and profit-sharing.*
(3) *Amount due under the multiannual variable remuneration plan of Carmila SAS for the period 2014-2016, paid in 2017.*
(4) *Total paid in the reporting periods pre merger(within Carmila SAS, absorbed company) and post merger (within Carmila SAS, previously Cardety SA, merging company).*

	Financial year 2018	Financial year 2017
Value of options granted during the year	NA	NA
Valuation of Carmila shares allocated free of charge in the year (1st PSP 2018 dated 16 May 2018)	€183,039	NA
Value of Carmila free shares attributed in the financial year (2017 Performance Share Plan)	€245,409	€245,409

SUMMARY OF EXECUTIVE CORPORATE OFFICERS' INDEMNITIES AND/OR BENEFITS FOR 2018

	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**
Mr. 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: 31 July 2018		✓(1)		✓		✓		✓
Mr Sébastien Vanhoove *Deputy CEO* First appointed: 27 July 2018 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: General meeting to approve the 2020 financial statements		✓(2)		✓		✓(3)		✓(3)

(1) Messrs Jacques Ehrmann, Yves Cadélano and Sébastien Vanhoove are each a party to an employment contract with the Carrefour group.
(2) Mr Géry Robert-Ambroix is party to an employment contract with Almia Management, a subsidiary of the Company.
(3) However, Mr 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.

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(4) Assumption by the Company of stock option plans and bonus share plans (2016 Presence Share Plan, 2016 and 2017 Performance Share Plans) as from the Merger

Background and current situation

Carmila SAS, 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 bonus share plan requiring presence at 31 December 2017;
- a free share plan conditional upon (i) continued employment in the Company at 14 February 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 SAS 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 290,993 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 (one Cardety share for three Carmila SAS shares) had been taken into account. This share grant is conditional upon (i) continued presence in the Company at the end of each vesting 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 SAS, the absorbed entity, with respect to its obligations to the beneficiaries of free shares.

During 2018, following a decision taken by the Board of Directors on 16 May 2018, the Company established a new share plan in the form of bonus preference shares convertible into ordinary shares, granted for the benefit of the Company's senior executives and employees according to the achievement of given performance criteria (described below), involving a total of 125,746 preference shares, including the allocation of 22,804 preference shares to Jacques Ehrmann, 7,537 preference shares to Yves Cadélano and 15,073 preference shares to Géry Robert-Ambroix. This plan stipulates (i) continued presence in the Company until the end of each vesting period, and (ii) the following performance criteria:

- change in the total shareholder return (corresponding to the year-on-year change in the adjusted triple net asset value (NNNAV) from 31 December 2017 to 31 December 2020 after reintegration of distributions during the period) compared to a panel of comparable real estate companies;
- average annual growth in recurring earnings per share (corresponding to the average annual growth, expressed as a percentage, of recurring earnings per share of Carmila for the year ended 31 December 2020 compared with the recurring earnings per share of Carmila for the year ended 31 December 2017, calculated on the number of shares outstanding at 31 December 2017); and
- the difference between the Company's share price in 2020 (corresponding to the average closing price of Carmila shares in the last 40 trading days of 2020, adjusted for the distribution, if any, of an interim dividend during that period) and EPRA triple net NAV at 31 December 2019.

Furthermore, a new allocation was granted, based on the total number of shares approved by the General meeting of 16 May 2018, in favour of a single beneficiary. An additional plan with specific vesting/holding periods was approved on 24 October 2018 by the Board of Directors which decided to grant 7,537 preference shares to Sébastien Vanhoove, subject to the same conditions of continued presence and performance as those governing the bonus preference share plan approved on 16 May 2018 and referred to above. Yves Cadélano forfeited his share allocation rights following his departure from the Company on 31 July 2018.

The maximum total number of ordinary shares that may be created as a result of the conversion of preference shares granted under these two plans may not represent more than 0.09% of the share capital of the Company at the date of the Shareholders' Meeting of May 16, 2019 and more than 0.04% for the share allocated to executive corporate officers(1).

Executive corporate officers are subject to an obligation to keep free shares. The Board of Directors decided, at its meeting of June 12, 2017, to renew the terms set in 2016 and to set the retention obligations as follows:

- for the Chairman and Chief Executive Officer: 50% of the total number of bonus shares awarded within the limit of 1.5 years of gross fixed compensation;
- for the Deputy Chief Executive Officers: 50% of the total number of bonus shares awarded within the limit of 1 year of fixed compensation.

In addition, Article 1.6.3 of the Internal Regulations of the Board of Directors of Carmila provides for an obligation to hold the Company's shares by executive corporate officers for the duration of their mandates, up to 10,000 shares for the Chairman. Chief Executive Officer, and 5,000 shares for the Deputy Chief Executive Officers.

(1) of which Jacques Ehrmann 0.02%, Géry Robert-Ambroix 0.01% and Sébastien Vanhoove 0.01% of the capital.

SUMMARY OF BONUS SHARES GRANTED TO EACH EXECUTIVE CORPORATE OFFICER

Plan name	Plan Presence 2016	Plan Performance 2016	Plan performance in 2017	PSP 2018 No. 1	PSP 2018 No. 2
Carmila SAS Meeting date	14/04/2016	14/04/2016	14/04/2016	16/05/2018	16/05/2018
Carmila SAS Grant date(s)	14/04/2016 Corporate Officers 15/06/2016 Employees	17/05/2016 Corporate Officers 15/06/2016 Employees	12/06/2017	16/05/2018	24/10/2018
Number of recipient	31	34	32	47	1
Number of Carmila shares originally granted under the plan	56,661	89,340	96,988	125,746	7,537
• incl. Jacques Ehrmann	11,647	11,653	20,764	22,804	NA
• incl. Géry Robert-Ambroix	6,593	9,894	10,294	15,073	NA
• incl. Yves Cadélano	3,296	4,947	5,147	7,537	NA
• incl. Sébastien Vanhoove	NA	NA	NA	NA	7,537
• incl. other employees	35,125	62,846	60,783	80,332	NA
Remaining number of shares to be granted as of 31/12/2018	0	0	86,436	112,611	7,537
Issue date and definitive acquisition of the B shares*	NA	NA	NA	16/05/2019	24/10/2019
Vesting date(s)	31/12/2017	14/02/2018 Corporate Officers 15/06/2018 Employees	12/06/2019 Employees 50% 12/06/2020 Employees 50%/Corp. Officers 100%	16/05/2021	24/10/2021
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%/Corp. Officers 100%	16/05/2021	24/10/2021

* *The preference share plan stipulates that one year after the grant date, B shares will be created and definitively allocated to the beneficiaries and will be, in accordance with the plan, converted into Carmila ordinary shares, subject to attendancy and performance conditions.*

6.2.3 Presentation of draft resolutions related to the 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 2019

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 2018.

"Thirteenth 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 2019).

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 2019 as set forth in the Corporate Governance Report."

SUMMARY OF 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 2019, 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. For the 2019 financial year, the performance criteria used to determine the variable compensation payable to him by the Company were fixed as follows: (i) 50% based on general quantitative criteria (like-for-like growth of rental income 2019, EPRA Cost Ratio 2019, excluding vacancy costs), CAGR 2018 and 2019 of growth in recurring income per share and % of centres having obtained BREEAM certification or equivalent at end 2019, in % of market value); (ii) 20% based on individual quantitative criteria(change in vacancy rate, lease renewals, revenues generated by certain businesses, number of kiosk campaigns, financial occupancy rate excluding strategic vacancies and performance criteria for the delivery of the Rennes-Cesson extension); and (iii) 30% based on qualitative criteria (governance and compliance including audit, internal control and CSR, Financial communication, innovation and entrepreneurship, quality of relationships with customers and partners and financial liquidity. 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 2019.
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 2019.
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 16 May 2018 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 2018 to give the Board the authorisation to award preference shares ("C 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 C shares may not represent more than 180,000 ordinary shares, *i.e.* 0.13% 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 0.13% limit mentioned above, may not represent more than 0.13% 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.

6.2.3.2 Chairman and CEO's compensation in respect of his term of office in the financial year 2018

The payment of variable and exceptional compensation is conditional upon shareholder approval, at the next Ordinary general meeting, of the Chairman and Chief Executive Officer's pay under the conditions set out under Article L. 225-100 as presented in the following resolution.

"Twelfth resolution (Approval of the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid or 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. 225-100 of the French Commercial Code, hereby approves the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid or 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 RECAPPING PAY PRINCIPLES AND CRITERIA

Components of compensation due for the year or attributable for the year ended 31 December 2018	Amount or accounting valuation put to a vote	Presentation
Fixed compensation	€353,000[1]	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. 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	€455,176[1]	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. At its meeting on 13 February 2019, upon the recommendation of the Compensation and Nominating Committee, the board of Directors agreed the variable sum payable to the Chairman and CEO for 2018. Given that performance criteria were met, for the purposes of setting his variable compensation payable by the Company and agreed by the Company's Board of Directors, variable compensation has been agreed on the following basis: • 50% based on general quantifiable criteria (actual consolidate NRI for 2018, like-for-like growth of rental income 2018, EPRA Cost Ratio 2018, growth in recurring earnings 2018 vs 2017), 157% of which have been met; • 20% based on individual quantitative criteria (change in vacancy rate, lease renewals, revenues generated by certain businesses and acquisition volume (speciality leasing & temporary stores, yield-on-cost (YOC) of delivered projects, number of kiosk campaigns and financial occupancy rate restated for strategic vacancies), 156% of which have been met; and • 30% based on individual qualitative criteria (governance, audit and internal audits, CSR, innovations and entrepreneurship; financial communication and the quality of relations with clients and partners), of which 140% have been met. 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. The payment of variable compensation is conditional upon the approval of the next Shareholders' meeting called to approve the financial statements for the year ending 31 December 2018.
Exceptional compensation	None.	No exceptional compensation.
Directors' fees	€30,000	The total gross sum paid for his role as Company director as well as his role as member of the Strategic and Investment Committee from 12 June 2017.

(1) Amount paid by Carmila.

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Components of compensation due for the year or attributable for the year ended 31 December 2018	Amount or accounting valuation put to a vote	Presentation
Valuation of benefits in kind	None.	None.
Stock options, free shares and any other long-term compensation	Options: None. Shares: 22,804 bonus preference shares.	Jacques Ehrmann was not allocated any stock options for 2018. In 2018, 22,804 bonus preference shares were allocated to Jacques Ehrmann following a decision by the Board of Directors on 16 May 2018.
Termination of service indemnity: Severance payment	None.	Jacques Ehrmann did not benefit from any severance pay in respect of the termination of his role within the Company.
Non-compete indemnity	None.	Jacques Ehrmann did not benefit from any non-compete indemnity in respect of the termination of his role within the Company.
Supplemental pension plan	None.	Jacques Ehrmann did not benefit from any supplemental pension plan in respect of his role within the Company.

(1) Amount paid by Carmila.

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 SAS 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 SAS 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. On conclusion of 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 General meeting of Carmila, held on 16 May 2018, proposed that shareholders be given the option of receiving payment of the balance of the 2017 dividend in shares (€0.75 per share). Acting upon sub-delegation granted by the Board of Directors at its meeting of 16 May 2018, the Company's Chairman & CEO decided, on 12 June 2018, to carry out a capital increase via the allocation of 1,501,666 bonus shares, corresponding to a capital increase for a maximum nominal amount of €9,009,996, raising the Company's share capital from €810,360,174 to €819,370,170.

The table below shows the change in the Company's share capital over the last three financial years:

	31/12/2018	31/12/2017	31/12/2016
Share capital	€819,370,170	€810,360,174	€25,900,068
Number of shares	136,561,695	135,060,029	4,316,678
Theoretical number of voting rights	136,561,695	135,060,029	4,316,678
Actual number of voting rights	136,332,347	134,946,290	4,305,685

The table below shows the change in share capital during the financial year 2018:

Period	Number of shares	Share capital *(in euros)*
1 January 2018	135,060,029	€810,360,174
12 June 2018	136,561,695	€819,370,170

6.3.1.2 Share capital subscribed at 31 December 2018

At 31 December 2018, the Company's share capital amounted to €819,370,170, distributed among 136,561,695 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 current, valid delegations granted to the Board of Directors by the General meetings held on 12 June 2017 and 16 May 2018:

Resolution	Subject of the resolution	Maximum nominal amount	Term of the authorisation	Utilisations during the financial year
General meeting of 16 May 2018				
9	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	
10	Delegation of authority granted to the Board of Directors to allot existing preference shares or free shares to be issued to some or all employees and corporate officers of the Group[1]	0.09% of the Company's share capital (after conversion of preference shares into ordinary shares)	38 months	See Section 6.3.3.1
General meeting of 12 June 2017				
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 corresponding to capital increases[2] €2 billion for the issuance of debt securities	26 months	€138,742,908[3]
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 corresponding to capital increases[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
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 corresponding to capital increases(2)(4) €1 billion for the issuance of debt securities	26 months	
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 corresponding to capital increases(2) €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 stipulated by the applicable regulations (currently 15% of the initial issue)(2) and(5)	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(2)	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(1)	No more than 0.5% of the share capital(2)(4)	38 months	
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	

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

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6.3.1.4 Securities not representing share capital

At 31 December 2018, 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 16 May 2018 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 General meeting of 12 June 2017 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 for the Company pursuant to Articles L. 225-177 et seq. of the French Commercial Code or any similar plan;
- the allocation or sale of shares to employees as part of their participation in a Company 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 pursuant to Articles L. 225-197-1 et seq. of the French Commercial Code;
- generally satisfying obligations under stock option plans or other allocations of shares to employees or corporate officers 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 allow the Company to engage in any other activity that is currently authorised or that may in the future be authorised by law or by the regulations in force, including any market practice that may be permitted by the AMF subsequent to the General meeting of 16 May 2018 and, more generally, the performance of any other operation in compliance with the regulations currently in force. 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 agreement

On the settlement date of 31 December 2018, under the liquidity contract entrusted by Carmila to EXANE BNP PARIBAS, the following assets were in the liquidity account:

- 203,848 Carmila shares;
- €743,970.

You are reminded that at the last half-year review (30 June 2018) the following resources were affected to the liquidity account:

- 95,618 Carmila shares;
- €2,967,960.

Over 2018, 405,449 shares were purchased at an average price of €21.578 per share and 315,340 shares were sold at an average price of €22.205 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 (ISP) on 9 January, 16 February, 20 April and 10 September 2018, to cover bonus share plans for employees and corporate officers, and 161,817 shares were purchased at an average price of €23.75 per share at 28 September 2018.

(3) Cancellation

In 2018, the Company did not cancel any shares.

(4) Sale of treasury shares

In 2018, the Company did not sell any shares.

As at 31 December 2018, the Company holds 229,348 treasury shares directly, representing a value of €3,860,572 on the basis of the book value and €6 per share in par value.

As of 31 March 2019, the Company holds 211,043 treasury shares representing approximately 0.15% of the capital. Consequently, the maximum number of additional shares that can theoretically be purchased under this authorisation is 13,445,126 shares (*i.e.* approximately 9.85% of the share capital.

The Company's position as at 31 December 2018 and 31 March 2019 is as follows:

	31/12/2018	31/03/2019
Number of shares held in the portfolio	229,348	211,043
Percentage of self-owned capital directly and indirectly	0.17%	0.15%
Number of shares cancelled in the last 24 months	0	0
Book value of portfolio *(in euros)*	€3,860,572	3,724,331
Market value of portfolio *(in euros)*	€3,706,264	3,591,952

The authorisation granted on 16 May 2018, in force on the filing date of this document, will end after a period of eighteen months from the Combined General Meeting of 16 May 2018, *i.e.* on 16 November 2019, unless a new share buyback programme is authorised by the next General meeting to be held on 16 May 2019.

Share repurchase programme submitted to the Ordinary general meeting of Shareholders on 16 May 2019

A motion will be put to the General Meeting on 16 May 2019 to renew the authorisation given to the Board of Directors by the Ordinary general meeting on 16 May 2018 to carry out transactions in the Company's shares in the following conditions:

"Fourteenth resolution (Authorisation will be granted to the Board of Directors so that it may carry out transactions in the Company's shares). – The General meeting, with the conditions of quorum and majority required for ordinary general meetings met, having read the report of the Board of Directors, hereby authorises the Board of Directors, with the power to delegate in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code and pursuant to the conditions set out in Articles 241-1 et seq. of the AMF General Regulations, European Regulation (EU) No. 596/2014 of the European Parliament and Council of 16 April 2014, the European Commission Delegated Regulation (EU) No. 2016/1052 of 8 March 2016 and market practices accepted by the AMF, to purchase or arrange for the purchase of shares in the Company, particularly with a view to:

- the implementation of any stock option plan for the Company pursuant to Articles L. 225-177 et seq. of the French Commercial Code or any similar plan; or
- the allocation or sale of shares to employees as part of their sharing the profits of the Company's expansion and/or the implementation of any group or company 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 pursuant to Articles L. 225-197-1 et seq. of the French Commercial Code; or
- generally satisfying obligations under stock option plans or other allocations of shares to employees or corporate officers of the issuer or an affiliated company; or
- 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;
- 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; or
- retaining them with a view to issuing them at a later date as payment or in exchange as part of or following any acquisitions.

This programme is also intended to allow the Company to engage in any other activity that is currently authorised or that may in the future be authorised by law or by the regulations in force, including any market practice that may be permitted by the AMF subsequent to this General meeting and, more generally, the performance of any other operation in compliance with the regulations currently in force. In such an event, the Company will inform its shareholders by way of a press release.

The purchase of Company shares may relate to a specific number of shares such that, as of the repurchase date, the total number of shares bought by the Company since the beginning of the repurchase programme (including those subject to the said repurchase) may not exceed 10% of the shares making up the Company's capital, with this percentage applying, where relevant, to any capital adjusted for the operations that may affect the share capital after this General Meeting; given that (i) where Company shares are bought to promote liquidity in the conditions set by the AMF General Regulations, the number of shares taken into account when calculating the aforementioned 10% cap will correspond to the shares purchased, less the number of shares resold during the period in question, (ii) the number of shares acquired to be retained and reissued at a later date as part of a merger, demerger or contribution, may not exceed 5% of the share capital (iii) the number of shares held by the Company at any time may not exceed 10% of the shares that make up the Company's share capital on the date in question.

Shares may be purchased, sold, exchanged or transferred at any time, in one or more instalments, within the limits authorised by the legal and regulatory provisions in force, and through any means, particularly on regulated markets, multilateral trading systems, using systematic or ad-hoc internalisers, including through the acquisition or sale of blocks, public offers of purchase, sale or exchange or through the use of options or other financial instruments ultimately traded on regulated markets, multilateral trading systems, using systematic or ad-hoc internalisers, or through the reissuing of shares following the issuance of securities giving access to the Company's share capital through the conversion, repayment or exercising a bond, either directly or indirectly through an investment service provider, or in any other way with no limit on the portion of the repurchase programme that may be realised using any of these methods). Subject to the legal and regulatory provisions in force, these transactions may be performed at any time.

The maximum share price covered by this authorisation is at €50 (fifty euros) per share (or the equivalent amount in any other currency on the same date). The total amount allocated to the repurchase programme authorised above may not exceed €50,000,000 (fifty million of euros).

In event of a change in the share price, the increase in capital through the incorporation of reserves, the allocation of bonus shares, stock split or reverse stock stick, capital depreciation or any other transaction on the share capital or equity, the General Meeting delegates to the Board of Directors the power to adjust the aforementioned purchase price so as to take into account the effect of these transactions on the share price.

The General Meeting grants the Board of Directors, who may delegate under the conditions set out in law, decision-making powers and the power to implement this authorisation, to specify, where necessary, the wording and set the procedure for implementing the repurchase programme, and particularly to issue any stock exchange instruction, enter into any agreements, particularly to keep the share register, to allocate and reallocate the shares acquired for the objectives set out in the relevant legal and regulatory conditions, to set the procedures for maintaining the rights of owners of securities giving access to capital or other shares giving access to capital in accordance with the legal and regulatory provisions and, where relevant, contractual provisions relating to other cases of adjustment, to make any declarations to the AMF and any other authority, to perform any formalities and, in general terms, to do as required.

The General Meeting decided that the Board of Directors may not use this authorisation and continue its repurchase programme in the event of a public offering of the shares or securities issued by the Company.

From this General Meeting, this authorisation replaces any unused part of any previous delegation granted to the Board of Directors to trade in Company shares. It is granted for an eighteen month period from this General 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 any 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 2018, the Company's share capital was held as follows:

Shareholders	Number of shares and of voting rights	% of shareholding and voting rights
CRFP 13(1)	48,288,568	35.36%
Prédica(2)	12,564,212	9.20%
Cardif Assurance Vie(3)	12,050,973	8.82%
Colkart Sarl(4)	10,769,925	7.89%
SA Sogecap(5)	7,684,625	5.63%
Colkart II Sarl(6)	1,973,903	1.45%
Treasury shares	229,348	0.17%
Management and employees	194,011	0.14%
Public	42,806,130	31.35%
TOTAL	**136,561,695**	**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) SA Sogecap is controlled by Société Générale.
(6) Colkart II Sarl is controlled by Colkart Investment II SCS, whose managing general partner is Colony Retail Europe III Sarl.

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 SAS, 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 SAS was applied. The consideration for the net assets tendered generated 104,551,551 new shares of the Company, allocated to shareholders of Carmila SAS, 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, up to €50 million, 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.

The General meeting of Carmila, held on 16 May 2018, proposed that shareholders be given the option of receiving payment of the balance of the 2017 dividend in shares (€0.75 per share). Acting upon sub-delegation granted by the Board of Directors at its meeting of 16 May 2018, the Company's Chairman & CEO decided, on 12 June 2018, to carry out a capital increase via the allocation of 1,501,666 bonus shares, corresponding to a capital increase for a nominal amount of €9,009,996, raising the Company's share capital from €810,360,174 to €819,370,170.

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 of the Company's knowledge, and since 31 December 2017,

- Sogecap, controlled by Société Générale, notified the Company and the AMF that it had crossed above a legal shareholding threshold when its interest in the Company's share capital was raised to 5.02% on 19 February 2018, bringing the number of shares it holds in the Company to 6,775,498;
- Colony Retail Europe III SARL notified the Company and the AMF that it had crossed below a legal shareholding threshold when its interest in the Company's share capital was lowered to 9.33% on 26 November 2018, bringing the number of shares it holds in the Company to 12,743,828; and
- Caisse des Dépôts Entreprises Valeurs Moyennes notified the Company that it had crossed above a legal shareholding threshold when its interest in the Company's share capital was raised to 1.05% on 29 June 2018, bringing the number of shares it holds in the Company to 1,426,249.

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 3 January 2018, Mr Olivier Lecomte, Lead director, acquired 1,000 shares for a unitary amount of €23.3517;
- on 15 February 2018, Mr Laurent Luccioni, director, acquired 1,000 shares for the amount of €22,850, representing an unitary amount of €22.85;
- on 16 February 2018, the company Sogecap, a legal entity director, acquired 72,620 shares for the amount of €1,656,862 representing an unitary amount of €22.8155;

- on 19 February 2018, the company Sogecap, a legal entity director, acquired 48,635 shares for the amount of €1,144,707 representing an unitary amount of €23,5367;
- on 20 February 2018, the company Sogecap, a legal entity director, acquired 153,861 shares for the amount of €3,616,272 representing an unitary amount of €23.5035;
- on 21 February 2018, the company Sogecap, a legal entity director, acquired 21,415 shares for the amount of €504,482 representing an unitary amount of €23,5574;
- on 22 February 2018, the company Sogecap, a legal entity director, acquired 54,852 shares for the amount of €1,294,984 representing an unitary amount of €23.6087;
- on 23 February 2018, the company Sogecap, a legal entity director, acquired 330 shares for the amount of €7,920 representing an unitary amount of €24;
- on 23 March 2018, the company Sogecap, a legal entity director, acquired 50,000 shares for the amount of €1,197,500 representing an unitary amount of €23.95;
- on 14 April 2018, Mr Yves Caledano, Deputy Chief executive Officer, received 3,296 free shares, in accordance with the Free share plan (2016 attendance plan);
- on 9 May 2018, Mr Jacques Ehrmann, Chief executive director, sold 8,845 shares fo an unitary amount of €25.2;
- on 17 May 2018, Mr Géry Robert-Ambroix, Deputy Chief executive Officer, received 9,553 free shares, in accordance with the Free share plan (2016 performance plan);
- on 17 May 2018, Mr Yves Caledano, Deputy Chief executive Officer, received 4,776 free shares, in accordance with the Free share plan (2016 performance plan);
- on 14 June 2018, the company Cardif Assurance Vie, legal entity director, received 379,485 new shares, corresponding to payment of the 2017 dividend in shares, as proposed by the General Meeting of 16 May 2018;
- on 14 June 2018, the company Predica SA, legal entity director, received 395,266 new shares, corresponding to payment of the 2017 dividend in shares, as proposed by the General Meeting of 16 May 2018;
- on 14 June 2018, the company Sogecap, legal entity director, received 229,185 new shares, corresponding to payment of the 2017 dividend in shares, as proposed by the General Meeting of 16 May 2018;
- on 11 October 2018, the company Sogecap, a legal entity director, acquired 20,946 shares for an unitary amount of €19.5;
- on 12 October 2018, the company Sogecap, a legal entity director, acquired 170,629 shares for an unitary amount of €19.6032;
- on 15 October 2018, the company Sogecap, a legal entity director, acquired 38,011 shares for an unitary amount of €19.7366;
- on 16 October 2018, the company Sogecap, a legal entity director, acquired 120,414 shares for an unitary amount of €19.7303;
- on 17 October 2018, the company Sogecap, a legal entity director, acquired 80,000 shares for an unitary amount of €19.9630;
- on 18 October 2018, the company Sogecap, a legal entity director, acquired 30,000 shares for an unitary amount of €19.9919;
- on 19 October 2018, the company Sogecap, a legal entity director, acquired 1,229 shares for an unitary amount of €19.9993;
- on 22 October 2018, the company Sogecap, a legal entity director, acquired 10,000 shares for an unitary amount of €20;
- on 23 October 2018, the company Sogecap, a legal entity director, acquired 3,233 shares for an unitary amount of €19.9537;
- on 20 December 2018, Mr Jacques Ehrmann, Chief executive director, sold 2,950 shares for an unitary amount of €16.7;

6.3.2.6 Employee share ownership

The Company has introduced four free share plans as a means of retaining its best-performing employees. For further details, refer to Section 6.3.3 below.

Shares held by Group employees within the meaning of Article L. 225-102 of the French Commercial Code, representing 0.1% of share capital at 31 December 2018.

6.3.3 Stock Option Plan and Performance Share Plans

6.3.3.1 Description of the plans

Carmila SAS, 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 bonus share plan requiring employment on 31 December 2017;
- a free share plan conditional upon (i) continued employment in the Company at 14 February 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 SAS 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 290,993 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 SAS 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 SAS, the acquiree, with respect to its obligations to the beneficiaries of free shares.

During 2018, following a decision taken by the Board of Directors on 16 May 2018, the Company established a new share plan in the form of bonus preference shares convertible into ordinary shares, granted for the benefit of the Company's senior executives and employees according to the achievement of given performance criteria (described below), involving a total of 125,746 preference shares, including the allocation of 22,804 preference shares to Jacques Ehrmann, 7,537 preference shares to Yves Cadélano and 15,073 preference shares to Géry Robert-Ambroix. This plan stipulates (i) continued presence in the Company at the end of each vesting period, and (ii) the following performance criteria:

- change in the total shareholder return (corresponding to the year-on-year change in the adjusted triple net asset value (NNNAV) from 31 December 2017 to 31 December 2020, after the reintegration of the distributions during the period) compared to a panel of comparable real estate companies;
- average annual growth in recurring earnings per share (corresponding to the average annual growth, expressed as a percentage, of recurring earnings per share of Carmila for the year ended 31 December 2020 compared with the recurring earnings per share of Carmila for the year ended 31 December 2017, calculated on the number of shares outstanding at 31 December 2017); and
- the difference between the 2020 share price (corresponding to the average of the closing prices of the Carmila shares during the last 40 trading days of the 2020 financial year, restated for the possible distribution of a deposit during the period) and the triple net EPRA NAV at 31 December, 2019.

As Yves Cadélano forfeited his share allocation rights following his departure from the Company on 31 July 2018, a new allocation was made based on the total number of shares approved by the General meeting of 16 May 2018, in favour of a single beneficiary. An additional plan with specific vesting/holding periods was approved on 24 October 2018 by the Board of Directors which decided to grant 7,537 preference shares to Sébastien Vanhoove, subject to the same conditions of continued presence and performance as those governing the bonus preference share plan approved on 16 May 2018 and referred to above.

The maximum total number of ordinary shares that may be created as a result of the conversion of preference shares granted under these two plans may not represent more than 0.09% of the share capital of the Company at the date of the Shareholders' Meeting of May 16, 2019 and more than 0.04% for the share allocated to executive corporate officers[1].

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(1) *of which Jacques Ehrmann 0.02%, Géry Robert-Ambroix 0.01% and Sébastien Vanhoove 0.01% of the capital.*

6.3.3.2 Share plans – Historical data

Plan name	Plan Presence 2016	Plan Performance 2016	Plan performance in 2017	PSP 2018 No. 1	PSP 2018 No. 2
Carmila SAS Meeting date	14/04/2016	14/04/2016	14/04/2016	16/05/2018	16/05/2018
Carmila SAS Grant date(s)	14/04/2016 Corporate Officers 15/06/2016 Employees	17/05/2016 Corporate Officers 15/06/2016 Employees	12/06/2017	16/05/2018	24/10/2018
Number of recipient	31	34	32	47	1
Number of Carmila shares originally granted under the plan	56,661	89,340	96,988	125,746	7,537
• incl. Jacques Ehrmann	11,647	11,653	20,764	22,804	NA
• incl. Géry Robert-Ambroix	6,593	9,894	10,294	15,073	NA
• incl. Yves Cadélano	3,296	4,947	5,147	7,537	NA
• incl. Sébastien Vanhoove	NA	NA	NA	NA	7,537
• incl. other employees	35,125	62,846	60,783	80,332	NA
Remaining number of shares to be granted as of 31/12/2018	0	0	86,436	112,611	7,537
Issue date and definitive acquisition of the B shares*	NA	NA	NA	16/05/2019	24/10/2019
Acquisition date(s)	31/12/2017	14/02/2018 Corporate Officers 15/06/2018 Employees	12/06/2019 Employees 50% 12/06/2020 Employees 50%/Corporate Officers 100%	16/05/2021	24/10/2021
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%	16/05/2021	24/10/2021

* *The preference share plan stipulates that one year after the grant date, B shares will be created and definitively allocated to the beneficiaries and, in accordance with the plan, will be converted into Carmila ordinary shares, subject to attendance and performance conditions.*

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 Statutory Auditor's report on the Corporate Governance Report

Report included in the Statutory Auditor's report on the annual financial statements (see Section 7.5).

FINANCIAL STATEMENTS

7.1 Annual consolidated financial statements at December 31, 2018

7.1.1 Consolidated statement of comprehensive income

IFRS EPRA standard presentation *(in thousands of euros)*	**Note**	**31/12/2018**	**31/12/2017**
Gross Rental Income		**340,250**	**300,911**
Real estate expenses		-3,874	-4,389
Non-recovered rental charges		-11,062	-7,305
Property expenses (landlord)		-11,656	-12,562
Net Rental Income	**8.1**	**313,658**	**276,655**
Operating expenses	8.2	-50,574	-47,433
Income from management, administration and other activities		*4,595*	*4,790*
Other income		*6,631*	*5,712*
Payroll expenses		*-24,839*	*-23,878*
Other external expenses		*-36,961*	*-34,057*
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	8.3	-3,508	-809
Other operating income and expenses	8.4	-277	-7,160
Gain (loss) on disposals of investment properties and equity investments	8.5	-1,796	-2,803
Change in fair value adjustment	5.2	13,586	164,470
Increase in the fair value investment properties		*128,330*	*211,795*
Decrease in the fair value investment properties		*-114,744*	*-47,325*
Share in net income of equity-accounted investments	7.3	3,882	11,067
Operating income		**274,971**	**393,987**
Financial income		384	927
Financial expense		-54,011	-49,608
Cost of net indebtness		**-53,627**	**-48,681**
Other financial income (expenses)		-4,931	3,357
Financial income (expense)	**6.1**	**-58,558**	**-45,324**
Income before taxes		**216,413**	**348,663**
Income tax	9.1	-52,804	-34,359
CONSOLIDATED NET INCOME		**163,609**	**314,304**
Group share		**163,557**	**313,787**
Non-controlling interests		**52**	**517**
Average number of shares comprising Carmila's share capital	7.8.4	135,653,512	119,132,838
Earnings per share, in euros (Group share)		1.21	2.63
Fully diluted average number of shares comprising Carmila's share capital	7.8.4	135,860,096	119,323,222
Fully diluted earnings per share, in euros (Group share)		1.20	2.63

Consolidated statement of comprehensive income *(in thousands of euros)*	**Note**	**31/12/2018**	**31/12/2017**
Consolidated net income		**163,609**	**314,304**
Items to be subsequently recycled in net income		**-4,152**	**10,923**
Cash-flow Hedges (effective part)	6.2.8	-2,978	10,923
Fair value of other financial assets		-1,174	-
Related income tax		-	-31
Items not to be subsequently recycled in net income		**106**	**-31**
Re-valuation of the net liabilities under defined-benefit schemes	12.3.1	106	-
Related income tax		-	-
CONSOLIDATED NET COMPREHENSIVE INCOME		**159,563**	**325,196**

7.1.2 Consolidated statement of financial position

Assets

(in thousands of euros)	Note	31/12/2018	31/12/2017
Goodwill		-	-
Intangible assets	7.1	4,556	4,559
Property, plant and equipment	7.2	2,062	2,411
Investment properties carried at fair value	5.1	5,953,655	5,356,002
Investment properties carried at cost	5.1	62,605	91,581
Investment in equity-accounted companies	7.3	49,766	47,364
Other non current assets	7.4	11,948	12,981
Deffered tax assets	9.4	7,776	6,284
Non current assets		**6,092,368**	**5,521,182**
Investment properties held for sale	5.3	-	500
Trade receivables	7.5	123,616	107,919
Other current assets	7.6	217,244	75,398
Cash and cash equivalent	7.7	70,518	329,397
Current assets		**411,378**	**513,214**
TOTAL ASSETS		**6,503,746**	**6,034,396**

Liabilities & shareholders' equity

(in thousands of euros)	Note	31/12/2018	31/12/2017
Share capital		819,370	810,360
Additional paid-in capital		2,268,204	2,321,671
Treasury shares		-3,861	-2,653
Other comprehensive income		-31,983	-27,937
Consolidated retained earnings		431,612	121,234
Consolidated net income – Group share		163,557	313,787
Shareholders' equity – Group share		**3,646,899**	**3,536,462**
Non-controlling interests		5,781	5,999
SHAREHOLDERS' EQUITY	**7.8**	**3,652,680**	**3,542,461**
Non-current provisions	7.9	5,685	2,142
Non-current financial debt	6.2	2,301,426	1,966,003
Lease deposits and guarantees		76,454	69,643
Non-current tax liabilities and deferred tax liabilities	9.3 & 9.4	159,261	112,867
Other non-current liabilities	7.10	7,473	7,477
Non-current liabilities		**2,550,299**	**2,158,132**
Current financial debt	6.2	82,885	68,970
Bank facilities	6.2 & 7.7	5,617	40,129
Trade payables	7.11	28,370	28,567
Fixed assets payables	7.11	52,141	71,751
Current tax and payroll related liabilities	7.12	44,237	38,661
Other current liabilities	7.12	87,517	85,724
Current liabilities		**300,767**	**333,802**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,503,746**	**6,034,396**

7.1.3 Consolidated cash-flow statement

(in thousands of euros)	Note	31/12/2018	31/12/2017
Consolidated net income		**163,609**	**314,304**
Ajustements			
Elimination of income from equity-accounted investments	7.3	-3,882	-11,067
Elimination of depreciation, amortisation and provisions		6,350	2,263
Elimination of change in fair value adjustment	5.1	-11,388	-164,239
Elimination of capital (gain) loss on disposal		1,371	119
Other non-cash income and expenses		-1,501	3,825
Cash-flow from operations after cost of net debt and tax		**154,559**	**145,205**
Elimination of tax expense (income)	9.1	52,804	34,359
Elimination of cost of net debt		53,628	48,682
Cash-flow from operations before cost of net debt and tax		**260,991**	**228,246**
Change in operating working capital		-17,247	47,822
Change in lease deposits and guarantees		4,387	-537
Income tax paid		-6,012	-11,541
Cash-flow from operating activities		**242,119**	**263,990**
Change in scope of consolidation		-	-7,643
Change in fixed assets payables		-19,610	43,821
Acquisitions of investment properties	5.1	-571,903	-279,184
Acquisitions of other fixed assets		-502	-282
Change in loans and advances		3,019	-7,343
Disposal of investment properties and other fixed assets		19,163	177
Dividends received		1,480	1,474
Cash-flow from investment activities		**-568,353**	**-248,981**
Share capital increase	7.8	36,350	613,937
Transactions in share capital of equity accounted companies	7.3	0	-10,025
Net sale (purchase) of treasury shares		-1,893	-2,447
Issuance of bonds		350,000	0
Issuance of new bank loans	6.2	10,000	15,905
Loan repayments	6.2	-2,322	-184,778
Display of short term investments in other current receivables		-145,053	0
Interest paid		-44,138	-49,692
Interest received		384	928
Dividends and share premiums distributed to shareholders		-101,461	-164,690
Cash-flow from financing activities		**101,867**	**219,139**
CHANGE IN NET CASH POSITION		**-224,367**	**234,148**
Opening cash position		289,268	55,120
Closing cash position	7.7	64,901	289,268

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	Share-holders' equity – Group share	Non-controlling interests	Share-holders' equity
BALANCE AT DECEMBER 31, 2016		**313,655**	**1,842,673**	**0**	**-38,829**	**230,743**	**294,531**	**2,642,773**	**8,431**	**2,651,204**
Share capital transactions		157,151	456,786					**613,937**		**613,937**
Share-based payments						1,344		**1,344**		**1,344**
Treasury share transactions				-2,447				**-2,447**		**-2,447**
Dividend paid			-164,291					**-164,291**	-399	**-164,690**
Allocation of 2016 net income						294,531	-294,531	**0**		**0**
Net income of the year							**313,787**	**313,787**	**517**	**314,304**
Gains and losses recorded directly in equity										
Recycling of OCI to income					3,004			**3,004**		**3,004**
Change in fair value of hedging instruments					7,919			**7,919**		**7,919**
Actuarial gains and losses on retirement benefits					-31			**-31**		**-31**
Other comprehensive income					**10,892**			**10,892**	**0**	**10,892**
Change in scope of consolidation		339,554	186,503	-206		-405,384		**120,467**	-2,550	**117,917**
BALANCE AT DECEMBER 31, 2017		**810,360**	**2,321,671**	**-2,653**	**-27,937**	**121,234**	**313,787**	**3,536,462**	**5,999**	**3,542,461**
Opening IFRS 9 adjustment			-			19,754		**19,754**	-	**19,754**
BALANCE AT JANUARY 1, 2018		**810,360**	**2,321,671**	**-2,653**	**-27,937**	**140,988**	**313,787**	**3,556,216**	**5,999**	**3,562,215**
Share capital transactions	7.8	9,010	27,340			-		**36,350**		**36,350**
Share-based payments	13.3.2					-1,501		**-1,501**		**-1,501**
Treasury share transactions	8.8.3			-1,208				**-1,208**		**-1,208**
Dividend paid	1.3		-80,807			-20,384		**-101,191**	-271	**-101,462**
Allocation of 2017 net income			-			313,787	-313,787	**0**	-	**0**
Net income of the year							**163,557**	**163,557**	**52**	**163,609**
Gains and losses recorded directly in equity										
Recycling of OCI to income	6.2.8				2,608			**2,608**		**2,608**
Change in fair value of hedging instruments					-			**-1,174**		**-1,174**
Change in fair value of other financial assets	6.2.8				-5,586			**-5,586**		**-5,586**
Actuarial gains and losses on retirement benefits	12.3.1				106			**106**		**106**
Other comprehensive income					**-4,046**			**-4,046**		**-4,046**
Change in scope of consolidation						-1,278		**-1,278**	-	**-1,278**
BALANCE AT JUNE 30, 2018		**819,370**	**2,268,204**	**-3,861**	**-31,983**	**431,612**	**163,557**	**3,646,899**	**5,781**	**3,652,680**

The “share capital transactions” line reflects the capital increase in June 2018 resulting from the payment of the 2017 dividend in shares. This option was chosen by more than 34% of shareholders. The impact of the “Initial application of IFRS 9” is clarified in 2.3 “Accounting standards”.

7.1.5 Notes to the consolidated financial statements

Note 1 Key financial highlights for 2018

To finance its growth, on February 28, 2018, Carmila issued a €350 million bond that was over-subscribed 2.2 times and subscribed by major long-term investors. At the issuance date, this new financing extended the average maturity of the Carmila Group's debt from 5.4 years to 6.1 years (1.4 Debt and financing).

In addition, the company completed a capital increase of €34.7 million as a result of the option for a share payment of the dividend offered at the Shareholders' Meeting of May 16, 2018 (1.3 Dividends).

On June 12, 2018, S&P confirmed Carmila's BBB rating and raised its outlook from "neutral" to "positive". The outlook upgrade reflects the strength of the Group's portfolio and its ability to expand through organic growth and acquisitions while maintaining strict financial discipline.

During the first half of the year, Carmila was active in acquisitions on the French and Spanish markets, acquiring two leading shopping centres from the Klépierre Group in Marseille-Vitrolles and Madrid in February for €212.2 million, as well as a portfolio of six shopping centres from the Pradera Group in Spain for €182 million in May 2018. In line with Carmila's strategy, these shopping centres are adjacent to major Carrefour hypermarkets.

Lastly, on April 24, 2018, Carmila inaugurated the flagship Cap Saran retail park in the North of the Orléans metropolitan area, opening the largest retail park in France in 2018 on an existing site. This 29,000 sq.m. open-air shopping promenade is the home to 34 new home, fashion, and leisure retailers and restaurant brands, increasing the total number of retail brands on the site to 85 and thereby bringing new life to the existing site, which opened in 1971 and was enlarged and fully renovated in 2017.

Note 1.1 Investments

During the financial year, investments focused on acquisitions of leading shopping centres, mainly in Spain, a dynamic region, where the focus in 2017 was on the valuation and rental optimisation of existing assets.

Acquisitions

The following significant acquisitions were made:

The acquisition of two leading shopping centres from the Klépierre Group for €212 million:

- Grand Vitrolles – Marseille: this regional shopping centre of over 24,000 sq.m. is made up of 84 stores and is adjacent to a huge Carrefour hypermarket with a sales area of 20,500 sq.m. This site opened in 1970 and has established itself historically as a major commercial destination for Marseille. It is located in a larger commercial area that is also home to an adjoining retail park.
- Gran Via de Hortaleza – Madrid: this site, opened in 1992, is located in a very urban catchment area north-east of Madrid. This major shopping centre is built on two levels. The 6,300 sq.m. shopping centre has 69 shops and is adjacent to a 10,950 sq.m. Carrefour hypermarket, one of the five largest Carrefour hypermarkets in Spain.

The acquisition of a portfolio of six shopping centres from the Pradera Group for €182 million:

- La Sierra – Córdoba (Andalusia): Located in Andalusia's third city in terms of population and purchasing power, this site is a popular city centre shopping destination. Built in 1994, then renovated and extended in 2016, the shopping centre has achieved its leading position thanks to an 8,200 sq.m. Carrefour hypermarkets adjacent to the shopping mall with 65 stores covering 17,600 sq.m.
- El Paseo – Cadiz (Andalusia): located in El Puerto de Santa Maria in a region with heavy tourist traffic, this leading site includes a 10,500 sq.m. shopping centre with 53 stores and an 11,000 sq.m. Carrefour hypermarket. The site also benefits from the attractiveness of medium-sized stores near the centre that are home to retail brands complementary to those at El Paseo.
- Aljarafe – Seville (Andalusia): located in the fourth-largest city in Spain, this site has 41 shops on 12,000 sq.m. of commercial space. This shopping centre is adjacent to an 11,400 sq.m. Carrefour hypermarket. The centre also benefits from customer traffic from nearby medium-sized retailers with complementary brands.
- San Juan – Alicante (Alicante): located in the northern suburbs of the eleventh-largest city in Spain, this leading site includes 33 outlets and specialty medium-sized stores in an area of 7,100 sq.m. that is adjacent to a 13,100 sq.m. Carrefour hypermarket.
- Tarrasa – Barcelona (Catalonia): located in the northern suburbs of Spain's second-largest city, this 7,400 sq.m. site was built in 1978 contains 35 stores and medium-sized retailers on 7,400 sq.m. and is adjacent to a 12,400 sq.m. Carrefour hypermarket.
- Manresa – Barcelona (Catalonia): this 2,300 sq.m. site developed in 1991 is also located in the northern suburbs of Barcelona and includes 29 stores that mainly offer services that complement the 10,300 sq.m. Carrefour store. This hypermarket is a leader in its catchment area.

Finally, on December 28, 2018, the Group acquired, from the Carrefour Group in Spain, the shopping centre La Veronica in Malaga-Antequera, the leader in its catchment area, and a portfolio of six mid-sized stores for a total investment of €23.3 million.

Development and extensions

In 2018, the Group also continued to redevelop its existing assets to support value-creating renovation and expansion projects.

The Group thus invested €11.6 million over the period for the completion of the Cap Saran-Orléans retail park (total investment of €38.1 million).

In addition, projects delivered in the second half of 2018 received significant investments during the financial year, namely the developments and extensions in Evreux-Normandy (whose first phase was delivered in 2017, with €27.5 million invested over the period), Athis-Mons in the South suburb of Paris (€18.3 million) and Besançon-Chalezeule (€12.0 million).

Finally, during the second half of the year, Carmila initiated work to expand the shopping centres of Rennes-Cession (Britany) and Nice Lingostière, for which €4.2 and €13.1 million respectively were invested during the year.

Note 1.2 Disposals

During 2018, Carmila sold three commercial units located in the Shopville Le Gru shopping centre in Grugliasco, to the west of Torino in Italy. These commercial units were sold to Klépierre, owner of the largest part of the shopping centre, for €16.2 million net of transfer costs, in line with the appraisal value at June 30, 2018.

Note 1.3 Distribution of dividend

On May 16, 2018, the Shareholders' Meeting approved, based on a proposal by the Board of Directors, the distribution of a dividend of €0.75 per share for the 2017 financial year. This distribution paid in June 2018 comprised €20,384 thousand deducted from distributable income and the remaining €80,808 thousand from the merger premium. At the same time, shareholders were offered a dividend payment in shares, and over 34% of shareholders chose this option.

An exceptional distribution was paid on November 27, 2017 for a total amount of €101,650 thousand, deducted from the merger premium.

Thus, the distribution in respect of financial year 2018 amounts to 1.50 euro per share.

Note 1.4 Debt and financing

On February 28, 2018, Carmila issued a €million 350, 10-year bond with a 2.125% coupon. This bond will enable the Group to finance its growth and in particular the extensions currently under way.

In addition, the option for a dividend payment in shares, subscribed by more than 34% of shareholders, resulted in a capital increase of €34.7 million in June 2018.

With this bond issuance, the average debt financing maturity extended from 5.4 years to 6.1 years as of the transaction date.

Note 2 Accounting principles and methods

These Group financial statements are the first to incorporate the IFRS 15 and IFRS 9 standards. The changes in accounting methods which have had a material effect are described in this paragraph.

On February 13, 2019 the Board of Directors approved and authorised the publication of Carmila's consolidated financial statements for the period from 1 January to December 31, 2018. These financial statements will be submitted for approval to the Shareholders' Meeting on May 16, 2019.

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 December 31, 2018, the Group employed 185 people, of which 127 in France, 43 in Spain and 15 in Italy. The Group owns a portfolio of 215 shopping centres and retail parks, mainly as a result of transactions carried out in 2014. In April 2014, Carmila acquired 126 sites in France, Spain and Italy from the Klépierre Group and six shopping malls in France from Unibail-Rodamco. The same year, the Group received a contribution of 47 centres in France along with various premises and the shares of an investment property company 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.

Initially, the company Carmila S.A.S. was incorporated by Carrefour S.A. on December 4, 2013 for the sole purpose of the operations described above, which took place in 2014. At June 12, 2017, the company merged into Cardety S.A, a listed company in Paris, and was renamed Carmila S.A following the merger. Since that date, the Group consolidated accounts reflect the inclusion of this reverse acquisition.

Note 2.2 Shareholding, stock-market listing and strategic partnership

Carmila's share capital is divided among long-term associates. At December 31, 2018, the largest shareholder is the Carrefour group, which has an equity investment of 35.4% 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 remaining 64.6% of the share capital is mainly owned by long-term investors from major insurance companies or leading financial players. The second-largest shareholder is the Colony Group, which holds 9.3% of Carmila's share capital.

Carmila S.A.'s shares have been listed for trading on compartment A of Euronext Paris since January 1, 2018.

Note 2.3 Accounting standards

IFRS standards applied

The Carmila Group's consolidated financial statements as of December 31, 2018 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 December 31, 2018, comprising the IFRS, the IAS (International Accounting Standards) as well as their interpretations (SIC and IFRIC). All 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.

The European Union adopted the following standards, interpretations and amendments, which are mandatory from January 1, 2018:

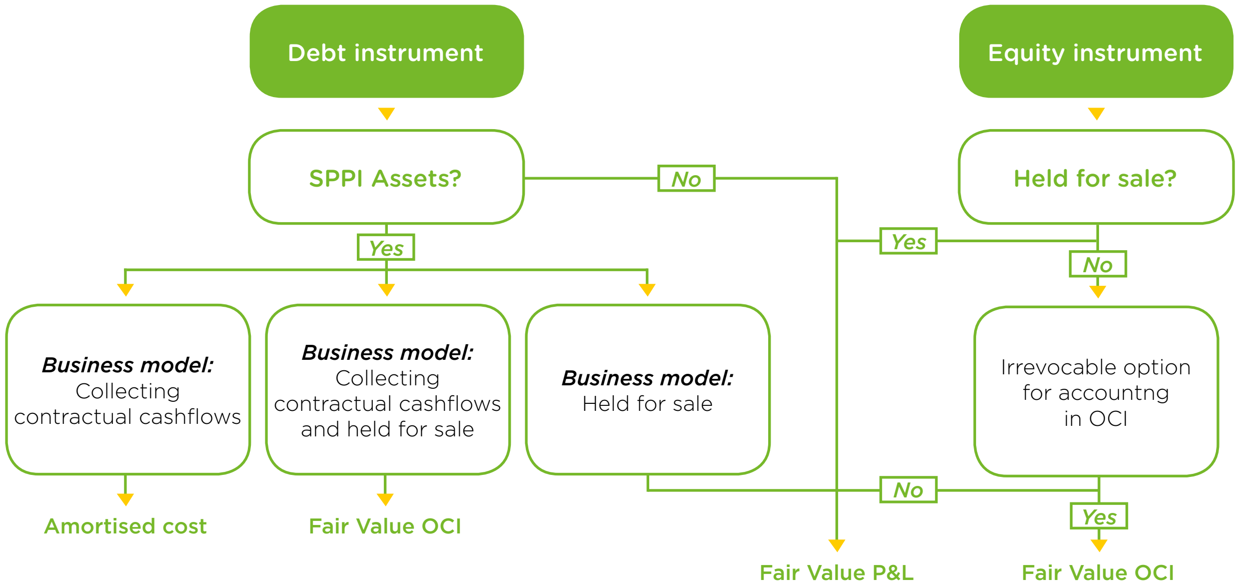
- IFRS 9 – *Financial instruments*

This standard replaces IAS 39 – *Financial Instruments* – Recognition and Measurement and sets out requirements for the recognition of financial assets and liabilities, impairment of financial instruments, de-recognition and hedge accounting.

The Group has chosen not to restate the previous period, as allowed by the standard. Restatements related to the first and retrospective application of the standard has been accounted for equity at January 1, 2018. The impact of this change is described hereinafter.

a. Classification and measurement of financial instruments (assets and liabilities)

The methodology for classifying and measuring financial assets is revised based on the contractual characteristics of cash flows and the economic model for asset management. The definition of financial assets selected is expanded to loans, advances, non-consolidated securities current accounts, trade receivables and derivative assets. IFRS 9 also makes a distinction between two categories of financial assets: debt instruments and equity instruments. Depending on the characteristics of the contractual cash flows and business model, the resulting valuation method is different. The following diagram summarises the various valuation options for financial assets:



An **equity instrument** is any contract showing a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments are valued by default at their adjusted fair value recorded in the income statement due to their contractual (non-SPPI) characteristics. Unlisted equity derivatives are to be recognised at fair value in the income statement.

The option for the OCI fair value recognition of equity instruments is irrevocable and performed on initial recognition. This option is prohibited for equity instruments held for trading. Dividends are still recognised in the financial income (return on investment). The acquisition cost can be an appropriate estimate of the fair value of unlisted financial instruments if there is no available recent information or if there is a wide range of possible fair value measurements and the historical cost represents the best estimate of fair value.

OPTION EXERCISED BY CARMILA IN ITS CONSOLIDATED FINANCIAL STATEMENTS:

In view of these factors, upon first-time application of IFRS 9, Carmila opted for the OCI recognition of a non-consolidated equity investment.

b. Treatment of debt renegotiations

The previous practice, under IAS 39, was to spread the expected savings (or the additional charge) over the remaining term of the renegotiated debt by prospectively adjusting the Effective Interest Rate (EIR) for the debt. This means that the book value of the debt was not modified at the date of its renegotiation. Nevertheless, the standard brought clarifications regarding de-recognition.

Overview of the accounting treatment of a renegotiation of debt under IAS 39

Depending on the circumstances, the renegotiation of a debt with the same borrower may be analysed as a modification or an extinction of existing debt.

Definition of a modification of a financial liability:

If, for example, a financial liability may be modified with the same borrower because its tenor, rate or contractual conditions are adjusted, the standard requires that the substantive nature of the modification be assessed using the quantitative "10% test", which is supplemented with a qualitative test.

If the debt is extinguished (when so-called substantial modification of the terms of the contract), the difference between the fair value of the new debt and the net book value of the old debt (including, where applicable, the expenses still to be spread over the remaining term of the old debt) is recognised as profit or loss. The EIR for the new debt is equivalent to the market rate, adjusted for expenses solely attributable to the new debt.

If the debt is not extinguished, a new EIR is to be calculated to equalise the net book value of the old debt with the cash flows of the new debt, and the renegotiation fees will be attributed to the book value of the debt. Thus, the savings from or additional cost of the renegotiation (different to a market rate) is distributed on the income statement over the remaining term of the new debt.

When the adjustment (of the change) is not accounted for as an extinction of the debt, the IFRS 9 standard provides that the book value of the debt must be adjusted to reflect the value of the new discounted cash flows at the EIR of the original debt.

The difference is recorded as a profit or loss, additional costs and fees paid in relation with this change must be added to the book value of the modified debt and be amortised over the remaining term of the debt.

The Group applied retrospectively this new accounting method in the financial statements recording at January 1, 2018 the adjustment of the debt at the initial EIR in equity (retained earnings).

OPTION EXERCISED IN ITS CONSOLIDATED FINANCIAL STATEMENTS:

Carmila entered a bank loan financing in the nominal amount of €770 million, initially taken out in 2013 and renegotiated several times since. The successive renegotiations did not make any substantial modifications within the meaning of IFRS 9 to the original loan agreement. As a result, the book value of the debt with its original EIR was recognised as equity, leading to a €19,754 thousand decrease in the value of the debt and an increase in equity for the same amount. This reduction of the debt's original EIR is spread over the residual tenor of the underlying liability. The annual impact, excluding later renegotiations, amounted to €3,621 thousand.

In May 2018, that same debt was renegotiated. The maturity of the debt was extended by one year, to 2023. No other terms of the loan were modified. This reduction of the debt to its original EIR led to recognising income of €4,471 thousand entered in other financial income, spread out over the residual duration of the underlying liability. At December 31, 2018, the total expense linked to spreading out the reduction to the original EIR of the liability was €4,026 thousand and is recognised in other financial expenses.

c. Derivatives and hedging accounting

The Group chose to apply the new general scheme of the hedging accounting presented in IFRS 9, for which it has to link the hedging positions with its objectives and strategy of risk management and to adopt a more prospective and qualitative approach of the hedging efficiency. The hedging policy of the Group is not modified by the implementation of IFRS 9. The application of hedging accounting according to IFRS 9 has no significant impact in the Group consolidated accounts.

d. Valuation of trade receivables

The new impairment model of trade receivables based on expected losses is different from the impairment approach based on credit losses supported of IAS 39. Impairment according to anticipated losses – and not effective losses – is calculated using the potential credit loss and the probability of default. Nevertheless, it is possible to use the expected losses on the lifespan of trade receivables. According to a Group empirical analysis, the impairment method currently used is more conservative. Therefore, the implementation of the IFRS 9 standard has no impact in the annual consolidated financial statements.

- IFRS 15 – *Revenue from Contracts with Customers and Clarifications to IFRS 15.*

  The IFRS 15 standard replacing IAS 18 and IAS 11 and its related interpretation introduces a unique model of turnover recognition based on the transfer of the control of goods or services provided. Its application covers contracts that an entity agrees with its customers, with the exception of lease agreements which are covered by IAS 17. It is therefore of very limited scope and has no significant impact for the Group, which generates most of its revenue from lease agreements. The calculation of the impact of this new standard confirmed the expected limited effects for this first application and therefore the unsubstantial impact.

- Amendment to IFRS 2 – *Classification and measurement of share-based payment Transactions.*

  These standards had no significant impact on Carmila's consolidated financial statements at December 31, 2018.

  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 December 31, 2018:

- IFRS 16 – *Lease agreements* (mandatory application for all financial years beginning on or after January 1, 2019).

  On October 31, 2017, the European Union adopted IFRS 16 which supersedes IAS 17 and related interpretations. This new standard, which will become effective on January 1, 2019, with earlier application permitted, no longer makes a distinction between finance leases and operating leases. It will lead to the recognition on the lessee's balance sheet of a right-of-use asset with a corresponding lease liability, for all types of contracts qualifying as leases.

  As a lessor, the Group should not be susbtantially impacted by the application of this new standard.

  As a lessee, the Group is currently performing an analysis, particularly with regard to construction leases for which application is still under discussion and not yet decided.

- Amendment to IFRS 9 – *Prepayment Features with Negative Compensation* (mandatory from January 1, 2019).

Lastly, the standards and interpretations published by the IASB but not yet adopted by the European Union as of December 31, 2018, but likely to apply to the Group are as follows:

- annual IFRS improvements (2015-2017);
- amendment to IAS 19 – *Plan Amendment, Curtailment or Settlement*;
- amendments to IFRS 10 and IAS 28 – *Sales or Contributions of Assets between an Investor and its Associate or Joint Venture*;
- amendment to IAS 28 – *Investments in associates and joint ventures*;
- IFRS 14 – *Regulatory deferral accounts* (version applicable starting January 1, 2019);
- IFRS 17 – *Insurance contracts* (version applicable starting January 1, 2021);
- IFRIC 23 – *Uncertainty over Income Tax Treatments*.

Note 2.4 Principal estimates and judgements 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 contingent liabilities related to operations (Note 7.9 “Provisions”);
- the assumptions used to calculate and recognise deferred taxes (Note 9 “Taxes”).

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 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 sold, consumed or transferred over the normal operating cycle or in the 12 months following the end of the financial period 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 over the normal operating cycle or in the 12 months following the end of the financial period 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 has opted to present its proportionate share in the net income of the equity-accounted investments as Operating income, as their business is part of ongoing Group operations.

Note 3 Scope of consolidation 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 in excess of 20%. All equity interests, regardless of the percentage held, are subject to an analysis to determine whether the Company exerts a 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 associates". 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 the acquisition of an asset in accordance with paragraph 2(b) of IFRS 3 – *Business Combinations*.

Note 3.2 Highlights of the 2018 financial year

On February 15, 2018, Carmila acquired 100% of the shares of KC 11 SNC, which owns the Grand Vitrolles regional shopping centre (Marseille metropolitan area), from the Klépierre Group. The company is therefore fully consolidated.

This acquisition was treated as an acquisition of asset.

In addition, in connection with the acquisition of a portfolio of six assets in Spain from the Pradera Group, two companies were created to handle one shopping mall each: Carmila Puerto SL and Carmila Cordoba SL.

In France, three new companies were created, two of which (Carmila Saran SAS and Carmila Nice SAS) are dedicated vehicles for the past or current redevelopment of the Saran-Orléans and Nice Lingostière shopping centres.

Note 3.3 Description of main partnerships

AS Cancelas – Spain

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 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 IFRS 8 – *Operating Segments*. The operating segments that have been identified by the Management Committee are 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 expenses by each segment. 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)	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Gross Rental income	**234,177**	**212,578**	**82,018**	**68,132**	**24,055**	**20,201**	**340,250**	**300,911**
Real estate expenses	-1,825	-2,103	-1,106	-1,613	-943	-673	-3,874	-4,389
Non-recovered rental charges	-6,295	-3,260	-4,806	-4,048	39	3	-11,062	-7,305
Property expenses (landlord)	-8,789	-9,548	-1,215	-2,299	-1,652	-715	-11,656	-12,562
Net Rental Income	**217,268**	**197,667**	**74,891**	**60,172**	**21,499**	**18,816**	**313,658**	**276,655**
Operating expenses	-38,266	-35,856	-9,323	-8,665	-2,985	-2,912	-50,574	-47,433
Income from management, administration and other activities	*4,273*	*4,736*	*224*	*16*	*98*	*38*	*4,595*	*4,790*
Other income	*4,909*	*4,425*	*1,708*	*1,251*	*14*	*36*	*6,631*	*5,712*
Payroll expenses	*-20,570*	*-19,442*	*-3,548*	*-3,603*	*-721*	*-833*	*-24,839*	*-23,878*
Other external expenses	*-26,878*	*-25,575*	*-7,707*	*-6,329*	*-2,376*	*-2,153*	*-36,961*	*-34,057*
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	-3,049	-723	-46	-47	-413	-39	-3,508	-809
Other recurring operating income and expense	-261	-196	-	-	-16	-	-277	-196
Share of net income in equity accounted investments – current	-	-	842	-	-14	-	828	-
OPERATING INCOME – CURRENT	**175,692**	**160,892**	**66,364**	**51,460**	**18,071**	**15,865**	**260,127**	**228,217**
Other non-recurring operating income and expense	-	-6,961	-	1	-	1	-	-6,959
Gain (losses) on disposals of investment properties and equity investments	-1,635	-283	6	4	-167	-2,524	-1,796	-2,803
Gain (losses) on disposals of intangible and other tangible assets	-	-	-	-	-	-3	-	-
Change in fair value adjustment	-14,829	127,901	15,384	44,614	13,031	-8,045	13,586	164,470
Increase in the fair value of investment properties	*81,699*	*160,803*	*33,600*	*49,755*	*13,031*	*1,237*	*128,330*	*211,795*
Decrease in the fair value of investment properties	*-96,528*	*-32,902*	*-18,216*	*-5,141*	*-*	*-9,282*	*-114,744*	*-47,325*
Share of net income in equity accounted investments – non-current	-	-	3,060	4,582	-6	6,486	3,054	11,067
OPERATING INCOME	**159,228**	**281,549**	**84,814**	**100,660**	**30,929**	**11,779**	**274,971**	**393,987**

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)	31/12/2018	31/12/2017
Investment properties carried at fair value	**5,953,655**	**5,356,002**
France	4,283,277	3,976,572
Spain	1,319,540	1,031,270
Italy	350,838	348,160
Investment properties carried at cost	**62,605**	**91,581**
France	39,243	84,279
Spain	23,362	3,438
Italy	0	3,864
TOTAL	**6,016,260**	**5,447,583**

At December 31, 2018, regarding value of assets, 71.9% of the Group's investment properties were located in France (compared to 74.5% at December 31, 2017), 22.3% in Spain (compared to 19.0%) and 5.8% in Italy (compared to 6.5%).

Note 4.4 Breakdown of capital expenditures by operating segment

Capital expenditures in investment properties by country are disclosed separately for acquisitions, developments and extensions, or capital expenditures in the portfolio on a like-for-like basis. The difference between the total capital expenditures disclosed below (€583,748 thousand) and the Acquisitions of investment properties shown in the consolidated cashflow statement (€571,903 thousand) relates to the difference between the purchase price of KC 11 shares and the entry value of the underlying asset as included In the consolidation scope.

	France		Spain		Italy		Total	
(in thousands of euros)	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Acquisitions	172,205	147,251	285,013	875	4	64,736	457,222	212,862
Development and acquisitions	99,393	167,581	0	0	2,277	2,179	101,670	169,760
Like-for-like capital expenditures	14,156	54,538	9,908	9,249	792	3,609	24,856	67,396
TOTAL CAPITAL EXPENDITURES	**285,754**	**369,370**	**294,921**	**10,124**	**3,073**	**70,524**	**583,748**	**450,018**

Acquisitions mainly include the entry into the scope of consolidation of Grand Vitrolles (Marseille region) in France and the acquisition of eight shopping centres in Spain, located in Madrid, Alicante, Cordoba, Malaga, Cadiz and Seville (Andalusia) and two assets in Barcelona (Catalonia). The remaining acquisitions include various minor acquisitions when considered individually of medium-sized stores and various units located on or close to sites owned by the Group in France, the largest of these being in Ormesson (Paris region), Berck-sur-Mer (Lille region) and Châteauroux.

The ***development and extensions*** investment mainly concerns assets in France. These developments and extensions notably relate to:

- the Orléans – Cap Saran retail park delivered in April 2018 (capital expenditures over the year of €11.6 million);
- the extensions to Évreux (Normandy, €27.5 million) and Besançon Chalezeule (Burgundy – Franche-Comté, €12 million) delivered in October, and Athis-Mons (Paris region, €18.3 million) delivered in December;
- preliminary study costs or land acquisitions for approved developments, mainly in France with Nice (€13.1 million) and Rennes-Cesson (Brittany, €4.0 million);
- and restructuring of commercial units to adapt retail space to customer needs and optimise its use and profitability in Coquelles (Calais region, €3.8 million), Puget-sur-Argens (PACA region, €1 million), Douai (Nord region, €1 million), Condé-sur-Sarthe (Normandy, €0.8 million), Labège (Toulouse region, €0.6 million), Bay2 (Île-de-France region, €0.4 million) and Hérouville Saint-Clair (Normandy, €0.5 million).

Lastly, ***capital expenditure on a like-for-like basis*** represents only 4% of the total investment 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 work is carried out on sites such as Athis-Mons, Montluçon, Saran in Orleans, Rennes-Cesson, Ormesson and Condé-sur-Sarthe, in Alençon, in France. The renovation/redevelopment of Los Patios (€6.4 million) is the most significant investment, at constant scope, in Spain.

Note 5 Investment Properties

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 the disposal through a share deal of the company holding the related asset).

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.

In addition, intangible fixed assets such as lease rights or commercial rights for common areas for the specialty leasing business are taken into account in the valuations made by appraisers, and are therefore incorporated in the asset value shown in the consolidated financial statements.

Early termination paid to a 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, the indemnity is capitalised in the cost of the asset. Otherwise, it is recorded 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 letting the retail space for the first time.

Capitalised borrowing costs are determined by applying the Group's weighted average cost of borrowing for the country in question 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 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.

All net present values of rents taking into account the benefits granted to lessees, all charges on empty premises and other non-recurring costs or work are then deducted from the value thus obtained.

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 and Catella in France;
- Cushman & Wakefield and Catella in Spain;
- BNP Paribas Real Estate in Italy.

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.

Compensation paid to appraisers, previously approved for appraisal campaigns, is set at a flat rate depending on the number of retail units and complexity of the appraised assets. It is entirely independent from the valuation of the assets. During the 2018 appraisal campaign, appraiser compensation was as follows:

(in thousands of euros)	**Appraisal fees 2018**
Cushman & Wakefield	214
Catella	187
BNP Paribas Real Estate	38
TOTAL	**439**

In addition, during the financial year, Catella was hired to perform valuation assignments on proposed acquisitions for €18 thousand.

The valuations completed by the independent appraisers are reviewed internally by the relevant Department as well as by competent individuals within each operational division. This process includes discussions regarding the assumptions used by the independent appraisers, as well as a review of the results of the valuations. These reviews of the valuation process occur every six months and involve the investment department and the independent appraisers.

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 is performed.

The investment properties valued at cost are tested for impairment at June 30 and December 31 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 impairment is recorded.

Investment property acquired over six months earlier is assessed by independent appraisers at June 30 and December 31 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 commitment 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*, on a separate line in the statement of financial position at their last appraisal 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 – 31/12/2016	**4,425,206**
Acquisitions	13,097
Change in scope of consolidation	190,209
Investments	160,817
Capitalised interest	1,828
Disposal 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**
Acquisitions	271,534
Change in scope of consolidation	153,765
Investments	107,579
Capitalised interest	1,070
Disposal and removals from scope of consolidation	-23,490
Other movements and reclassifications	73,609
Change in fair value	13,586
Investment properties carried at fair value – 31/12/2018	**5,953,655**

(in thousands of euros)	
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
Disposal 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**
Acquisitions	31,923
Change in scope of consolidation	0
Investments	17,356
Capitalised interest	521
Disposal and removals from scope of consolidation	0
Other movements and reclassifications	-78,776
Change in fair value	0
Investment properties carried at cost – 31/12/2018	**62,605**

Note 5.1.1 Investment properties carried at fair value

The “Acquisitions” line takes into account the acquisition of seven shopping centres in Spain: Gran via de Hortaleza (Madrid), La Sierra (Cordoba), El Paseo (Cadiz) and Tarrasa et Manresa (Barcelona), as well as various non material units acquired individually in France (€18.2 million) which include a retail park in Berck-sur-Mer for €6.6 million and a cinema complex at Ormesson for €5.7 million, as well as in Spain (€22.7 million).

The “Change in scope of consolidation” line reflects the entry into the scope of consolidation of Grand Vitrolles following the acquisition of 100% of KC 11 SNC; shares the company holding the asset.

The “Investments” line includes the main investments described in Note 2.1 “Investments”.

The “Other movements and reclassifications” line shows the net balance of commissioning during the period, the replacement of assets measured at cost at December 31, 2017 and by their fair value and properties reclassified as assets held for sale.

Finally, the “Change in fair value” line records the adjustment of fair value of the value of the assets using appraisals by independent experts over the period.

Note 5.1.2 Investment properties carried at cost

The “Acquisitions” line mostly includes the acquisition of the shopping mall La Veronica in Malaga, Spain, plus six medium-sized retail outlets and the acquisition of a cinema complex and a commercial unit in Ormesson (Île-de-France) in France.

The “Investments” and “Capitalised interest” lines primarily include the Rennes-Cesson (€4.2 million) and Nice-Lingostière (€13.1 million) projects initiated during the second half of the year.

At December 31, 2018, no indication of a loss in value requiring an impairment 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	31/12/2018
Investment properties carried at fair value – Acquisitions	5.1	271,534
Investment properties carried at fair value – Entry in the scope of consolidation	5.1	153,765
Investment properties carried at cost – Acquisitions	5.1	31,923
Investment properties carried at cost – Entry in the scope of consolidation	5.1	0
TOTAL ACQUISITIONS AND ENTRY IN THE SCOPE OF CONSOLIDATION		**457,222**
TOTAL ACQUISITIONS – INVESTMENTS BY COUNTRY	**4.4**	**457,222**

(in thousands of euros)	Note	31/12/2018
Investment properties carried at fair value – Investment	5.1	107,579
Investment properties carried at fair value – Capitalised interest	5.1	1,070
Investment properties carried at cost – Investments	5.1	17,356
Investment properties carried at cost – Capitalised interest	5.1	521
TOTAL INVESTMENTS AND CAPITALISED INTERESTS		**126,526**
Development and extensions	4.4	101,670
Like for like investments	4.4	24,856
TOTAL ACQUISITIONS – DEVELOPMENT AND EXTENSIONS AND LIKE FOR LIKE INVESTMENTS	**4.4**	**126,526**

Note 5.2 Valuation assumptions and sensitivity analysis

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 December 31, 2018, 99.0% of the Group's net asset value had been subject to an independent appraisal. It should be noted that 0.5% of the portfolio was acquired during the second half of the year, and was thus valued at its acquisition cost and not independently appraised at December 31, 2018.

The balances of rental charge deferrals and front-end fees spread over the fixed term of the leases amounted to €3.8 million. These amounts are taken into account in the appraisal method used by the independent appraisers for their valuation and thus included in the book value and taken into account in the calculation of the change in the fair value adjustment.

The table below presents the quantitative information used to determine the fair value of investment properties:

31/12/2018 – Weighted average	Yield	Rent *(in € per sq.m)*(1)	Discount rate(2)	Exit rate(3)	CAGR of NRI(4)
France	5.2%	266	5.9%	5.6%	1.6%
Spain	6.2%	224	8.2%	6.2%	1.7%
Italy	6.2%	301	7.3%	6.4%	1.8%

These data are stable when compared to December 31, 2017:

31/12/2017 – Weighted average	Yield	Rent in € per sq.m(1)	Discount rate(2)	Exit rate(3)	CAGR 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 rate used to calculate the discounted value of future cash flows under the DCF method (discount rate).
(3) The rate used to capitalise revenues in the exit year in order to calculate the exit value of the asset (exit yield).
(4) The average annual 10-year NRI growth rate used by the experts.

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)	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Change in fair value adjustments	-14,829	127,901	15,384	44,614	13,031	-8,045	13,586	164,470
Increase in the fair value of investment properties	81,699	160,803	33,600	49,755	13,031	1,237	128,330	211,795
Decrease in the fair value of investment properties	-96,528	-32,902	-18,216	-5,141	-	-9,282	-114,744	-47,325

Based on the asset fair value, excluding transfer taxes and related costs, the average yield on assets is stable and stands at 5.76% at December 31, 2018 (compared to 5.73% at December 31, 2017).

All else being equal, a 10 basis-point increase in yields would result in a decrease in the value of the total portfolio, including transfer taxes and duties (excluding assets under development or equity-accounted and excluding the effect of changes in rents resulting from the decrease in yield) of €106 million (or -1.7%). The 25 basis-point drop in yield would reduce the value of the total portfolio by €257 million (-4.2%).

Note 5.3 Investment properties held for sale

(in thousands of euros)	
Investment properties held for sale – net value on 31/12/2017	**500**
Investment properties held for sale – net value on 31/12/2017	0
Disposals and removals from scope of consolidation	-500
Other movements and reclassifications	0
Change in fair value	0
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE ON 31/12/2018	**0**

At December 31, 2018, there were no investment properties held for sale. The property held for sale and classified as such at December 31, 2017 was sold for a net price of €700 thousand.

Note 6 Financing and Financial Instruments

ACCOUNTING POLICIES

Loans and other financial liabilities are valued at 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, IFRS 9 – *Financial Instruments* 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 1) is 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 2) 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 except for two residual caps recognised at fair value in profit and loss.

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 measuring hedge effectiveness.

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 a "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).

Application of IFRS 9 – *Renegotiation of debt*

Carmila is financed by way of a bank loan for a nominal value of €770 million. The loan was subscribed in 2013 and has been renegotiated several times. Successive renegotiations did not make any substantial modifications to the initial contract as defined under IFRS 9. As a result, the book value of the debt with its original effective interest rate (EIR) was recognised as equity, leading to a €19,754 thousand decrease in the value of the debt and an increase in equity for the same amount. This reduction of the debt's original EIR is spread over the residual duration of the underlying liability. The annual impact, excluding later renegotiation, reached €3,621 thousand.

In June 2018, that same debt was renegotiated. The maturity of the debt was extended by one year, to 2023. No other terms of the loan were changed. This reduction of the debt at its original EIR led to recognizing a gain of €4,471 thousand recorded in other financial income, spread out over the residual duration of the underlying liability. At December 31, 2018, the total charge linked to spreading over time the reduction of the original EIR of the liability amounted to €4,026 thousand and is recognised in other financial expenses.

Note 6.1 Net financial income/expense

Note 6.1.1 Cost of net indebtedness

(in thousands of euros)	31/12/2018	31/12/2017
Financial income	**384**	**927**
Interest on Group current-account	222	239
Financial income on cash equivalents	162	699
Other financial income	0	-11
Financial expense	**-54,011**	**-49,609**
Interest expense on bonds	-34,593	-28,500
Interest on borrowings from lending institutions	-4,891	-7,128
Amortisation of costs, loan redemption premiums and deferred swaps reversal costs	-7,276	-7,904
Interest expense on *swaps*	-6,048	-6,077
Other financial expenses	-1,203	0
COST OF NET INDEBTEDNESS	**-53,627**	**-48,682**

The net cost of indebtedness for 2018 breaks down as follows:

- interest on bank loans amounts to -€4,891 thousand and includes capitalised borrowing costs on the extension projects (€1,591 thousand). The decrease in interest paid is directly linked to the interest on a loan drawn in 2014 and repaid in June 2017, to an early repayment penality of €1.2 million paid on redemption in the first half of 2017 and the increase of €0.6 million in financial interest capitalised with the development projects;
- interest on bonds stands at -€34,593 thousand, compared to €28,500 thousand in 2017. This increase is due to the bond issue subscribed in February 2018 for a nominal value of €350 million with a coupon of 2.125%, and bearing an interest expense of €6.1 million over the period;
- an amortisation expense for bond and borrowing premiums and issuance costs in the amount of €7,276 thousand, including amortisation of swap breakage costs (-€2,608 thousand). This item's decrease, as a result of the new issuance costs spread out over the period is offset by the acceleration of issuance costs related to a loan repaid in 2017 for €0.6 million, and of the decrease in the expense related to the amortisation of the swap breakage costs (-€0.4 million);
- the net cost of hedging derivatives was -€6,048 thousand, compared with -€6,077 thousand in 2017, the three-month Euribor rate remaining stable over the period;
- the other financial expenses include the premium charge of the dequalified caps (-€0.4 million), the premium on a deferred start swaption (-€0.5 million) in 2019 and a loss on a disposal of marketable securities (-€0.2 million).

Note 6.1.2 Other financial income and expenses

(in thousands of euros)	31/12/2018	31/12/2017
Other financial income	**5,240**	**6,747**
Financial income from investments	0	0
Change in value of financial instruments	768	219
Other financial income	4,472	6,528
Other financial expenses	**-10,171**	**-3,390**
Change in fair value of financial instruments	0	-224
Commitment fees undrawn credit lines	-2,947	-3,166
Unrealized loss on short-term investment	-3,046	0
Amortisation of the adjustment to the EIR under IFRS 9	-4,026	0
Other financial expenses	-152	0
OTHER FINANCIAL INCOME AND EXPENSES	**-4,931**	**3,357**

The net variation of other financial income and expenses amounting to an expense of €8.3 million due to a sharp contraction in other financial income and a significant increase in other financial expenses.

The deterioration of other financial income is explained by the recognition at December 31, 2017 of a badwill resulting from the merger of Carmila with Cardety for €6,528 thousand in 2017. This badwill steemed from the difference between the value of the consideration transferred and the amount of assets and liabilities transferred on the date of the change of control. At December 31, 2018, the other financial income includes a gain of €4,472 thousand resulting from the application of IFRS 9 to the one year extension of a bank loan of €770 million.

Other financial charges include a mark-to-market adjustment of a short-term investment for €3,046 thousand. In addition, a technical write-off of the discount at the initial effective interest rate of the bank loan was recognised for €4,026 thousand under the initial application of IFRS 9 (see above). These items have no cash impact. The remainder consists mainly of non-utilisation fees on revolving credit facility for €2,947 thousand.

The change in the fair value of the hedging instruments (ineffective portion and change in CAP values over time) and of the credit risk had a positive impact of €768 thousand over the year.

Note 6.2 Current and non-current financial liabilities

On June 12, 2018, S&P confirmed Carmila's BBB rating and raised its outlook from "neutral" to "positive".

At December 31, 2018, the interest cover ratio is 4.9 times, the Loan-to-Value stands at 34.0% and the average maturity debt at 5.5 years.

Note 6.2.1 Change in indebtedness

(in thousands of euros)	31/12/2017	Change	Issuance	Repayment	Reclassifications	Other adjustments	Fair value adjustment[2]	31/12/2018
Non-current financial liabilities	**1,966,003**	**2,198**	**346,896**	**2,346**	**-2,859**	**-335**	**-12,823**	**2,301,426**
Bonds	1,200,000	-	350,000	-	-	-	-	1,550,000
Bond issuance premiums	-10,768	-	-1,183	1,715	-	-	-	-10,236
Borrowings from lending institutions	775,389	-	449	-2,322	-2,381	-332	-15,801	755,002
Loan and bond issuance cost	-12,668	-	-2,370	2,953	-	-	-	-12,085
Derivative instruments – liabilities	14,051	2,198	-	-	-478	-3	2,978	18,746
Current financial liabilities	**109,099**	**-34,512**	**50,093**	**-34,936**	**2,381**	**327**	**-3,950**	**88,502**
Borrowing from lending institutions	0	-	-894	-	2,381	329	-3,950	-2,134
Accrued interest on loans	8,968	-	40,987	-34,936	-	-	-	15,019
Other loans and related debt-current[1]	60,000	-	10,000	-	-	-	-	70,000
Derivative instruments – liabilities	2	-	-	-	-	-2	-	0
Bank facilities	40,129	-34,512	-	-	-	-	-	5,617
GROSS DEBT	**2,075,103**	**-32,314**	**396,989**	**-32,590**	**-478**	**-8**	**-16,773**	**2,389,929**

(1) Other loans and related debts comprise a commercial paper issuance. Over the year, they were drawn up to €110,000 thousand.
(2) It includes the adjustment of the debt at the initial EIR according to IFRS 9 for an amount of €19,751 thousand, recognised up to €3,950 thousand in current financial debt, and €15,801 thousand in non-current financial debt.

Note 6.2.2 Group borrowings

(in thousands of euros)	Borrower	Currency of Issue	Interest rate	Final maturity date	Repayment profile	Maximum amount	Amount drawn at 31/12/2018
Bonds						**1,550,000**	**1,550,000**
	Carmila SA	EUR	2,375%	Sept-23	in fine	600,000	600,000
	Carmila SA	EUR	2,375%	Sept-24	in fine	600,000	600,000
	Carmila SA	EUR	2,125%	Mar-28	in fine	350,000	350,000
Bank loans						**770,000**	**770,000**
	Carmila SA	EUR	Euribor 3M	June-23	in fine	770,000	770,000
Commercial paper						**600,000**	**70,000**
	Carmila SA	EUR				600,000	70,000
Other mortgage backed financing						**3,068**	**3,068**
	Financière Géric	EUR	2,65%	Dec-19	amortised	1,054	1,054
	Financière Géric	EUR	Euribor 3M	Mar-20	amortised	1,098	1,098
	Financière Géric	EUR	2,70%	Dec-20	amortised	916	916
TOTAL						**2,923,068**	**2,393,068**

Note 6.2.3 Bonds

Carmila issued three bonds, in 2015, 2016 and 2018, for a total amount of €1,550 million.

On September 10, 2015, Carmila issued a bond for a nominal amount of €600 million, for a net consideration received on September 18, 2015 of €593,034 thousand, after deduction of the issue premium and bank commissions. This is a bond issued with an eight-year tenor maturing on September 18, 2023 with a coupon of 2.375%.

Carmila issued a second bond for a notional value of €600 million, dated March 24, 2016. After the redemption premium and bank commissions were deducted, Carmila received €592,998 thousand. This bond matures on September 16, 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 May 24, 2017, to transfer these financial liabilities to Cardety.

In February 2018, Carmila issued a third bond with a par value of €350 million, dated March 7, 2018. After deducting the premium and bank commissions, entered as a deduction from the nominal amount of the debt, Carmila received €347,767 thousand. The 10-year maturity of this bond, the longest tenor for the Group, is set for a maturity at March 7, 2028.

At December 31, 2018, Carmila's outstanding bond debt totalled €1,550 million. €12,929 thousand in issue premiums remain to be amortised over the residual life of the underlying debts.

Note 6.2.4 Borrowings from lending institutions

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

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

On September 17, 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 Tranche A loan of €496 million and a revolving facility credit of €124 million. The Tranche A loan was drawdown in full on November 27, 2014. This loan agreement was signed for five years and matured on September 17, 2019. During 2016, following the placement of the second bond, the Group made a partial repayment of the drawdown Tranche A of €406 million. On May 31, 2016, Carmila negotiated an increase in the existing revolving credit facility, signed under the same loan agreement, bringing it from €124 million to €396.5 million.

On June 16, 2017, the Group repaid the outstanding balance of €90 million of this syndicated loan and cancelled the related unused revolving credit facility.

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

Finally, on May 16, 2018, the fully-drawn syndicated €770 million credit line was extended by one year to June 2023. This "renegotiation" led to the capitalisation of €765 thousand in fees spread over the remaining term of the underlying debt.

At December 31, 2018, €8,370 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 December 31, 2018

The loan agreement and the revolving credit facilities 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 2.00 at the test dates. This ratio stands at 4.9x at December 31, 2018 (compared with 4.7x at December 31, 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 date. with the possibility of exceeding this ratio for a six month period. This ratio stands at 34.0% at December 31, 2018 (compared with 30.1% at December 31, 2017).

Failure to comply with these ratios entitles the lenders to require immediate 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 investment properties. Moreover, the latter amount must be greater than €2,500 million at all times.

At December 31, 2018, 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 which the residual outstanding amount is €3,067 thousand at December 31, 2018, maturing in 2019 and 2020. These three loans were amortised for €2,322 thousand during the year. The outstanding amount of these loans is guaranteed by a mortgage on the assets of the Thionville shopping centre.

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

The outstanding balance at the end of December 2018 was €70 million with maturities ranging from one to three months. The maximum outstanding balance drawn over the period was €110 million. As part of its refinancing, Carmila negotiated new credit lines with leading banks within the framework of the loan agreements signed on June 16, 2017:

- a revolving credit facility agreement of €759 million currently undrawn (the "RCF") maturing on June 16, 2022. In May 2018, the tenor of this credit line was extended to June 16, 2023;
- a similar credit facility agreement for €250 million in the form of a club deal ("CD") with a limited number of top-tier Group banking partners, maturing on June 16, 2020.

Note 6.2.7 Breakdown of financial debt by maturity date

At December 31, 2018, the financial debt classified by maturity breaks down as follows:

(in thousands of euros)	31/12/2018	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds – non-current	1,550,000	-	-	-	-	1,550,000
Bond redemption premiums – non-current	-10,236	-1,777	-1,827	-1,868	-1,915	-2,849
Bonds	**1,539,764**	**-1,777**	**-1,827**	**-1,868**	**-1,915**	**1,547,151**
Borrowings from lending institution – non-current	755,002	-3,950	-3,148	-3,950	-3,950	770,000
Accrued interest on loans – current	15,019	15,019	-	-	-	-
Borrowings from lending institution – current	-2,134	-2,134				
Other loans and related debt – current	70,000	70,000	-	-	-	-
Loan and bond issuance costs	-12,085	-3,051	-2,977	-2,906	-1,752	-1,399
BANK AND BOND BORROWINGS	**2,365,566**	**74,107**	**-7,952**	**-8,724**	**-7,617**	**2,315,752**
Derivative instruments – liabilities	18,746	6,088	5,254	4,430	3,037	-63
Bank facilities	5,617	5,617	-	-	-	-
GROSS DEBT BY MATURITY DATE	**2,389,929**	**85,812**	**-2,698**	**-4,294**	**-4,580**	**2,315,689**

Contractual flows including principal and interest break down by maturity date as follows:

2019

Year of repayment *(in thousands of euros)*	2019	2020	2021	2022	2023	2024+	Total
Principal	72,381	686	0	0	1,370,000	950,000	2,393,067
Interest	49,263	49,690	49,998	50,928	39,387	17,523	256,789
GROUP TOTAL (PRINCIPAL + INTEREST)	**121,644**	**50,376**	**49,998**	**50,928**	**1,409,387**	**967,523**	**2,649,856**

2018

Year of repayment *(in thousands of euros)*	2018	2019	2020	2021	2022	2023+	Total
Principal	62,322	2,381	686	0	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**

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	Liabilities at fair value	Value in balance sheet 31/12/2018
ASSETS							**368,744**
Security deposits				12,826			12,826
Trade receivables				123,616			123,616
Other current financial receivables				19,607			19,607
Short term investment	Level 1	142,177					142,177
Cash and cash equivalent	Level 1	70,518					70,518
LIABILITIES							**2,369,292**
Bonds					1,536,048		1,536,048
Bank loans					744,498		744,498
Commercial papers					70,000		70,000
Financial derivatives liabilities	Level 2		-5,586			18,746	18,746

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 which include market conditions on the closing date.

The valuation of marketable securities and other current financial receivables is based on the last quoted 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 or options and swaptions which are eligible for hedge accounting.

The fixed interest rate position (fixed-rate debt + swapped variable-rate debt) stands at 88% of gross debt at December 31, 2018 (compared with 79% at end-2017), and hedging instruments represent 73% of variable-rate debt on the same date.

At December 31, 2018, the Group has contracted, with leading partner bank, nine fixed-rate payer swaps against three-month Euribor for a notional amount of €560 million, the longest of which matured in December 2027 and a tunnel of swaptions for an amount of €100 million.

	Liabilities	Nominal value				
(in millions of euros)	**FV**	**Total**	**2019**	**2020**	**2021**	**2021 <**
Swap	17.5	560		100		460
Swaptions	2.3	100				100

These instruments hedge the future variable-rate interest payments of the Group's financing whose highly probable character is confirmed by the €770 million bank loan.

These hedging instruments, still effective, were recognised as cash flow hedges for the financial year. As a consequence of this cash flow hedge accounting the 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 fair value of the swaps at December 31, 2018 is considered to be 100% effective and therefore recognised in shareholders' equity for €19,775 thousand. The net OCI impact of -€2,978 thousand includes -€5,586 thousand from the change in the fair value of swaps and +€2,608 thousand from the recycling to earnings (deferred swaps reversal charge from prior period).

(in thousands of euros)	31/12/2018	31/12/2017
FINANCIAL INSTRUMENTS LIABILITIES		
Interest rate derivative liabilities – FV charged to earnings	226	704
Interest rate derivative liabilities – Cash-flow Hedges	19,775	14,407

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 0.5%	
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	-14,346		13,799	
Options as trading		-3,856		2,557

Note 6.3 Management of financial risks and hedging strategy

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 of surplus funds and hedging agreements with financial institutions as counterparties.

In France as in Spain and Italy, trade receivables relate to tenants; none of which represent 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 quarterly rents. Moreover, the Group strives to implement procedures for verifying the financial soundness of its clients, monitoring credit 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 solely 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 the Group's available liquid funds are sufficient to meet its obligations. In the short term, liquidity risk is under control, as cash and financial investments (and credit lines available at very short notice) far exceed current liabilities.

Carmila has two revolving lines of credit at its disposal, totalling €759 million and €250 million. At December 31, 2018, 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 7.2.6 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 Breakdown of other balance-sheet items

Note 7.1 Intangible fixed assets

ACCOUNTING POLICIES

IAS 38 – *Intangible Assets* are intangible assets with a finite useful life amortised on a straight-line basis over their expected useful lives. Intangible assets without a finite useful life are not amortised. The indeterminate nature of the useful life is reviewed every year. An impairment test is performed on these fixed assets annually (IAS 36) or as soon as there is an indication of loss in value.

Intangible assets are recognized at cost, and after initial recognition, reduced by amortisation and impairment, if any.

(in thousands of euros)	31/12/2017	Acquisitions	Allowances / reversals	Reclassification / scrapped	31/12/2018
Software	1,224	322	-	-14	1,532
Other intangible assets	16,182	140	-	82	16,404
Intangible assets in progress	61	40	-	-60	41
Intangible assets – gross value	**17,467**	**502**	**-**	**8**	**17,977**
Amortisation / software impairment	-735	-	-175	-	-910
Amortisation / impairment of other intangible fixed assets	-12,173	-	-336	-3	-12,512
Intangible assets – total amortisation	**-12,908**	**-**	**-511**	**-3**	**-13,422**
TOTAL INTANGIBLE ASSETS	**4,559**	**502**	**-511**	**5**	**4,555**

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 for at cost less any identified impairment.

(in thousands of euros)	31/12/2017	Acquisitions	Allowances / reversals	Reclassification / scrapped	31/12/2018
Technical plant, machinery and equipment	4,154	-	-	-	4,154
Office and computer equipment	426	22	-	-	448
Other property, plant and equipment	112	-	-	-27	85
Property, plant and equipment – gross value	**4,692**	**22**	**-**	**-27**	**4,687**
Depreciation/impairment of technical plant, machinery and equipment	-1,868	-	-324	-	-2,192
Depreciation/impairment of office and computer equipment	-347	-	-41	-	-388
Depreciation/impairment of other property, plant and equipment fixed assets	-66	-	-2	23	-45
Property, plant and equipment – total depreciation	**-2,281**	**-**	**-367**	**23**	**-2,625**
PROPERTY, PLANT AND EQUIPMENT	**2,411**	**22**	**-367**	**-4**	**2,062**

At December 31, 2018, property plant and equipment mainly includes fixtures and office equipment for the Group's service centres in France and Spain. No acquisitions or write-offs occurred during the period.

Note 7.3 Investments in equity-accounted investment

ACCOUNTING POLICIES

The accounting policies applied are described in Note 4.1 "Consolidation scope and methods". The details of equity-accounted companies are available in Note 15 "List of consolidated companies".

The method used in 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)	31/12/2017	Net income	Distribution	Capital increase	31/12/2018
Investment in equity-accounted companies	47,364	3,882	-1,480	0	49,766

At December 31, 2018, this item exclusively includes AS Cancelas (Spain), acquired in 2014 and currently operated, and Carmila Thiene (Italy), relating to a project.

Financial information on equity-accounted investment

With regard to the equity investment accounted for by using the equity method, the main items in their financial position are as follows; these items are presented at 100% (and include consolidation adjustments):

Equity-accounted investment *(in thousands of euros)*	31/12/2018	31/12/2017
Investment properties	135,079	131,934
Other non-current assets	1,566	1,355
Deffered tax assets	184	154
Non-current assets	**136,829**	**133,442**
Trade receivables	442	512
Other current assets	866	1,262
Cash and Cash equivalent	4,078	4,420
Current assets	**5,386**	**6,195**
TOTAL ASSETS	**142,215**	**139,637**

Equity-accounted investment *(in thousands of euros)*	**31/12/2018**	**31/12/2017**
Shareholders' equity	92,064	87,695
Equity	**92,064**	**87,695**
Third party borrowings and financing from associates	31,126	34,126
Other non current liabilities	16,327	14,989
Non current liabilities	**47,453**	**49,115**
Current liabilities	**2,698**	**2,827**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**142,215**	**139,637**

Equity-accounted investment *(in thousands of euros)*	**31/12/2018**	**31/12/2017**
Gross rental income	9,238	9,154
NET INCOME	**5,426**	**22,136**
Dividend distributed	2,960	2,947

Note 7.4 Other non-current assets

ACCOUNTING POLICIES

In accordance with IFRS 9 – *Financial Instruments*, the principal financial assets are classified in one of the following three categories:

- loans and receivables;
- assets held to maturity;
- assets available-for-sale.

Substitution of IFRS 9 by IAS 39 – *Financial instruments – Recognition and Measurement* leads to a redefinition of the measurement in the methodology of classification and assessment of financial assets:

- on the contractual characteristics of cash flows, on the one hand;
- and on the economic model for asset management, on the other.

The definition of financial assets selected is extended to loans, advances, non-consolidated securities current accounts, trade receivables and derivative assets. IFRS 9 also makes a distinction between two categories of financial assets: debt instruments and equity instruments. Depending on the characteristics of the contractual cash flows and business model, the resulting valuation method is different.

The 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 include minority stakes in young companies developing innovative and promising retail concepts for goods and services.

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".

For assets available-for-sale, see Note 6 "Investment properties".

(in thousands of euros)	**31/12/2017**	**Acquisitions**	**Disposals**	**Reclassification**	**Other movements**	**31/12/2018**
Non-consolidated equity interests	112	136	50	0	-226	72
Advances to associates or non-consolidated companies	0	202	0	0	0	202
Security deposits	10,402	2,431	-7	0	0	12,826
Other financial assets	2,516	0	-7	-2,438	0	71
Other non-current assets – gross value	**13,030**	**2,769**	**36**	**-2,438**	**-226**	**13,171**
Impairment on other non current assets	**-49**	**0**	**0**	**0**	**-1,174**	**-1,223**
OTHER NON CURRENT ASSETS	**12,981**	**2,769**	**36**	**-2,438**	**-1,400**	**11,948**

The security deposits recognised as non-current assets relate to deposits made with the Spanish administrative authority, which require that a percentage of the lease security deposits received from tenants be deposited to these authorities in a special escrow account. The increase in the period is directly linked to the acquisition of eight Spanish assets over the period.

The other financial assets decrease over the period due to the repayment of advances made as part of a share liquidity contract. A cash pooling mechanism was substituted for it.

Note 7.5 Trade receivables

ACCOUNTING POLICIES

Trade receivables mainly comprise rent from tenants, front-end fees and any advisory services. The trade receivables also include the effect of staggering benefits granted to tenants (rent-free periods and step rents). 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. The Group makes provisions at 50% when the receivable is overdue by over 6 months and less than one year, and at 100% of the receivables if overdue by more than a year. In addition, for any tenant presenting a risk of insolvency, a provision is made for 100% of the receivables. These are tenants in safeguard procedures, in receivership, liquidation, or any tenant for which a significant credit risk has been identified.

The trade receivables have a maturity of less than one year, with the exception of rent discounts and step rents, which are spread over the lease term.

Lastly, following application of IFRIC 21, accruals recorded for all property taxes owed for the year 2018 as of January 1 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)	31/12/2018	31/12/2017
Trade receivables – gross value	**143,265**	**126,108**
Depreciation of trade receivables	-19,649	-18,189
TRADE RECEIVABLES AND OTHER RECEIVABLES	**123,616**	**107,919**

The change is mainly due to a change in the scope of consolidation, with the acquisitions in the year and the extensions opened in 2017 and 2018, that generated new rents and thus new trade receivables. The aged balance of trade receivables at the Group level is summarized as follows:

(in thousands of euros)	Accounting balance[1]	current	matured	< 15 days	≥ 15 days < 30 days	≥ 30 days < 60 days	≥ 60 days < 90 days	≥ 90 days < 180 days	≥ 180 days < 360 days	≥ 360 days
TOTAL GROUP (INCLUDING VAT)	**127,138**	**89,909**	**37,229**	**2,669**	**2,026**	**624**	**334**	**7,400**	**10,636**	**13,540**

(1) The aged balance excludes accrued receivables, and receivables for income other than rental income.

	Impairment trade receivable (excluding VAT)	% matured > 6 month secured
TOTAL GROUP	**19,649**	**98%**

Note 7.6 Other current assets

(in thousands of euros)	31/12/2018	31/12/2017
Tax receivables	**37,020**	**36,863**
Corporate tax receivables	2,590	3,385
Other tax receivables	34,430	33,478
Financial receivables	**161,784**	**22,147**
Receivables related to investment properties	19,607	22,147
Derivative instruments – assets	0	0
Short term investment	142,177	0
Other receivables	**18,440**	**17,598**
Receivables from charges rebilled to tenants	10,942	8,581
Other miscellaneous receivables	7,740	8,925
Prepaid expenses	-242	92
TOTAL OTHER RECEIVABLES – GROSS VALUE	**217,244**	**76,608**
Depreciation of other receivables	0	-1,210
OTHER CURRENT RECEIVABLES	**217,244**	**75,398**

At December 31, 2018, the significant increase in financial receivables is due to the presentation of marketable securities from cash and cash equivalent to current financial receivables. These marketable securities do not meet all the criteria set out in IAS 7 to be presented in cash and cash equivalent. At December 31, 2018, these marketable securities were adjusted at their market value. They are presented net of the €3,046 thousand and depreciation charge at their realizable value.

Financial receivables attached to investments mainly include the Group's loans to equity-accounted companies (AS Cancelas for €13 million and Carmila Thiene for €5,126 thousand).

The increase in the "Other receivables" item results from the increase in capex call of funds and co-ownership expenses with. The acquisition of KC 11, which owns the Grand Vitrolles asset and comprises to €2,113 thousand in co-ownership call for funds at December 31, 2018.

Note 7.7 Net cash

ACCOUNTING POLICIES

Cash equivalents are short-term investments (maturity of less than three months), highly liquid, easily convertible into a defined amount of cash, and subject to a negligible risk of change in value. Cash includes shares in money-market funds and cash deposits. They are adjusted to their at fair value through profit or loss.

(in thousands of euros)	31/12/2018	31/12/2017
Cash	70,518	168,567
Cash equivalent	0	160,830
Cash and cash equivalent	**70,518**	**329,397**
Bank facilities	-5,617	-40,129
NET CASH(1)	**64,901**	**289,268**
(1) Excluding short term investment displayed in other current financial assets booked at its fair value at December 31, 2018	*142,177*	

Cash equivalents were presented as other current financial assets to the extent that all the criteria defined in IAS 7 – *Cash and cash equivalents* do not appear to be met to classify these short term investments as cash equivalents.

The breakdown of the change of the Group's cash is explained in Note 1.3 of the consolidated cash flow statement.

Note 7.8 Equity

Note 7.8.1 Share capital and premiums on Carmila's capital

(in euros)	Number of shares	Share capital	Issuance premium	Merger premium
Balance at January 1, 2018	135,060,029	810,360,174	493,991,679	1,827,680,321
Cash payment dividend GM 16/05/2018	-	-	-	-80,808,472
Share payment dividend	1,501,666	9,009,996	25,663,472	-
Adjustment on 2017 IPO-Capital increase costs	-	-	-	1,677,000
BALANCE AT DECEMBER 31, 2018	**136,561,695**	**819,370,170**	**519,655,151**	**1,748,548,849**

The share capital at December 31, 2018 is made up of 136,561,695 shares in a single class with a nominal value of six euros (€6) each, fully subscribed and paid up.

During 2018:

- on May 16, 2018, the Shareholders' Meeting approved, based on a proposal by the Board of Directors, the distribution of a dividend of €0.75 per share for the 2017 financial year. An extraordinary distribution had been paid on November 27, 2017 for a total amount of €101,650 thousand, deducted from the merger premium. The balance, paid in June 2018, comprised €20,384 thousand deducted from distributable income and the remaining €80,808 thousand from the merger premium. The Shareholders' Meeting also offered the option of a payment in shares;
- over 34% of shareholders opted for the payment in shares, requiring a capital increase. On June 14, 2018, the shares were subscribed by shareholders at €23.09 per share and resulted in:
  - the issue of 1,501,666 new ordinary shares, subscribed for in full at a price of €23.09 per share, representing a nominal capital increase amount of €9,009,996, plus an issue premium for an amount of €25,663,472.

Note 7.8.2 Distributions of merger premiums 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 7.8.1 "Equity" above.

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Note 7.8.3 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 December 31, 2018, the company held a total of 229,348 Carmila shares including the shares held as part of the liquidity contract and the shares held in view of using them in share-based bonus plans.

Note 7.8.4 Earnings per share

Earnings per share are 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 is not considered as shares in circulation and therefore reduces the number of shares used to calculate net earnings per share.

Fully diluted earnings per share are 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 as well as the potential shares in particular those linked to share-based bonus plans.

At December 31, 2018	
Average number of shares (undiluted)	**135,653,512**
Average number of share-based payments in circulation in 2017	206,584
Average number of shares (fully diluted)	**135,860,096**

Note 7.9 Provisions

ACCOUNTING POLICIES

In accordance with IAS 37 – *Provisions, contingent liabilities and contingent assets*, provisions are recorded 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 for each category based on the most likely assumptions. Amounts are discounted when the impact of the passage of time is significant.

(in thousands of euros)	31/12/2017	Allowances	Reversal	Reclassification	Actuarial adjustments (OCI)	31/12/2018
Other contingency provisions	1,580	2,654	-276	1,217	-	5,175
Total contingency provisions	**1,580**	**2,654**	**-276**	**1,217**	**-**	**5,175**
Provision for pensions and retirement benefits	562	197	-143	-	-106	510
Provisions for charges	**562**	**197**	**-143**	**-**	**-106**	**510**
NON-CURRENT PROVISIONS	**2,142**	**2,851**	**-419**	**1,217**	**-106**	**5,685**

Contingency provisions include all tenant-related disputes and litigation and any other operating risks. 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 the amount were sufficiently reliable to be provisioned. The payment of this earn-out is planned in 2021.

Note 7.11 Trade and fixed-asset supplier payables

(in thousands of euros)	31/12/2018	31/12/2017
Fixed assets payables	52,141	71,751
Miscellaneous trade payables	3,804	4,968
Trade payables and invoices yet to be received	24,566	23,599
TRADE AND FIXED ASSETS PAYABLES	**80,511**	**100,318**

Fixed asset payables decrease noticeably due to projects in progress in the previous 12 months such as Nichelino (-€9.6 million), Cap Saran (-€3.3 million), and miscellaneous construction work sites such as Pau Lescar (-€8.7 million), or BAB2, Bourges or Crêches-sur-Saône. These deliveries were only partially offset by the increase in payables to fixed asset suppliers for projects under development or completed in the period, including Évreux (+€9.3 million), and Nice (+€6.5 million).

Note 7.12 Other current liabilities

(in thousands of euros)	31/12/2018	31/12/2017
Tax and payroll related payables	**44,237**	**38,661**
Tax liabilities (excluding corporate income tax)	27,730	24,065
Tax liabilities – corporate income tax	5,834	5,192
Social-security liabilities	10,673	9,404
Miscallaneous liabilities	**87,517**	**85,724**
Other miscellaneous debts	17,784	21,023
Prepaid income	69,733	64,701
OTHER CURRENT LIABILITIES	**131,754**	**124,385**

The increase in tax and employee payable liabilities is mainly due to the increase in the VAT in France and Almia Management, as well as the new assets developed and acquired in France, Grand Vitrolles and Cap Saran.

Prepaid income increases under the effect of the prebilling in the first quarter of 2019 of the acquired assets and development projects delivered during the period, mainly in France (Grand Vitrolles for €2.9 million, Cap Saran for €1.1 million, Évreux for €0.8 million and l'Viali at Nichelino in Italy for €1 million).

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 staggering 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 6 "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 redemption 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, as well as the expense and the expense and recovery of the land tax.

- Non recovered rental charges:

These expenses are shown net of rebilling to tenants and primarily represent charges arising from vacant premises and yet unrecovered recoverable expenses.

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 net of those rebilled.

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(in thousands of euros)	31/12/2018	31/12/2017
Rent	338,955	299,677
Front-end fees and other indemnities	1,295	1,234
Gross Rental Income	**340,250**	**300,911**
Property tax	-18,659	-16,978
Charges rebilled to tenants	14,785	12,589
Real estate expenses	**-3,874**	**-4,389**
Rental charges	-71,076	-54,960
Charges rebilled to tenants	60,014	47,655
Non-recovered rental charges	**-11,062**	**-7,305**
Management fees	-774	-236
Charges rebilled to tenants	8	0
Losses and depreciation of receivables	-6,430	-8,332
Other expenses	-4,460	-3,994
Property expenses (landlord)	**-11,656**	**-12,562**
NET RENTAL INCOME	**313,658**	**276,655**

Gross rental income

The growth in rental income is achieved mainly by the acquisitions of the year made in Spain and in France (€18.6 million), the deliveries of extension projects (€11.4 million), and by like-for-like growth (€8.5 million).

Real estate expenses

The improvement in real estate expenses results from improved recovery of the land tax in France (+€0.3 million) and better recovery in Spain (+€0.6 million), which offsets the unrecoverable land tax of Nichelino, a new centre open in Italy in November 2017 (-€0.3 million).

Non-recovered rental charges

The deterioration in value of unrecovered rental expenses is explained by a scope effect in Spain (-€0.7 million) and by a deterioration of €3 million in France linked to opening expenses for launching extensions and the ramp-up of the digital strategy of the Group.

Property expenses

The improvement of net property expenses is mainly linked to the improvement of receivable collectibility in France (+€1.4 million) and in Spain (+€1 million), offsetting the deterioration of customer risk in Italy (-€0.6 million).

Note 8.2 Operating expenses

(in thousands of euros)	31/12/2018	31/12/2017
Income from management, administration and other activities	4,595	4,790
Other income	6,631	5,712
Payroll expenses	-24,839	-23,878
Other external expenses	-36,961	-34,057
OPERATING EXPENSES	**-50,574**	**-47,433**

Note 8.2.1 Income from management, administration and other activities

These revenues mainly include initial letting fees, marketing services and marketing fund to develop and increase the attractiveness of the centres, billed to retailers' associations and various rebilling by real estate companies to co-owners.

Note 8.2.2 Other income

Other income comprises the fees related to operating expenses, mainly to the Carrefour group, in particular for the management of shopping centres and letting fees, in France and Spain.

Note 8.2.3 Other external expenses

Payroll expenses amounted to €24,839 thousand at December 31, 2018; up 4%.

Since 2016, the Group has set up share-based bonus plans for executives and key employees. The benefits associated with these plans are recognised as payroll expenses in the amount of -€2,241 thousand (+€628 thousand), including the social security contribution, over the year.

Note 8.2.4 Operating expenses

Other external expenses are related to 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.

Note 8.3 Depreciation, amortisation, provisions and impairment

(in thousands of euros)	31/12/2018	31/12/2017
Depreciation and amortisation allowance for fixed assets and impairment of intangible fixed assets	-1,141	-983
Reversal / provisions losses and contingencies, and current assets	-2,367	174
ALLOWANCES FOR DEPRECIATION OF FIXED ASSETS, AMORTISATION OF INTANGIBLE FIXED ASSETS AND PROVISIONS	**-3,508**	**-809**

Depreciation and amortisation provisions concern mainly software and furniture in the operating buildings of the Group's offices.

The net provisions for contingencies and liabilities bear mainly on property disputes with tenants, current assets, and possible tax disputes in France.

Note 8.4 Other operating income and expenses

In 2017, this item included extraordinary expenses on financing transactions attributable to merger costs for the merger between Cardety SA and Carmila SAS. At December 31, 2018, this item essentially comprised an adjustment of the expenses to pay for previous financial years.

Note 8.5 Gains (losses) on disposals of investment properties and equity investments

Carmila sold the shares of Carmila Grugliasco, which included three units of the Shopville Le Gru shopping centre in Italy. This disposal was carried out at the appraised value, and the income of the transaction comes to -€0.1 million. The negative income on disposal results from the exchange transactions and write-offs during the period.

Note 9 Taxes

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 June 1, 2014, Carmila and its French subsidiaries subject to corporate income tax opted for the SIIC regime (French REIT) as of 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 by laws aimed at the acquisition or construction of investment properties for leasing purposes or for 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 for this benefit, these listed property investment companies are required to distribute 95% of their rental income, 70% of their capital gains on disposals and 100% of the dividends received from their REIT subsidiaries. This distribution requirement related to capital gains is 60% up to December 31, 2018, and 70% since January 1, 2019.

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 corporate taxation. The exit tax is payable over a four-year period starting when the entity concerned opts for the 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 the SIIC regime on June 1, 2014, Carmila has segregated a REIT segment that is exempt from tax on property-leasing transactions and capital gains on disposal, from a segment subject to corporate income tax for other activities.

Income tax for companies not subject to the REIT regime in France and for foreign companies is calculated under conditions of ordinary tax law. Financière Géric, which was previously subject to corporate income tax, opted for the SIIC regime on January 1, 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 as well as 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 will first be used to offset existing liabilities, and the remaining balance will be 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 December 31, 2018 are 24% in Italy and 25% in Spain.

The 2018 Finance Act, published in France's legal obligation Journal on December 30, 2017, has maintained the social contribution rate at 3.3%, but has introduced a progressive reduction in income tax from 33.33% to 25% by 2022. The theoretical tax rate of 34.4% thus relates to the ordinary tax rate of 33.3% (28% for profits up to €0.5 million) and to the corporate income tax social contribution of 3.3%.

Note 9.1 Income tax expense

(in thousands of euros)	31/12/2018	31/12/2017
Deferred tax	-49,410	-32,449
Current tax	-3,394	-1,910
INCOME TAX	**-52,804**	**-34,359**

The deferred tax expense totals -€49,410 thousand and is mainly due to the change in deferred taxation linked to changes in fair value. Capitalisation of deficits in Spain totals €1,328 k€ for the financial year.

The tax values of the assets used to calculate this deferred tax were reviewed during the period and generated an impact of €24.5 million, of which €19.3 million are attributable to the Italian assets and €5.2 thousand to the Spanish assets.

The tax payable by the Group is -€3,394 thousand, including -€2,823 thousand for Italy, which includes €0.6 million linked to the gain on disposal of shares in Carmila Grugliasco.

Note 9.2 Tax reconciliation

The reconciliation of the effective tax rate with the theoretical tax rate is as follows:

(in thousands of euros)	31/12/2018	31/12/2017
Net consolidated income	163,609	314,304
Income tax expense	52,804	34,359
Share of net income of equity-accounted companies	-3,882	-11,067
Net income before taxes and excluding equity-accounted companies' net income	**212,531**	**337,596**
Tax rate applicable to parent company	34.43%	34.43%
THEROETICAL INCOME TAX (EXPENSE)/INCOME	**-73,174**	**-116,234**
Tax exempt income resulting from the SIIC regime	39,484	92,251
Temporary differences	-141	0
Permanent differences	-61	2,895
Other tax accrual	-28,913	-14,949
Difference in tax rates	9,091	7,869
Tax deficit allocation	418	0
Tax loss without deferred tax recognition	492	-6,190
EFFECTIVE TAX (EXPENSE)/INCOME	**-52,804**	**-34,359**
EFFECTIVE TAX RATE	**-24.85%**	**-10.18%**

Note 9.3 Current tax assets and liabilities

(in thousands of euros)	31/12/2018	31/12/2017
Tax credits	2,590	3,385
TOTAL TAX ASSETS	**2,590**	**3,385**
Tax liabilities non-current	4,569	9,138
Tax liabilities current	5,806	5,186
Liabilities related to tax consolidation	28	6
TOTAL TAX LIABILITIES	**10,403**	**14,330**

At December 31, 2018, tax receivables totalled €1,938 thousand for Spain, €442 thousand for Italy and €210 thousand for France.

The French companies subject to corporate income tax opted for the SIIC regime on June 1, 2014. Financière Géric chose the SIIC regime at January 1, 2017. A provision was recorded in the 2016 financial statements for the total amount of exit tax which will be paid. The decrease in this non-current tax liability comes from the payment of €4,569 thousand that occurred in December 2018 concerning this exit tax. On the balance sheet, at December 31, 2018, the contribution of the exit tax of Financière Géric totalled €9,138 thousand, including €4,569 thousand payable in more than one year.

Note 9.4 Deferred tax assets and liabilities

(in thousands of euros)	31/12/2017	Profit and loss impact	Change in consolidation scope	Other	31/12/2018
Deferred tax assets	6,284	1,601	0	-109	7,776
Deferred tax liabilities	103,729	51,552	-480	-109	154,692
NET BALANCE OF DEFERRED TAX	**-97,445**	**-49,951**	**480**	**0**	**-146,916**
Breakdown of deferred tax by nature					
Properties	-103,620	-51,279	480	-	-154,419
Tax losses	6,175	1,328	0	-	7,503
NET BALANCE OF DEFERRED TAX	**-97,445**	**-49,951**	**480**	**0**	**-146,916**

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

In 2017 Carmila received a tax assessment for the 2014 financial 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. There was no material change in litigation or legislation during the financial year. Consequently no provision has been recorded.

Note 10.1 Commitments received

(in thousands of euros)	31/12/2018	31/12/2017
Unused credit facilities	1,009,000	1,009,000
Commitments related to Group financing	**1,009,000**	**1,009,000**
Sale commitments	0	0
Bank guarantees received from tenants	24,778	34,371
Other commitments received	0	0
Commitments related to the Group operating activities	**24,778**	**34,371**
TOTAL COMMITMENTS RECEIVED	**1,033,778**	**1,043,371**

Note 10.1.1 Unused credit facilities

The Group finances itself through equity and borrowings contracted by the parent company. At December 31, 2018, the Group had two confirmed undrawn credit lines set-up as part of its refinancing programme in June 2017, totalling €1,009 million.

Note 10.1.2 Bank guarantees received from tenants

As an owner and manager of shopping malls, some leases provide for the lessor to receive a first demand bank guarantee 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)	31/12/2018	31/12/2017
Commitments to acquire	0	0
Commitments given related to the scope of consolidation	**0**	**0**
Financial guarantees issued	3,067	5,389
Commitments related to Group financing	**3,067**	**5,389**
Commitments under conditions precedent	2,460	212,200
Commitments to complete works	65,704	0
Rental guarantees and collateral	6,553	833
Commitments given on swaps	100,000	150,000
Commitments related to the Group operating activities	**174,717**	**363,033**
TOTAL COMMITMENTS GIVEN	**177 784**	**368 422**

Note 10.2.1 Financial guarantees issued

Prior to its acquisition by the Group, Financière Géric granted prime mortgages on the Thionville shopping center extension for an initial amount of €13,000 thousand as a guarantee to its bank financing. At December 31, 2018, the outstanding amount guaranteed is €3,067 thousand and the underlying outstanding matures in 2020.

Note 10.2.2 Commitments under 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 sufficiently uncertain to be recognised in the financial statements.

At December 31, 2018, the Group signed purchase agreements for various units in France, which taken individually are not material.

Note 10.2.3 Commitments to complete works

Work commitments relate to the projects approved by the Investment Committee and/or already under contract. These are mainly restructuring projects in France. At December 31, 2018, the work commitments concern mainly the Rennes-Cesson extension work and the restructuring of Cité Europe at Coquelles.

Note 10.2.4 Rental guarantees and collateral

The rental guarantees and collaterals mainly comprise guarantees covering the operating premises of the Group and its subsidiaries. It also includes, since 2018, a guarantee given to the tax authorities by the Italian subsidiaries for the application of its consolidated VAT regime.

Note 10.2.5 Commitments given on swaps

At December 31, 2018, the Group contracted swaptions covering a notional value of €100 million. These swaps will commence in June 2019. Therefore, they have not been recognised at December 31, 2018.

Note 10.3 Reciprocal commitments

Directly linked from development and redevelopment projects. Reciprocal commitments relate to acquisition contracts (VEFA) and other contracts for real estate co-development. At December 31, 2018, the secured acquisition contracts totalled €92,120 thousand mainly composed of the Nice Lingostière project.

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 April 16, 2014, the Carrefour group and Carmila signed agreements entrusting functions or services performed by Carrefour for Carmila. The term of these agreements was set at five years, i.e. until April 15, 2019, and has been extended until April 15, 2020.

In addition, Carrefour and Carmila signed an agreement on the implementation of the renovation and development of Carmila's assets.

There were no substantial changes over the financial year as regards transactions with related parties.

FRANCE

(in thousands of euros)	31/12/2018	31/12/2017
Agreement on renovation and development – Carmila-Carrefour		
Personnel secondment agreement	1,000	682
Exclusive mandate – Carrefour Property Gestion	7,845	7,311
Lease and asset management		
Service agreement between Carmila France, Almia Management and Carrefour Administratif France	893	773
Services in the field of insurance management, legal (both corporate and litigations), tax, accounting, payroll, treasury back-office		
Service agreement between Carmila and Carrefour	102	62
Accounting, tax, legal assistance, insurance management		
Service Agreement between CPF Asset Management and Carmila France	567	511
Legal real estate services, human ressources, management accounting, janitor services		
TOTAL CHARGED TO CARMILA AND SUBSIDIARIES IN FRANCE	**10,407**	**9,339**
Shopping mall Director mandate with Carrefour Property Gestion	-4,624	-4,405
Agreement billed by Almia Management		
Exclusive mandate with Carrefour Property France, Immobilière Carrefour, Hyparlo and Sogara	0	0
Letting of commun areas and speciality leasing activity		
New extension or other development letting fees	-1,200	-1,599
Billed by Almia Management		
TOTAL INVOICED BY CARMILA IN FRANCE	**-5,824**	**-6,004**
TOTAL NET EXPENSE TO CARMILA IN FRANCE	**4,583**	**3,335**

SPAIN

(in thousands of euros)	31/12/2018	31/12/2017
Exclusive mandate – Carrefour Property España	2,363	1,860
Lease management		
Service contract – Centros Comerciales Carrefour	635	558
Insurance, legal assistance, tax, accounting, cash management, IT, payroll, janitor services		
Service contract – Carrefour Property España	303	280
Legal real estate services, management, human resources		
TOTAL CHARGED TO CARMILA IN SPAIN	**3,301**	**2,698**
Exclusive mandate – Carrefour Property España, Carrefour Norte, Carrefour Navarra and third parties	-168	-145
Asset management		
Exclusive mandates – Carrefour Property España, Carrefour Navarra, Carrefour Norte and third parties	-789	-613
Marketing of premises in shopping malls	-68	-51
Letting of commun areas	-721	-562
TOTAL INVOICED BY CARMILA IN SPAIN	**-957**	**-758**
TOTAL NET EXPENSE TO CARMILA IN SPAIN	**2,344**	**1,940**

ITALY

(in thousands of euros)	31/12/2018	31/12/2017
Service contract with GS S.p.A.	466	381
Legal assistance, tax, accounting, technical maintenance		
Service contract with Carrefour Property Italia S.r.l.	253	197
Management accounting, project investment, janitor services		
Cash Management Service contract with Carrefour Italia Finance S.r.l. – Services in treasury management	55	53
Exclusive mandate with Carrefour Property Italia S.r.l.	664	626
Lease negociation and asset management	378	383
Speciality leasing	286	243
TOTAL EXPENSE TO CARMILA IN ITALY	**1,438**	**1,257**

Finally, on December 28, 2018, Carmila acquired a shopping centre, six medium sized stores and operating rights of the specialty leasing activity in 61 shopping centres from the Carrefour Group in Spain, for a total investment of €44.2 million.

Note 12 Employee remuneration and benefits

Note 12.1 Other external expenses

See Note 9.2.3.

Note 12.2 Headcount

At December 31, 2018, the Carmila Group had 185 employees, including 127 in France mainly through its Almia Management subsidiary, 43 in Spain and 15 in Italy (excluding apprentice).

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, pension benefits, 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 entered 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)	31/12/2018	31/12/2017
Fair value of assets in the plans	0	0
Discounted value of unfunded obligations – beginning of the year	**562**	**293**
Cost of past services	92	83
Net actuarial losses and gains	-106	31
Acquisitions/disposals	2	155
Matured rights	-42	0
NET OBLIGATION FOR DEFINED BENEFIT SCHEMES	**510**	**562**

CHANGE IN NET OBLIGATION

(in thousands of euros)	31/12/2018
NET OBLIGATION AT THE BEGINNING OF THE YEAR	**562**
Pension expense recorded in the income statement	152
Contributions paid by Carmila in the income statement	-102
Acquisitions / Disposals	2
Benefits paid to beneficiaries of unfunded benefits	0
Change in actuarial differences and other legal modifications	-106
NET OBLIGATION AT END OF PERIOD	**510**

COMPONENTS OF THE PENSION EXPENSE

(in thousands of euros)	31/12/2018
Cost of services rendered during the year	44
Financial cost	6
PERSONNEL EXPENSE FOR THE YEAR	**50**

At December 31, 2018, the Group applied the following principal actuarial assumptions:

- discount rate: 1.44% (unchanged from 2017);
- salary indexation: 2.0% (unchanged from 2017);
- 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 Payment*. The fair value of share-based payment rights granted to employees is determined at their assignment date. It is recorded as payroll expenses, with an increase in shareholders' equity as counterpart over the period when the rights are 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 actual costs 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 and Monte-Carlo models were used to simulate the fair unit value of the instruments.

The Group has four share-based bonus plans for corporate officers and key employees in France, Spain and Italy. The cost is spread over the vesting period (period of work to be completed by the employee prior to being able to exercise the options allocated to him or her).

There were two types of plans in effect at December 31, 2018, granted in 2016, 2017 and 2018:

- 2016 Attendance Plans, whose criteria relate to the presence of employees in the Group at the vesting date (December 31, 2017);
- 2016 and 2017 Performance Plans that incorporate, 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 in 2017 compared with the original subscription price.
- the 2018 performance plan incorporates the fulfilment of conditions relating to the Group's financial performance:
  - 1/3 relates to the fulfilment of conditions linked to the change in the total shareholder's return (based on the NNNAV indicator as defined by EPRA) versus a comparable panel of real estate companies;
  - 1/3 relates to the fulfilment of conditions linked to the comparison of recurring earnings per share for the financial years ended on December 31, 2017 and December 31, 2020;
  - 1/3 relates to the fulfilment of conditions linked to the comparison of the 2020 stock market price to the NAV at December 31, 2019.

The two plans granted in 2016 (plan 1 and plan 2) were delivered during the period.

The benefits granted were thus spread over the vesting period and recognised as payroll expenses for €2,241 thousand, with a corresponding increase in equity of €1,791 thousand and social-security liabilities (20% and 30% social-security expenses) of €450 thousand.

	Plan No.1[1]		Plan No.2[1]		Plan No.3[1]		Plan No.4		Plan No.5	
Summary of the plans	**France**	**Abroad**	**France**	**Abroad**	**France**	**Abroad**	**France**	**Abroad**	**France**	**Abroad**
Date of Meeting	14/04/2016		14/04/2016		14/04/2016		16/05/2018		16/05/2018	
Date of grant	Key employees: 15/06/2016 Proxy officers[2]: 14/04/2016		Key employees: 15/06/2016 Proxy officers[2]: 17/05/2016		12/06/2017		16/05/2018		24/10/2018	
End of vesting period	31/12/2017	13/04/2018	Key employees: 15/06/2018 Proxy officers: 14/02/2018		Key employees: Tranche 1: 12/06/2019 Tranche 2: 12/06/2020 Proxy officers: 12/06/2020		Tranche 1 – 20%: 16/05/2019 Tranche 2 – 20%: 16/05/2020 Tranche 3 – 60%: 16/05/2021		Tranche 1 – 20%: 24/10/2019 Tranche 2 – 20%: 24/10/2020 Tranche 3 – 60%: 24/10/2021	
End of holding period	Key employees: 15/06/2018 Proxy officers: 14/04/2018		Key employees: 15/06/2018 Proxy officers: 17/05/2018		Key employees: Tranche 1: 12/06/2019 Tranche 2: 12/06/2020 Proxy officers: 12/06/2020		16/05/2021		16/05/2021	
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		The employment will influence the conversion ratio of B shares into A shares, by tranches as described over the acquisition period.		The employment will influence the conversion ratio of B shares into A shares, by tranches as described over the acquisition period.	
Performance condition	No		Total Shareholders Return (TSR): Based on the NNNAV and recurring EPS: based on the net Recurring consolidated income in accordance with IFRS principles		Total Shareholders Return (TSR): Based on the NNNAV and recurring EPS: based on the net Recurring consolidated income in accordance with IFRS principles		Changes in the NAV as compared to a panel Recurring EPS: CAGR Changes in the share price		Changes in the NAV as compared to a panel Recurring EPS: CAGR Changes in the share price	
Shares initially allocated[1]	**47,062**	**9,599**	**74,159**	**15,181**	**79,990**	**16,998**	**79,990**	**16,998**	**7,537**	**0**
Shares cancelled at 31/12/2107	-2,399	-	-4,131	-	-10,552	-	-	-	-	-
Discount for performance shares in 2017	-	-	-	-	-	-	-	-	-	-
Shares vested in 2017	-44,663	-9,599	-70,028	-15,181	-	-	-	-	-	-
OUTSTANDING SHARES AT DECEMBER 31, 2018	**0**	**0**	**0**	**0**	**69,438**	**16,998**	**79,990**	**16,998**	**7,537**	**0**

(1) Number of shares allocated post-merger, applying merger parity.
(2) Proxy officers include the Chairman and the Chief Executive Officers.

	Plan No.1	Plan No.2
Unit value	€7.71	€7.71
Fair unit value	€7.13	€6.99
Expense for the period[1]	**€0 k [2]**	**€461 k**

(1) Including social charges (20%).
(2) This plan was fully provisioned in 2016 for €1,470 thousand.

	Plan No.3	Plan No.4	Plan No.5
Average share price on the allocation date	€28.50	€24.90	€20.42
Dividend per share	€1.50	€1.50	€1.50
Unit value	€24.68-€23.84	€17.90	€17.90
Expense for the period[1]	**€1,192 k**	**€588 K**	**N/S**

(1) Including social charges.

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Note 13 Additional information

Note 13.1 Subsequent events

None.

Note 13.2 Statutory Auditors' fees

	KPMG				Deloitte				Other				Total	
	Statutory auditors		Network		Statutory auditors		Network		Statutory auditors		Network		Statutory auditors	Network
(in thousands of euros)	31/12/2018	%	31/12/2018	%	31/12/2018	%	31/12/2018	%	31/12/2018	%	31/12/2018	%	31/12/2018	31/12/2018
Audit of statutory and consolidated financial statements and half year limited review	**356**	**79%**	**91**	**100%**	**173**	**83%**	**140**	**86%**	**42**	**100%**	**26**	**68%**	**571**	**257**
Carmila S.A.	106	24%	-	0%	106	51%	-	0%	-	0%	-	0%	212	-
Consolidated subsidiaries	250	56%	91	100%	67	32%	140	86%	42	100%	26	68%	359	257
Services other than audit of the financial statements	**92**	**21%**	**-**	**0%**	**35**	**17%**	**22**	**14%**	**-**	**0%**	**12**	**32%**	**127**	**34**
Carmila S.A.	92	21%	-	0%	35	17%	-	0%	-	0%	12	32%	127	12
Consolidated subsidiaries	-	0%	-	0%	-	0%	22	14%	-	0%	-	0%	-	22
TOTAL FEES	**448**	**100%**	**91**	**100%**	**208**	**100%**	**162**	**100%**	**42**	**100%**	**38**	**100%**	**698**	**291**

(1) En 2018, these fees are mainly related to services and work in connection with the bond issuance (comfort letter) and review of the CSR information.

Note 14 List of consolidated companies

List of consolidated companies		% interest			% control		
Fully consolidated companies	Country	December 2018	December 2017	Change	December 2018	December 2017	Change
FRANCE							
Carmila SA	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 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%	-
Bay1Bay2 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Financière Géric SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Louwifi SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Crèche sur Saône SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Évreux SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Ventures France SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
KC11 SNC	France	100.00%	0.00%	100%	100.00%	0.00%	100%
Best of the web SAS	France	100.00%	0.00%	100%	100.00%	0.00%	100%
Carmila Saran SAS	France	100.00%	0.00%	100%	100.00%	0.00%	100%
Carmila Nice 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%	-
Carmila Puerto SL	Spain	100.00%	0.00%	100%	100.00%	0.00%	100%
Carmila Cordoba SL	Spain	100.00%	0.00%	100%	100.00%	0.00%	100%
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 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%	100.00%	-	100.00%	100.00%	-

		% interest			% control		
Equity accounted companies	Country	December 2018	December 2017	Change	December 2018	December 2017	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 2018		% interest		% control		
	Country	December 2018	December 2017	December 2017	December 2017	Comments
SCI Dominique	France	-	100.00%	-	100.00%	Merged
Carmila Grugliasco SRL	Italy	-	100.00%	-	100.00%	Disposed

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7.2 Auditors' report on the consolidated financial statements

Year ended December 31, 2018

This is a free 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 the Shareholders' meetings, we have audited the accompanying financial statements of Carmila S.A. for the year ended December 31, 2018.

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, 2018 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, 2018 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.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to the Note 3.3 "Accounting Standards" to the notes of the consolidated financial statements regarding the initial application of the standards IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*.

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 6 to the financial statements)* As of December 31, 2018, investment property is recorded on the balance sheet for a net carrying amount of €5,954 million compared to total assets of €6,594 million. As indicated in Note 6 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 twice a year 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 6 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; • assessing the competence, independence and objectivity of the external appraisers of the Group, in particular with regard to their reputation and by verifying the certificate of independence issued by the expert included as a statement in it report; • 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; • verifying that the fair value methods used are in line with market practices, and assess the consistency with the market data of the valuation assumptions used by the independent experts, particularly the rates of return and the market rental values; • corroborating the main information provided by the company to independent experts with rental statements and investments; • 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 6 to the consolidated financial statements.

Specific verifications

As required by French laws and regulations, 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, 2018, KPMG was in its 9th year of uninterrupted engagement and Deloitte & Associés in its 10th year of uninterrupted engagement, and respectively 9 and 10 years since the securities were admitted to trading on a regulated market.

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

Objectives 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 13, 2019

The Statutory Auditors

KPMG S.A.		**Deloitte & Associés**
Éric Ropert	Adrien Johner	Stéphane Rimbeuf
Partner	*Partner*	*Partner*

7.3 Statutory financial statements

7.3.1 Carmila's statutory financial statements at December 31, 2018

7.3.1.1 Income statement at December 31, 2018

(in thousands of euros)	Notes	31/12/2018	31/12/2017
Net revenue		5,237	7,095
Reversal of depreciation and provisions		838	3,987
Other income		2,176	3,326
Operating income	**6.1**	**8,251**	**14,408**
Purchases and operating expenses	6.1.1	-7,253	-6,179
Taxes	6.1.2	-543	-690
Allowances for depreciation and provisions	6.1.3	-2,113	-5,007
Other expenses		-700	-435
Operating expenses		**-10,609**	**-12,311**
Operating income		**-2,358**	**2,097**
Share in profit or loss of investments		37	31
Financial income		94,593	87,669
Financial expense		-55,068	-51,076
Allowance for impairment and provisions on financial assets		-8,030	-7,598
Net financial income/(expense)	**6.2**	**31,495**	**28,996**
Current income before tax		**29,174**	**31,123**
Extraordinary income		228,378	205
Extraordinary expenses		-187,340	10,142
Extraordinary profit/(loss)	**6.3**	**41,038**	**-9,937**
Income tax	6.4	-394	-257
NET INCOME FOR THE PERIOD		**69,818**	**102,313**

7.3.1.2 Balance sheet at December 31, 2018

Balance sheet Assets

(in thousands of euros)	Notes	Gross 31/12/2018	Total depreciation and amortisation	Net at 31/12/2018	Net at 31/12/2017
Share capital subscribed but not paid-up					
Intangible fixed assets	4.1.1	195	168	27	84
Property, plant and equipment	4.1.2	0	0	0	127,891
Financial assets	4.2	5,378,484	1,300	5,377,184	4,528,978
Fixed assets		**5,378,679**	**1,468**	**5,377,211**	**4,656,954**
Trade receivables	4.3	1,781		1,781	4,051
Other receivables	4.3	75,917		75,917	417,099
Marketable securities	4.4	145,053	3,046	142,007	160,659
Cash	4.5	21,356		21,356	30,579
Prepaid expenses		28		28	63
Current assets		**244,135**	**3,046**	**241,089**	**612,451**
Bond redemption premiums		6,833		6,833	7,007
TOTAL ASSETS		**5,629,647**	**4,514**	**5,625,133**	**5,276,411**

Balance sheet Liabilities

(in thousands of euros)	Notes	31/12/2018	31/12/2017
Share capital		819,370	810,360
Issuance premiums		519,655	493,992
Merger premium		1,748,549	1,827,680
Retained earnings		11,851	10,779
Prior period unallocated income		0	13
Net income for the period		**69,818**	**21,443**
Shareholders' equity	**5.1**	**3,169,242**	**3,164,266**
Contingencies and provisions	5.2	6,149	4,846
Provisions		**6,149**	**4,846**
Financial indebtedness	5.3	2,436,064	2,081,241
Trade and other accounts payable	5.4	4,784	22,879
Other liabilities	5.5 & 5.6	8,866	967
Prepaid income		27	2,213
Liabilities		**2,449,741**	**2,107,299**
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY		**5,625,133**	**5,276,411**

7.3.2 Notes to the Statutory 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 by Carrefour hypermarkets, operated directly or indirectly by Carrefour.

The Company opted for the "SIIC", or listed real estate investment company, regime in France at January 1, 2015. As such, it must distribute 95% of its rental income and 60% of the capital gains on the disposals of properties and 100% of the dividends received from SIIC subsidiaries. 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 the possibility of applying the parent subsidiary allowance.

The Company's registered office is at 58, avenue Émile-Zola, 92100 Boulogne-Billancourt, France.

The Statutory financial statements were approved by the Board of Directors on February 13, 2019 for submission for the approval of the General Shareholders' Meeting to be held on May 16, 2019.

Note 2 Key highlights

Note 2.1 Debt

Note 2.1.1 Bond

On February 28, 2018, Carmila issued a third bond with a par value of €350 million, dated March 7, 2018. Net of the premium and bank commissions, deducted from the nominal amount of the debt, Carmila received €347,767 thousand. This 10-year bond, with a coupon of 2.125% payable on March 8 each year, is the longest tenor of a bond issued by the Group, and matures on March 7, 2028.

The bonds represent senior Company debt. They do not provide for guarantees or security. They are listed on the Euronext Paris bond market.

Note 2.2 Internal restructuring

Note 2.2.1 Transfers to Carmila France

On April 30, 2018, the company transferred 15 shopping centres to Carmila France, a wholly-owned company. In order to ensure that asset holding structures are consistent across the Group. The shopping centres were transferred at market value for a total of €124,010 thousand with capital gains totalling €26,512 thousand.

Note 2.2.2 Delivery of the Cap Saran retail park, Transfer of the asset to Carmila Saran and disposal of shares to Carmila France.

The Saran retail park opened to the public in Q2 2018 before being transferred on October 1, 2018 to Carmila Saran, indirectly wholly-owned with a view to ensuring the Group's asset-holding structures are consistent throughout. The retail park was transferred at market value for a total of €51,845 thousand with capital gains totalling €14,770 thousand.

The Carmila Saran shares received from the transfer of the retail park were then contributed to Carmila France in exchange for Carmila France shares.

Following these transactions, the company has become a pure holding company and no longer holds directly any real estate asset. The company now focusses on managing its equity interests.

Note 2.3 Payment of the dividend

On May 16, 2018, the Shareholders' Meeting, on proposal of the Board of Directors, approved the distribution of a dividend of €0.75 per share, for which €20,384 thousand were deducted from the distributable income and the balance of €80,808 thousand from the merger premium. At the same time, shareholders were offered a dividend payment in shares, and over 34% of shareholders chose this option.

In order to pay the dividend in shares the company thus increased its share capital on June 14, 2018 by 1,501,666 shares at a fixed value of €23.09 representing a total increase in shareholder's equity of €34,673 thousand.

This distribution came as a complement of the distribution that took place in November 2017 of €0.75 per share. In this respect the total distribution for the year 2017 amounts to €1.50 per share.

Note 3 Accounting policies and measurement basis

Note 3.1 Accounting principles applied

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 decree of November 4, 2016.

Generally accepted accounting principles in France have been applied, in compliance with the cautiousness principle, according to the general rules applied in the preparation and presentation of annual financial statements and with the following basic assumptions:

- going concern;
- independence of financial years;
- consistency of accounting policies applied.

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 3.2 Appraisal method

Note 3.2.1 Intangible fixed assets

Software licenses are amortised over 48 months.

Note 3.2.2 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 transfer taxes.

When fixed assets include 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 if they improve the condition of the asset and expand its capacity relative to its original performance.

For each asset type, other than land, four components were identified: shell, façades, machinery and equipment and fixtures and fittings.

Property, plant and equipment is depreciated on a straight-line basis over its useful economic life using the following depreciation schedule:

- shell: 40 years;
- façade: 25 years;
- machinery and equipment: 15 years;
- fixtures and fittings: 10 years.

The valuation used is that of historical cost. A provision for impairment is funded when the future economic benefits associated to an item of property, plant and equipment is less than its net book value. Impairment is calculated by comparing the net book value of the asset with the higher of the usage value or the market value.

The latter is determined by independent property appraisers. If the market value thus determined is lower, an impairment loss is recognised for the difference.

Assets under construction include the costs incurred on the project. They are not amortised until the project has been commissioned and reclassified to fixed assets accounts.

Note 3.2.3 Financial assets

Financial assets are comprised of equity interests, receivables related to investment properties and property security deposits. They are carried at their acquisition cost plus any expenses incurred to acquire the asset, on the date of initial recognition.

Equity interests are impaired when their current value is less than their acquisition cost. The current value of the equity interests is the net asset valuation based on the fair value of the assets. The net assets value in real estate companies is determined by 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.

Impairments are recognised in net financial income/(expense), including reversals of impairments on disposal of an equity interest. The proceeds from the disposal of equity interests are recognised in extraordinary income/(loss).

Note 3.3 Mergers

Mergers are recognised in the financial statements in line with the regulations of the French Accounting Standards Board.

Opinion no. 2004-01 of the French National Accounting Board defines the rule on merger gains or losses. The accounting treatment of technical losses on mergers was amended by regulation no. 2015-06, approved by the decree of December 4, 2015 and defining gains and losses as follows:

- for the amount of the share of earnings accumulated by the acquiree (from the date of acquisition of shares in the acquiree by the acquiror) and not distributed, the gain must be recognised in the net financial income/(expense) of the acquirer. Any residual amount will be accounted for in equity;
- in case of technical loss it must be accounted for on the basis of the nature of the underlying asset in a specific intangible asset, property, plant and equipment, financial or current asset account. Any remaining loss must be recognised as a financial expense.

Note 3.4 Operating receivables and payables

Receivables are recognised at face value. They mainly comprise the debtor balance of subsidiaries' current accounts. These receivables are estimated on an individual basis at each reporting date, and a provision is funded whenever there is a risk of non-collection.

Trade accounts payable and other payables are recorded at cost.

Note 3.5 Marketable securities

Marketable securities are recognised on the date of acquisition at their acquisition price. Gains or losses on the disposal of marketable securities are determined using the weighted average cost method. At 31 December, mutual fund units are measured at market value, or the last known net asset price value.

The Company's treasury shares, acquired under a liquidity contract, are shown at cost and impairment is recognised if the carrying amount is higher than the market price on 31 December each year.

Note 3.6 Deferred charges: Debt issuance costs

Debt issuance costs are not staggered in the parent company financial statements and are directly expensed.

Note 3.7 Provisions – Employee benefits

In general, provisions are established to cover clearly identifiable risks and expenses, for which the timing or the 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. In such cases, the liability is recognised in the form of a provision, accrued over the period during which services are rendered by the beneficiary.

Note 3.8 Financial liabilities

Financial liabilities are recognised at face value. However, during the merger of Carmila SAS with Cardety SA in 2017, financial liabilities were added to the acquirer's liabilities, adjusted to their market 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 December 31, 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 as income on a straight-line basis for the remaining term of the debt or the underlying instrument. Thus, €9,942 thousand was recognised in income in 2018.

Debt issuance costs are expensed in the year in which the debt was issued. As the Group head company, the Company answers almost all the financial resources needed by the Group and manages all the Group interests rate risks.

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 as counterparties for these hedges. The instruments used are primarily interest rate swaps. Gains and losses on these hedging instruments are recognised with gains and losses on the hedged instruments.

Note 3.9 Tax regime

The Company opted for the "SIIC", or listed real estate investment company, regime in France at January 1, 2015.

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 exchange for this benefit, these listed property investment companies are required to distribute 95% of their rental income, 60% of their capital gains on disposals and 100% of the dividends received from their REIT subsidiaries. In return, the beneficiary is taxed on the distributed profits at the tax rate applicable to the beneficiary, without the possibility of applying the parent subsidiary allowance.

Note 4 Notes to the balance sheet – assets

Unless indicated otherwise, the values indicated below are in thousands of euros.

Note 4.1 Intangible fixed assets and property, plant and equipment

Note 4.1.1 Intangible fixed assets

(in thousands of euros)	Opening balance 31/12/2017	Increases	Disposals, write-off	Reclassifications	Contributions, mergers	Closing balance 31/12/2018
Other intangible assets	245		-52			193
Prepayments and advances paid on intangible assets		2				2
Intangible fixed assets – gross value	**245**	**2**	**-52**	**0**	**0**	**195**
Depreciation	-161	-7	-2			-170
Intangible assets – total amortisation	**-161**	**-7**	**-2**	**0**	**0**	**-170**
INTANGIBLE FIXED ASSETS	**84**	**-5**	**-54**	**0**	**0**	**25**

Other intangible fixed assets comprise software.

Note 4.1.2 Property, plant and equipment

(in thousands of euros)	Opening balance 31/12/2017	Increases	Disposals, write-off	Reclassifications	Contributions, mergers	Closing balance 31/12/2018
Land	58,616				-58,616	-
Buildings on freehold land	29,101	5,686	-243		-34,544	-
Fixtures and fittings	10,976	2,868	-266		-13,578	-
Plant and machinery	843	418	-68		-1,193	-
Works in progress	35,697	6,116		-11,599	-30,214	-
Prepayments and advances	679			-679		-
Property, plant and equipment – gross value	**135,912**	**15,088**	**-577**	**-12,278**	**-138,145**	**-**
Depreciation	-8,020	-2,002			10,022	-
Property, plant and equipment – total depreciation	**-8,020**	**-2,002**	**0**	**0**	**10,022**	**-**
PROPERTY, PLANT AND EQUIPMENT	**127,892**	**13,086**	**-577**	**-12,278**	**-128,123**	**-**

The increase during the year was mainly due to the completion of the Cap Saran project, delivered in April 2018. On April 30, 2018 and September 30, 2018, respectively, Carmila SA transferred its assets to Carmila France and Carmila Saran. Consequently, Carmila SA no longer holds any real estate assets or property, plant and equipment at December 31, 2018.

Note 4.2 Financial assets

(in thousands of euros)	Opening balance 31/12/2017	Capital increase	Capital reduction	Allowances/ Reversals	Closing balance 31/12/2018
Equity interests	2,632,307	526,528			3,158,835
Total Equity interests	**2,632,307**	**526,528**	**0**	**0**	**3,158,835**
Loans to subsidiaries	1,895,572	319,528			2,215,100
Security deposits	2				2
Treasury shares	2,653	1,983			4,546
Total Other financial assets	**1,898,227**	**321,421**	**0**	**0**	**2,219,648**
Impairment of equity interests	-1,556			941	-615
Impairment of other financial assets	0			-685	-685
FINANCIAL ASSETS	**4,528,978**	**847,949**	**0**	**256**	**5,377,184**

In 2018, Carmila SA subscribed to various capital increases at its subsidiaries: Carmila France (€250,000 thousand), Carmila Espagne (€100,004 thousand) and Almia Management (€666 thousand). Moreover, the company received Carmila France shares in consideration for its aforementioned real estate contributions in kind (€175,858 thousand). In accordance with the accounting principles and methods detailed in Section 3, an impairment loss for €615 thousand was recognised for the Almia Management shares.

At December 31, 2018, Carmila SA held 229,348 treasury shares under the share liquidity contract and 25,500 treasury shares in anticipation of the distribution of bonus share plans in 2019.

In accordance with the accounting principles and methods detailed in Section 3, a €685 thousand impairment loss was recognised for the treasury shares.

In 2018, the liquidity contract saw:

- the purchase of 405,449 shares at an average price of €21.578 per share;
- the sale of 315,340 shares at an average price of €22.205 per share.

SUBSIDIARIES AND OTHER EQUITY INTERESTS

(in thousands of euros)	Capital held	Share capital	Shareholders equity other than share capital	Last statutory result	Turnover excluding VAT	Gross book value of shares	Net book value of shares	Loans and advances not yet paid	Deposits and guarantees given	Dividends received
A. DETAILED INFORMATION										
1. Subsidiaries (%>50)										
France										
• Carmila France	100%	707,907	2,269,554	31,645	143,038	2,557,463	2,557,463	1,340,000		42,400
• Almia Management	100%	500	598	1,353	19,154	2,467	1,852	0		0
Total France		**708,407**	**2,270,152**	**32,998**	**162,192**	**2,559,929**	**2,559,314**	**1,340,000**	**0**	**42,400**
Abroad										
• Carmila España	100%	186,315	216,031	-2,792	66,646	415,252	415,252	735,000	368	0
• Carmila Italia	100%	11,200	126,818	3,161	21,178	183,654	183,654	140,100	6,700	0
Total outside France		**197,515**	**342,849**	**369**	**87,824**	**598,906**	**598,906**	**875,100**	**7,068**	**0**
Total		**905,922**	**2,613,001**	**33,367**	**250,016**	**3,158,835**	**3,158,220**	**2,215,100**	**7,068**	**42,400**
2. Investments (10<%<50)										
France										
Abroad										
Total participations		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. SUMMARIZED INFORMATION										
1. Other subsidiaries										
France										
Abroad										
2. Other investments										
France										
Abroad										
TOTAL		**905,922**	**2,613,001**	**33,367**	**250,016**	**3,158,835**	**3,158,220**	**2,215,100**	**7,068**	**42,400**

Note 4.3 Trade receivables and other receivables

(in thousands of euros)	Balance at 31/12/2018	Less than 1 year	Over 1 year	Gross amount at 31/12/2017	Less than 1 year	Over 1 year
Trade receivables	1,781	1,781		4,439	4,439	
Impairment / losses in value	0			-388	-388	
Total	**1,781**	**1,781**		**4,051**	**4,051**	
Tax and social security receivables	2,370	2,370		5,046	5,046	
Other receivables	73,547	73,547		413,263	413,263	
Prepaid expenses	28	28		0		
Impairment / loss in value of other receivables	0			-1,210	-1,210	
Total other receivables	**75,945**	**75,945**		**417,099**	**417,099**	
TOTAL TRADE RECEIVABLES AND OTHER RECEIVABLES	**77,726**	**77,726**		**421,150**	**421,150**	

Other receivables mainly comprise intra-Group current accounts. The sharp fall compared to 2017 is due to the reclassification of a significant portion of these advances as shareholder loans, in particular in the case of Carmila France.

Note 4.4 Marketable securities

Carmila SA owns mutual fund units for a total of €145,053 thousand. The company recorded an impairment loss of €3,046 thousand on the basis of the market value at December 31, 2018.

Note 4.5 Cash

Cash comprises the Company's bank account balances at December 31, 2018.

Note 5 Notes to the balance sheet – Liabilities

Note 5.1 Shareholder's equity

(in thousands of euros)	31/12/2017	Increase	Distribution of dividends	Allocation of income	Reclassification	31/12/2018
Share capital	810,360		9,010			819,370
Issuance premium	493,992		25,663			519,655
Merger premium	1,827,680		-80,807		1,677	1,748,549
Revaluation adjustment	9,448					9,448
Legal Reserve	961			1,072		2,033
Regulatory provisions	370					370
Prior period unallocated income	13		-13			
Net income for the period	21,443	69,818	-20,371	-1,072		69,818
SHAREHOLDER'S EQUITY	**3,164,265**	**69,818**	**-66,518**	**0**	**1,677**	**3,169,243**

At December 31, 2018, the share capital consists of 136,561,695 ordinary shares of the same class, each with a nominal value of six euros (€6), fully subscribed and paid up.

During 2018:

- on May 16, 2018, the Carmila S.A. Annual Shareholders' Meeting approved the distribution of €0.75 per share to be deducted from distributable income, and the balance from a merger premium in the amount of €80,808 thousand. The Shareholders' Meeting also offered a payment in shares;
- over 34% of shareholders opted for payment in shares, requiring a capital increase of 1,501,666 shares which took place on June 14, 2018. The shares were subscribed by shareholders at €23.09 per share and resulted in a capital increase of €9,010 thousand, plus an issuance premium of €25,663 thousand.

Note 5.2 Contingencies and provisions

(in thousands of euros)	Gross value at 31/12/2017	Provisions during the fiscal year	Reversals during the financial year	Gross value at 31/12/2018
Contingencies and provisions	**6,056**	**2,942**	**-2,849**	**6,149**
Provisions for contingencies	6,022	2,942	-2,849	6,115
Provisions for other charges	34	0	0	34
Impairment provision	**2,262**	**3,835**	**-1,924**	**4,346**
On property, plant and equipment	318	0	-318	0
On financial assets	1,556	685	-941	1,300
On doubtful trade receivables	388	104	-491	0
On marketable securities	0	3,046	0	3,046
CONTINGENCIES AND PROVISIONS	**8,318**	**6,777**	**-4,600**	**10,495**

The provision for other contingencies includes the accruals of the total cost of the two bonus share plans awarded in 2017 and 2018 for €4,904 thousand. The impairment of financial assets weighs on the shares of Almia Management (€615 thousand) on the one hand, which staged a recovery during the year, and on the other hand treasury shares (€685 thousand).

The impairment of market securities for €3,046 thousand related to the adjustment of market securities to their market price.

Bonus share plans

The Group has four share-based bonus plans for corporate officers and key employees in France, Spain and Italy. The cost is spread over the vesting period (period of work to be completed by the employee prior to being able to exercise the options allocated to him or her).

There were two types of plans in effect at December 31, 2018, granted in 2016, 2017 and 2018:

- the 2016 Attendance Plans, whose criteria relate to the presence of employees in the Group at the vesting date (December 31, 2017);

- 2016 and 2017 Performance Plans that incorporate, 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 in 2017;
- the 2018 performance plan incorporates the fulfilment of conditions relating to the Group's financial performance:
  - 1/3 relates to the fulfilment of conditions linked to the change in the total shareholder's return (based on the NNNAV indicator as defined by EPRA) versus a comparable panel of real estate companies,
  - 1/3 relates to the fulfilment of conditions linked to the comparison of recurring earnings per share for the financial years ended on December 31, 2017 and December 31, 2020,
  - 1/3 relates to the fulfilment of conditions linked to the comparison of the 2020 stock market price to the NAV at December 31, 2019.

Summary of the plans	Plan No.1[1]		Plan No.2[1]		Plan No.3[1]		Plan No.4		Plan No.5	
	France	Abroad	France	Abroad	France	Abroad	France	Abroad	France	Abroad
Date of Shareholder's Meeting	14/04/2016		14/04/2016		14/04/2016		16/05/2018		16/05/2018	
Date of grant	Key employees: 15/06/2016 Proxy officers[2]: 14/04/2016		Key employees: 15/06/2016 Proxy officers[2]: 17/05/2016		12/06/2017		16/05/2018		24/10/2018	
End of vesting period	31/12/2017	13/04/2018	Key employees: 15/06/2018 Proxy officers[2]: 14/02/2018		Key employees: Tranche 1: 12/06/2019 Tranche 2: 12/06/2020 Proxy officers[2]: 12/06/2020		Tranche 1 – 20%: 16/05/2019 Tranche 2 – 20%: 16/05/2020 Tranche 3 – 60%: 16/05/2021		Tranche 1 – 20%: 24/10/2019 Tranche 2 – 20%: 24/10/2020 Tranche 3 – 60%: 24/10/2021	
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 Proxy officers[2]: 12/06/2020		16/05/2021		16/05/2021	
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		The employment will influence the conversion ratio of B shares into A shares, by tranches as described over the acquisition period.		The employment will influence the conversion ratio of B shares into A shares, by tranches as described over the acquisition period.	
Performance condition	No		Total Shareholders Return (TSR): Based on the NNNAV and recurring EPS: based on the net Recurring consolidated income in accordance with IFRS principles		Total Shareholders Return (TSR): Based on the NNNAV and recurring EPS: based on the net Recurring consolidated income in accordance with IFRS principles		Changes in the NAV as compared to a panel Recurring EPS: CAGR Changes in the share price		Changes in the NAV as compared to a panel Recurring EPS: CAGR Changes in the share price	
Shares initially allocated	**47,062**	**9,599**	**74,159**	**15,181**	**79,990**	**16,998**	**79,990**	**16,998**	**7,537**	**0**
Shares cancelled at 31/12/2107	-2,399	-	-4,131	-	-10,552	-	-	-	-	-
Discount for performance shares in 2017	-	-	-	-	-	-	-	-	-	-
Shares vested in 2017	-44,663	-9,599	-70,028	-15,181	-	-	-	-	-	-
OUTSTANDING SHARES AT DECEMBER 31, 2018	**0**	**0**	**0**	**0**	**69,438**	**16,998**	**79,990**	**16,998**	**7,537**	**0**

(1) Number of shares allocated post-merger, applying merger parity.
(2) Proxy officers include the Chairman and the Chief Executive Officers.

The 2016 share based Plan was distributed during the year leading to the reversal of €2,820 thousands euro provision, and the 2017 and 2018 share based plans were accrued for in full during the year (€4,905 thousands including social charges).

Note 5.3 Financial indebtness

(in thousands of euros)	31/12/2017	31/12/2018	Less than 1 year	1 to 5 years	Over 5 years
Bonds	1,200,000	1,550,000		600,000	950,000
Borrowing from lending institutions	819,958	801,596	7,218	792,885	1,494
Accrued interest on loans		14,464	14,464	-	
Commercial paper	60,000	70,000	70,000	-	
Security deposits	1,283	2		2	
FINANCIAL INDEBTEDNESS	**2,081,241**	**2,436,061**	**91,683**	**1,392,885**	**950,000**

At December 31, 2018, gross financial debt stands at €2,436 million and is made up of two main components:

- €1,550 million in bond indebtedness; and
- €770 million in bank debt.

At December 31, 2018, the Company has also drawn €70 million of its commercial paper programme which has maximum amount of €600 million.

Bonds

Carmila issued three bonds, in 2015, 2016 and 2018, for a total amount of €1,550 million. On September 10, 2015, Carmila issued a bond for a nominal amount of €600 million, for a net consideration received on September 18, 2015 of €593,034 thousand, after deduction of the issue premium and bank commissions. This bond was issued with an eight-year tenor maturing on September 18, 2023 with a coupon of 2.375% per annum. Carmila issued a second bond for a notional value of €600 million, dated March 24, 2016. After the issue premium and bank commissions were deducted, Carmila received €592,998 thousand. This bond matures on September 16, 2024 and bears a coupon of 2.375% per annum. Lastly, the company issued on February 2018 a 10 year bond for a nominal value of €350 million, with a 2.125% per annum coupon. The net consideration, received on March 7, 2018, amounted to €347,767 thousand after deduction of the issue premium and the issuance costs.

Bank loan

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

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

In June 2017, alongside the merger with Cardety, Carmila set up two revolving facilities with two bank syndicates. The first facility amounts to €759 million initially maturing in June 2022, and postponed until June 2023 during 2018. The second facility amounts to €250 million and matures in June 2020.

Finally, on May 16, 2018, the fully-drawn syndicated €770 million credit line was extended by one year to June 2023.

Moreover, borrowings from lending institutions include an adjustment resulting from the contribution of the financial debt at market value on December 31, 2016 upon the merger with Cardety. This €45,947 thousand adjustment will be recognised in income over the period covered by the related underlying debt or derivative instrument. After recognising €9,942 thousand income in 2018, the remaining balance to be amortised is €31,596 thousand.

Interest-rate risk management

The Company is exposed to interest rate risk on its variable-rate borrowings. The aim of the interest-rate risk management policy in place is to limit the impact of changes in interest rates in the income statements and on current and future cash flows using interest rate derivative instruments such as caps, swaps or swaptions.

The fixed-rate position stood at 87% of gross debt at December 31, 2018, versus 79% at December 31, 2017. The position includes fixed-rate payer 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 -€19,816 thousand at December 31, 2018. A 0.50% increase in rates would result in a fair value of the hedging instruments at -€3,460 thousand. Conversely, a 0.50% fall in the rates would lead to a fair value of the hedging instruments at -€38,017 thousand.

Note 5.4 Trade and other accounts payable.

(in thousands of euros)	31/12/2017	31/12/2018	Less than 1 year	1 to 5 years	Over 5 years
Trade payables	241	694	694		
Trade payables accruals	5,970	4,090	4,090		
TRADE AND OTHER ACCOUNTS PAYABLE	**6,211**	**4,784**	**4,784**		

This item is mostly comprised of invoices for overheads yet to be received (€4,090 thousand).

Note 5.5 Tax and payroll payables

(in thousands of euros)	31/12/2018	31/12/2017
Payroll expenses	550	560
Tax liabilities	413	761
TAX AND PAYROLL PAYABLES	**963**	**1,321**

Note 5.6 Other payables

(in thousands of euros)	31/12/2018	31/12/2017
Fixed assets supplier payables	6,466	15,347
Other payables	1,437	967
OTHER PAYABLES	**7,903**	**16,314**

Fixed asset supplier payables mainly comprise accruals for invoices yet to be received from ongoing development projects transferred to Carmila France and Carmila Saran in the course of 2018. They total €5,212 thousand and were incorporated in the value of the assets contributed. Moreover, there are €1,163 thousand in supplier retainer guarantees on these same projects.

Note 6 Notes to the income statement

Note 6.1 Operating income

Revenue is primarily made up of rents invoiced to lessees of shopping centres owned. These revenues went from €7,095 thousand to €5,237 thousand. Despite the increase in gross rental income following the delivery of the extensions to the Saint-Égrève and Rambouillet shopping centres in 2017, revenue is down due to the transfer of all assets during the year 2018 to two Group companies, in April and October.

Other income mainly relates to rental charges rebilled to tenants.

Note 6.1.1 Purchases and operating expenses

(in thousands of euros)	31/12/2018	31/12/2018
Purchases and subcontracting	1,421	2,067
Wages	550	746
Social charges	-	80
Fees	2,681	2,950
Bank services	1,874	227
Other	726	109
PURCHASES AND OPERATING EXPENSES	**7,252**	**6,179**

The purchases and subcontracting item reflects rental charges and has decreased as a result of the transfer of the real estate assets during the year. In 2018, the “Bank services” item included the issuance costs for the new bond and the bank fees associates with the renegotiation of the bank debt. The salaries item relates to the uninvoiced balance of seconded staff. Lastly, fees are mainly comprised of legal and auditing fees, and financial communication fees incurred following the company’s listing in June 2017.

Note 6.1.2 Taxes

(in thousands of euros)	31/12/2018	31/12/2017
Waste removal tax	-83	-83
Land tax	-425	-590
Value-added contribution	0	4
Miscellaneous taxes	-35	-21
TAXES	**-543**	**-690**

Note 6.1.3 Allowance for depreciation, amortisation and provisions

For the amortisation of intangible fixed assets, see Note 4.1.1 “Intangible fixed assets”.

For the depreciation of property, plant and equipment and investment property, see Note 4.1.2 “Property, plant and equipment”.

For allowances for contingencies and liabilities, see Section 5.2 “Contingencies and provisions”.

Note 6.2 Net financial income/(expense)

(in thousands of euros)	31/12/2018	31/12/2017
Financial income	**94,593**	**87,495**
Dividends received	42,400	44,228
Interest on loans to subsidiaries	38,725	33,388
Other interest income	9,706	4,879
Reversal of impairment and provisions for financial assets	3,762	0
Financial expenses and allowances	**-63,098**	**-58,499**
Allowance for impairment and provisions for financial assets	-8,030	-7,599
Interest expense	-51,694	-51,076
Share of losses in partnerships	-2	0
Expenses on disposals of treasury shares	-3,292	0
Loss on sale of marketable securities	-208	0
Interest on commercial paper	128	176
NET FINANCIAL INCOME/(EXPENSE)	**31,495**	**28,994**

Financial income primarily includes dividends received from subsidiaries in the amount of €42,400 thousand and interest income received on loans to subsidiaries of €38,725 thousand.

Other interest income mainly relates to the reversal in profit or loss of the adjustment to the debt of the company acquired in 2017 described above in 3.8.

Expenses on disposals of treasury shares relate to the distribution of bonus share plans approved on April 14, 2016 and May 17, 2016.

Interest expense includes €34,593 thousand in interest on the three bonds, €6,482 thousand in interest on borrowings from lending institutions and interest on swaps of -€6,048 thousand.

Allowances for impairment and provisions for financial assets includes the allowances for the provision for the 2017 and 2018 bonus share plans (€2,942 thousand), the allowance for the depreciation of marketable securities (€3,046 thousand), the allowance for the amortisation of bond issuance premiums (€1,357 thousand) and the provision for the impairment of treasury shares (€685 thousand). Finally, the reversal of impairment and provisions for financial assets includes the reversal of the accrual for the share based plan amounting to €2,821 thousand since the shares of the 2016 plan were vested during the year as well as the reversal of the impairment of the Almia Management equity held in the amount of €941 thousand.

Note 6.3 Extraordinary income/(loss)

(in thousands of euros)	31/12/2018	31/12/2017
Extraordinary income	**228,377**	**204**
Income from asset disposals	228,281	19
Other extraordinary income	97	185
Extraordinary expenses	**187,340**	**10,141**
Book value of asset disposals	186,998	9,956
Other extraordinary expenses	342	185
EXTRAORDINARY PROFIT/(LOSS)	**41,038**	**-9,937**

The income from disposals and the book value of these disposals relate to the contributions of 15 shopping centres to Carmila France on April 30, 2018, followed by the Cap Saran retail park on 1 October. These two transfers led to the recording of a capital gain of €26,512 thousand and of €14,770 thousand respectively.

Note 6.4 Corporate income tax

The €394 thousand income tax expense reported relates to the withholding on the interest paid by Carmila Italia SRL to Carmila SA.

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Note 7 Off-balance sheet commitments

Note 7.1 Commitments given

At 31 December, Credit agreements for a total initial principal amount of €770 million, which was drawn down in full at 31 December, and €759 million and €250 million in committed facilities, agreed between the Company and the lending 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 although for one semi-annual measurement the ratio may reach a maximum of 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 December 31, 2017, the Group complied with the applicable covenants.

Note 7.2 Commitments received

The Company has €1,009 million in committed facilities (revolving credit facilities), which have not been drawn down, and are available under the terms of two loan agreements entered into on June 16, 2017. The first agreement for €759 million matures in June 2023, and the second for €250 million in June 2020.

Note 7.3 Reciprocal commitments

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 €886,084 thousand in floating-rate debt at December 31, 2018, the company has €560 million in swaps. It also has €150 million in caps adjusted to the fair value through profit or loss.

NOTIONAL OUTSTANDING AMOUNTS ON DERIVATIVE INSTRUMENTS ON THE CLOSING DATE BY MATURITY

(in euro million)	31/12/2018	Less than 1 year	1 to 5 years	> 5 years
Carmila pays fixed rate (interest rate swap)				
Against Euribor/E/360 set quarterly	560	0	275	285
Purchase of interest rate options (caps/floors/collars)				
Outstanding	150	150	0	0

FAIR VALUE OF DERIVATIVE INSTRUMENTS ON THE CLOSING DATE

(in euro million)	31/12/2018
Carmila pays fixed rate (interest rate swap)	**19.8**
Euribor 3M/E/360 set quarterly	19.8
Purchase of interest rate options (caps)	**0**

Note 8 Related parties transactions

CARMILA SA *VIS-À-VIS* ITS SUBSIDIARY CARMILA FRANCE *(in thousands of euros)*

Assets		Liabilities	
Financial assets	3,899,929	Financial liabilities	2
Receivables	69,541	Operating liabilities	158
		Miscellaneous liabilities	0

Expenses		Incomes	
Operating expenses	**131**	**Operating income**	**989**
Letting fees	131	Rebilling of payroll expenses	989
Financial expense	**303**	**Financial income**	**62,656**
		Dividends	42,400
		Interest on loans	20,256

CARMILA SA *VIS-À-VIS* ITS SUBSIDIARY CARMILA ESPAÑA *(in thousands of euros)*

Assets		Liabilities	
Financial assets	1,150,252	Financial liabilities	
Receivables	1	Operating liabilities	
		Miscellaneous liabilities	

Expenses	Incomes	
Operating expenses	**Operating incomes**	
Financial expense	**Financial income**	**14,526**
	Interest on loans	14,526

CARMILA SA *VIS-À-VIS* ITS SUBSIDIARY CARMILA ITALIA *(in thousands of euros)*

Assets		Liabilities	
Financial assets	323,754	Financial liabilities	
Receivables	3,089	Operating liabilities	
		Miscellaneous liabilities	

Expenses	Incomes	
Operating expenses	**Operating incomes**	
Financial expense	**Financial income**	**3,943**
	Interest on loans	3,943

Note 9 Other information

Note 9.1 Cash pooling

Carmila group's cash in France is pooled, with Carmila SA managing the cash pool.

Note 9.2 Headcount

Carmila SA has no staff.

Note 9.3 Compensation of corporate officers and supervisory board members

Directors receive Directors' fees. The expense with respect to 2018 was €315 thousand. Moreover, two corporate officers were seconded by Carrefour Management and Carrefour SA, with the cost of the seconded staff being billed.

Note 9.4 Subsequent events

None.

Note 10 Information on consolidation

Carmila S.A. is the ultimate parent entity of the Carmila Group and prepares the Group's consolidated financial statements.

7.4 Management's Report on Carmila SA

7.4.1 Key highlights for the year

The year ended December 31, 2018 was the first full financial year for the merged entity created in 2017 between Carmila and Cardety. The real estate activities directly managed by the merged entity were contributed to two operational subsidiaries of the Carmila Group through two distinct transactions.

A first transaction contributed the assets located in:

- Barentin, a shopping centre comprising 10 units amounting to 5,697 sq.m. in total;
- Besançon, comprising two units with a floor space of 258 sq.m. in total;
- Dinan Quevert, a shopping centre comprising 18 units with a floor space of 3,196 sq.m. in total;
- Épinay-sur-Orge, comprising one unit with a floor space of 54 sq.m.;
- Flers, a shopping centre comprising 12 units with a floor space of 1,891 sq.m. in total;
- Le Pré-Saint-Gervais, a shopping centre comprising 19 units with a floor space of 1,621 sq.m. in total;
- Mondeville, comprising three units with a floor space of 2,401 sq.m. in total;
- Nanteuil-les-Meaux, a retail park comprising five units with a floor space of 4,927 sq.m. in total;
- Nanteuil-les-Meaux, a shopping centre comprising eight units with a floor space of 811 sq.m. in total;
- Quetigny, a shopping mall comprising five units with a total floor space of 7,365 sq.m.;
- Salaise-sur-Sanne, a shopping centre comprising 10 units with a total floor space of 5,697 sq.m.;
- Rambouillet, four medium-sized stores developed over 4,850 sq.m.;
- Rethel, a shopping centre comprising 16 units with a total floor space of 3,374 sq.m.;
- Saint-Lô, a shopping centre comprising nine units with a floor space of 1,085 sq.m.;
- Saint-Égrève, a shopping centre comprising six units with a total floor space of 2,186 sq.m.;
- and Salaise-sur-Sanne, a shopping centre comprising 29 units with a total floor space of 6,075 sq.m.

for a total amount €124,014 thousand to Carmila France and receiving 29,674,844 new Carmila France shares in exchange. The asset contribution agreement was signed on March 30, 2018 and the transaction was completed on April 30, 2018. Your company's capital gains from this transaction totalled €26,512 thousand.

The contribution of the Cap Saran retail park located in the northern portion of the Greater Orléans area was postponed while extension work were carried out, until its opening to the public. This retail park comprises 34 medium-sized retailers with a floor space of 29,000 sq.m., adjacent to an existing shopping centre owned by Carmila France. Total capital expenditures for this project stand at €43.5 million. Numerous retail brands of good repute have opened on this project, notably Zodio, Cultura, Maisons du monde, Kiabi, Basic Fit and Hapik. The asset contribution agreement was signed on June 11, 2018 with Carmila Saran, a company created for this purpose, and the contribution decided on September 28 became effective on October 1. The fair value of the contribution is €51,845 thousand, compensated by 51,844,831 new Carmila Saran shares issued. This disposal leads your company to record a capital gain of €14,770 thousand. The Carmila Saran shares received in exchange for the contribution of the asset were then contributed to Carmila France with an agreement also signed on June 11, 2018, and fulfilled on September 28 with an effective date of October 1.

A second key financial highlight for 2018 was the issue of a bond. To finance its growth and, in particular, the delivery of the extensions of its seven shopping centres planned for 2018, your company successfully issued a 10-year bond of €350 million with a coupon of 2.125% on February 28. The bond issue was oversubscribed 2.2 times and placed with large long-term investors. This new line of financing has extended the average debt maturity.

7.4.2 Activity and earnings

During 2018, Carmila SA terminated its direct operational building management activities through the contribution of its assets to wholly owned subsidiaries. The 2018 income statement reflects the activity of the 15 sites, formerly held by Cardety and contributed to Carmila France on April 30, over the first four months of the year. For Saran's site, which opened to the public on April 24, 2018, operations continued at Carmila until September 30. Following these transactions, Carmila turned its focus to its operations as a holding and management company for the equity interests it holds in France and abroad.

7.4.2.1 Operating income

- This operational activity resulted in a revenue of €5,237 thousand made up of rents invoiced to the lessees of the shopping centres for as long as owned during 2018. In 2017, revenue totalled €7,095 thousand for 12 months activity.
- This year, certain expense accrual reversals are offset by operating provisions and extraordinary expenses for €838 thousand, as compared to €3,987 thousand in 2017.
- Other income mainly includes rebilling of rental expenses and services. The share of rental charges rebilled has decreased due to the transfer of operational activity whereas the rebilling of management services remains stable.

7.4.2.2 Operating expenses

The €1,074 thousand rise in other external expenses is due to several factors:

- a €646 thousand decrease in rental expenses approximating the proportional drop in revenue as a result of the application of the same prorata temporis for real estate activities,
- a decrease of €196 thousand associated with a reduction in the non-rebilled portion of the salary of the seconded staff;
- an increase in holding company costs, notably in financial communication, totalling €348 thousand;

- and a very large increase in banking services costs. The February bond issue cost €1,190 thousand in underwriting fees and the renegotiation of the maturity of the syndicated credit facilities resulted in the recognition of €764 thousand in bank fees.

As a result of a large portion of these charges being non-recurring, operating income shows a loss of €2,358 thousand for 2018, compared to an operating profit of €2,097 thousand in 2017.

7.4.2.3 Net financial income/expense

Financial income includes:

- interest billed on shareholder loans and current accounts granted to subsidiaries;
- dividends received from the subsidiaries: Carmila France paid a dividend of €42,400 thousand during the financial year;
- a debt adjustment entry recorded as a profit: at the time of the merger between Cardety and Carmila in June 2017, the financial debt of the acquired company and its hedging derivative instruments were contributed at their market value. In view of the continued decline in interest rates, the debt contributed was adjusted to reflect an increased liability. This increase will not result in an outflow of funds and is recognised through the income statement for the remaining term of the underlying debt. Thus an income of €9,974 thousand was recognised for the 2018 financial year.

Financial expenses include:

- interest on bonds and debt with lending institutions;
- allowances for depreciation and provisions of €8,030 thousand that include the provisions for the 2017 and 2018 bonus share plans, provisions for short term investments and depreciation of bond issuance premiums;
- an expense resulting from the acquisition by the beneficiaries still employed of the shares in the bonus share plan allocated in 2016. This charge is offset by the reversal of a provision recorded in financial income.

In view of the dividends received from Carmila France, net financial income stands at €31,706 thousand.

7.4.2.4 Extraordinary profit/(loss)

Extraordinary profit/(loss) includes capital gains on the asset contribution transactions described under key highlights above and represent a capital gain of €41,282 thousand.

Net income for the financial year amounts to a profit of €69,817 thousand.

7.4.3 Information on payables and receivables

There are no longer any trade receivables since the completion of the asset contributions; there remain, however, a small number of invoices to be billed, particularly in relation to land tax or co-ownership charges for capital expenditures.

Past due and unpaid trade payables at December 31, 2018 totalled €126 thousand, tax included, and break down as follows:

- three invoices overdue for over six months (and less than one year) for €61 thousand;
- three invoices overdue for more than three months (and less than six months) for €38 thousand;
- one invoice overdue by less than one month for €27 thousand.

Among these invoices, overhead expenses amount to €65 thousand, i.e. 0.9% of total purchases and overheads for the year. Fixed assets amount to €61 thousand, i.e. 0.4% of investments for the year.

7.4.4 Equity interests

During 2018, Carmila subscribed to a capital increase of €200,000 thousand by Carmila France on May 31, 2018 and to a capital increase of €100,004 thousand by Carmila Espana, also on May 31, 2018. These two capital increases were carried out in order to finance acquisitions.

Carmila France acquired the Grand Vitrolles shopping centre near Marseille, comprising 84 shops with a floor space of 24,350 sq.m.. This shopping centre, open since 1970, has traditionally been a major shopping destination in Marseille with Carrefour, Boulanger and Castorama acting as its three main anchors. It is also located in a commercial area that is home to Décathlon, IKEA, Toys'Rus and other attractive brands in an adjacent retail park. The shopping centre has a footfall of 5.2 million loyal customers annually in a catchment area of over 600,000 people.

In May 2018, Carmila reinforced its position in Spain with the acquisition of six shopping centres from Pradera European Retail Fund for €182 million, with an average effective rate of return of 6.3%. All of these centres are leaders or joint leaders in their catchment areas and are adjacent to a high-performing Carrefour hypermarket.

The portfolio in this transaction includes six assets situated in Andalusia (Seville, Cordoba and Puerto de Santa Maria in Cadiz), in Catalonia (Barcelona), and in Alicante.

The Aljarafe shopping centre, located near Spain's fourth largest city, Seville, comprises a 41-outlet shopping centre over 12,000 sq.m. and is part of a larger commercial area composed of attractive, diversified, and complementary medium-sized retailers. The La Sierra shopping centre in Cordoba is a retail destination showcasing top international brands. It is frequented by 3.7 million visitors annually and comprises 65 shops with a floor space of 17,600 sq.m. The El Paseo shopping centre in El Puerto de Santa Maria in Cadiz is located in a region with high tourist appeal and as such this leading site receives 4.2 million visitors annually and comprises 53 shops in an area of 10,500 sq.m. The San Juan shopping centre in the northern suburb of Alicante, the 11th largest city in Spain, is a leading site with a strong catchment area. It comprises 33 shops and medium-sized retailers with a floor space of 7,100 sq.m. Finally, in Barcelona, the second largest city in Spain, Carmila Espana acquired: (i) the Tarrasa shopping centre in the north-western suburbs, comprising 35 shops and medium-sized retailers with a floor space of 7,400 sq.m. in total and (ii) the Manresa shopping centre, also located in the city's north-western suburbs but smaller in size, comprising 29 shops and a floor space of 2,300 sq.m., with strong appeal due to the presence of specialised medium-sized retailers.

In addition, Carmila subscribed to a capital increase of its subsidiary Almia Management following its earlier capital reduction. These transactions have restored the financial balance to enable this services subsidiary to continue and develop its business.

Finally, it is appropriate to mention the asset contribution transactions described above under key highlights for the year, which resulted in two capital increases for Carmila France: one in May totalling €124,014 thousand (of which 29,674,844 shares) and the second in September for €51,845 thousand (of which 51,844,831 shares).

7.4.5 Net income allocation

Shareholders will be asked at the Shareholders' Meeting to be held on May 16, 2018 to approve the allocation of net income as follows:

Net income for the financial year	€69,817,496.07
Prior period unallocated income	€00.00
Distributable profit	€69,817,496.07
Allowance to legal reserve	-€3,490,874.80
Distribution paid out of distributable income	€66,326,621.27
Balance of unallocated income after allocation	€0.00

The total amount of the proposed dividend distribution for 2018 will be €1.50 per share and breaks down as follows:

Distribution paid out of distributable income	€66,326,621.27
Distribution paid out of the merger premium	€138,515,921.23
Total dividend distribution from which the dividends on treasury shares will be deducted.	€204,842,542.50

Pursuant to legal disclosure requirements, dividends distributed in respect of the last three financial years were (in euros/share):

Year	**Euros/share**
2015	1.52
2016	1.88
2017	1.50

7.4.6 Financial summary for the past five financial years

(Data provided under the terms of Article R. 225-102 of the French Commercial Code)

	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
SHARE CAPITAL AT YEAR-END					
Share capital *(€)*	819,370,170	810,360,174	25,900,068	15,938,508	15,938,508
Number of existing ordinary shares	136,561,695	135,060,029	4,316,678	2,656,418	2,656,418
ACTIVITY & EARNINGS *(€)*					
Turnover excluding VAT	5,237,070	7,095,000	5,964,433	4,305,178	2,013,330
Earnings before income tax, profit-sharing scheme and allowance for depreciation, amortisation, and provisions	72,324,927	36,129,000	3,971,538	6,117,931	23,571,861
Income tax	-394,234	257,000	-148,753	-804,481	-7,585,353
Profit-sharing scheme in the year	-	-	-	-	-
Earnings after income tax, profit-sharing scheme and allowance for depreciation, amortisation, and provisions	69,817,496	21,443,000	648,016	2,794,241	15,068,180
AMOUNT DISTRIBUTED(1) *(€)*:					
• of which net income for the period:	66,336,621.27	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 issuance premium:		-	338,562.41	-	-
• of which merger premium:	138,515,921.23	182,205,978.00	-	-	-
EARNINGS PER SHARE *(€)*					
Earnings after income tax and profit-sharing scheme but before allowance for depreciation, amortisation and provisions	0.53	0.20	0.89	2.00	6.02
Earnings after tax, profit-sharing scheme and allowance for depreciation, amortisation, and provisions	0.51	0.16	0.15	1.05	5.67
AMOUNT DISTRIBUTED PER SHARE(1) *(€)*					
• of which net income for the period:	0.49	0.15	0.14	0.65	1.34
• of which retained earnings:		0.00	1.66	0.87	-
• of which issuance premium:		-	0.08	-	-
• of which merger premium:	1.01	1.35	-	-	-
STAFF					
Average staff during the year	-	-	1,17	-	-
Payroll expenses for the financial year *(€)*	1,000,232	826,000	263,654	-	-
Amount paid for social advantages *(€)*	-	-	6,876	-	-

(1) Regarding the 2018 financial year, will be submitted for approval to the Ordinary Shareholders' Meeting.

7.5 Auditors' report on the statutory financial statements

For the year ended December 31, 2018

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' Meeting,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying consolidated financial statements of Carmila S.A. for the year ended December 31, 2018.

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, 2018 and of the results of its operations for the year then ended in accordance with accounting rules and principles applicable in France.

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 1, 2018 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 or in the French Code of ethics 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 bring your attention to 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 assessments were addressed in the context of the financial statements taken as a whole, and, in forming our opinion thereon, and we do not provide a separate opinion on specific items of the statutory financial statements.

Key Audit Matters	Responses as part of our audit
Valuation of investments *(Notes 3.2.3. and 4.2 to the financial statements)* As of December 31, 2018, investments are recorded in the balance sheet at a net carrying amount of €3,158 million and represent 56% of total assets. As indicated in Note 3.2.3 to the financial statements, they are recorded as of their entry date at acquisition cost and impaired when their book value is less than their acquisition cost. 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 who take into account specific information about the assets as well as market returns. The valuation of investments is considered to be a key audit matter due to the importance: • of this account heading compared to total assets; • of the use of judgments by Management and independent experts to determine the fair value of investment property; • the sensitivity of these fair values to assumptions adopted by the experts.	To assess the reasonableness of the value in use estimates of investments, 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. The procedures that we have performed on investment property, and that was also carried out by auditors of the components, under our management and supervision, has mainly consisted in: • conducting interviews with independent appraisers and Management to assess the pertinence of the valuation methodology and assumptions used; • assessing the competence, independence and objectivity of the external appraisers of the Group, in particular with regards to their reputation and by verifying the certificate of independence issued by the expert included as a statement in it report; • 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; • verifying that the fair value methods used are in line with market practices, and assess the consistency with the market data of the valuation assumptions used by the independent experts, particularly the rates of return and the market rental values; • corroborating the main information provided by the company to independent experts with rental statements and investments; • 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. We also assessed the appropriateness of disclosures in Note 3.2.3. and 4.2 to the financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

Information given in the management report and in the other documents addressed to shareholders with respect to the financial position and the financial statements

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 addressed to shareholders with respect to the financial position and the financial statements.

We attest to the fair presentation and consistency with the financial statements of disclosures relating to the payment period required by Article D. 441-4 of the French Commercial Code *(Code de commerce)*.

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 presented in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code *(Code de commerce)* relating to remuneration 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 companies controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Other disclosures

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to acquisitions and controlling interests and the identity of and share capital or voting rights held by shareholders.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as 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, 2018, KPMG was in its 9th year of uninterrupted engagement and Deloitte & Associés in its 10th year of uninterrupted engagement, and respectively 9 and 10 years since the securities were admitted to trading on a regulated market.

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 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 we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;
- evaluates 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 a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention 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) no. 537/2014, confirming our independence pursuant to 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 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 where applicable, the related safeguards.

Paris-La Défense, February 13, 2019

The Statutory Auditors

KPMG S.A.		Deloitte & Associés
French original signed		French original signed
Éric Ropert	Adrien Johner	Stéphane Rimbeuf
Partner	*Partner*	*Associé*

7.6 Statutory Auditor's report on related party agreements and commitments

Annual General Meeting held to approve the financial statements for the year ended December 31, 2018

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. 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.

Agreement with Carrefour Management relating to the secondment of Sébastien Vanhoove

Person concerned

CRFP 13 (company indirectly controlled by Carrefour SA as is Carrefour Management), a shareholder holding more than 10% of the voting rights of the Company.

Nature and purpose

The Board of Directors' meeting of July 27, 2018, authorized the conclusion of an agreement with Carrefour Management relating to the secondment of Sébastien Vanhoove. The Board of Directors' meeting of February 13, 2019 reiterated its authorization, pursuant to the initial terms and conditions.

Terms and conditions

On August 1, 2018, Carmila SA and Carrefour Management entered into a four-year partial secondment agreement, under which Sébastien Vanhoove, an employee of Carrefour Management, will carry out operational tasks for the Company, 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 Management half the remuneration paid to Sébastien Vanhoove, the related social security contributions and the business expenses reimbursed with respect to the secondment. Considering that Sébastien Vanhoove's objectives will include, throughout the secondment period, components related to his various duties and performance with the Company, the reimbursed wages will include the variable annual compensation attributed to Sébastien Vanhoove in this respect.

Under this agreement, the Company repaid €101,797 excluding taxes in respect of fiscal year 2018.

Reasons justifying the agreement is in the Company's interest

In the Board of Directors' opinion, it is in the Company's interest to enter into this agreement to enable the Company to benefit from Sébastien Vanhoove's expertise, experience and knowledge.

Agreements and commitments previously approved by Annual General Meetings

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.

Lease management and commercialization mandate agreement with Carrefour Property Gestion

Person concerned

CRFP 13 (company fully controlled by Carrefour SA as is Carrefour Property Gestion), a shareholder holding more than 10% of the voting rights of the Company.

Nature and purpose

The Board of Directors' meeting of March 31, 2017 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 exclusive lease management and commercialization mandate agreement, dated May 17, 2017, sets out the terms and conditions of the lease management and commercialization assignments entrusted to Carrefour Property Gestion. It was entered into for the period June 12, 2017 to December 31, 2020 for a fixed remuneration equal to 3.5% of net annual rent received or collected, excluding charges and insurance.

Carrefour Property Gestion invoiced the Company €419,619, excluding taxes, in respect of fiscal year 2018.

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

The Carmila SAS Board of Directors' meeting of March 31, 2017 authorized the conclusion of an amendment to the Renovation and Development Agreement entered into between Carmila SAS and Carrefour SA on April 16, 2014. The Carmila SAS Ordinary Meeting of Shareholders of June 12, 2017 approved the conclusion of this amendment.

As part of the merger-absorption of Carmila SAS by the Company on June 12, 2017, the Company assumed the rights and obligations of Carmila SAS with respect to the Renovation and Development Agreement entered into with Carrefour SA.

Terms and conditions

Wishing to implement a strategy designed to boost the appeal of shopping centers and optimize their value, Carmila SAS and Carrefour SA (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 SAS 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
- 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 until December 31, 2027.

In this context, an agreement was signed on June 27, 2018 pursuant to which Carmila Nice acquired the rights from Immobilière Carrefour relating to the shopping mall extension project to be built for €117.6 million, taxes included.

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 SAS authorized a new agreement covering the secondment of Jacques Ehrmann.

As part of the merger-absorption of Carmila SAS by the Company on June 12, 2017, the Company assumed the rights and obligations of Carmila SAS with respect to the partial secondment agreement concluded with Carrefour SA and covering Jacques Ehrmann. The remuneration of Jacques Ehrmann, as Chairman and Chief Executive Officer, was approved by the Company's Ordinary Meeting of Shareholders on June 12, 2017.

Terms and conditions

On April 12, 2017, Carmila SAS and Carrefour entered into a four-year partial secondment agreement, under which Jacques Ehrmann, an employee of Carrefour SA, is seconded to Carmila SAS and then the Company by Carrefour SA 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 SA 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 Jacques Ehrmann in this respect.

Under this agreement, the Company repaid €1,164,198 excluding taxes for fiscal year 2018.

Service 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, purpose and terms and conditions

As part of the merger-absorption of Carmila SAS by the Company on June 12, 2017, the Company assumed the rights and obligations of Carmila SAS with respect to the service agreement with Carrefour SA.

On April 16, 2014, Carmila SAS and Carrefour entered into a five-year service agreement under which Carrefour provides Carmila SAS 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 SAS and Carrefour SA amended this agreement, in order to (i) increase the annual overall 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 SA invoiced the Company €102,000 excluding taxes for fiscal year 2018.

Paris-La Défense, April 5, 2019

The Statutory Auditors

KPMG S.A.		Deloitte & Associés
Éric 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.

By-laws were also modified on 25 July 2017, 31 July 2017 and 14 June 2018 to take into account Increases of capital occurred at those dates:

- on 6 July 2017, Carmila finalised a placement, launched on 25 June 2017, for a total amount of €578 million, including a €75 million overallotment option. This operation included an additional period to allow Carmila shareholders who had not sold or exercised their warrants to exercice them before 17 July 2017. As a consequence, the total number of shares issued (excluding the exercise of the overallotment option) was 23,123,818 ordinary shares for a total amount of €555.0 million including i) 20,958,334 shares issued as part of the share placement representing €503,0 million (excluding overallotment option), and ii) 2,165,484 shares issued following the exercise of the remaining warrants (including the subscription of Carrefour through the partial exercise of its warrants for an amount of €50 million) representing €52.0 million. The settlement and delivery of the 82,150 new shares issued through the exercise of the warrants since 10 July 2017 took place on 25 July 2017. Following the exercise of the remaining warrants, and upon issuance of the corresponding additional new shares, Carmila's outstanding share capital was composed of 131,992,047 shares. As a consequence, by-laws were modified on 25 July 2017.
- in connection with the increase of capital of the 6 July 2017, a stabilisation agent, acting in the name and on behalf of the underwriters, exercised the over-allotment option granted in the offering with respect to the purchase of 3,067,982 additional new shares. The proceeds from the exercise of the over-allotment option amounts to €73.6 million, increasing the total capital increase amount to €628.6 million. Following the completion of the capital increase and the exercise of the over-allotment option, Carmila's share capital was composed of 135,060,029 shares. By-laws have been modified accordingly on 31 July 2017.
- the Annual General Meeting held on 16 May 2018 decided to offer shareholders an option to receive the balance of the 2017 dividend payment in shares (i.e. €0.75 per share). The option period was opened from 23 May 2018 to 6 June 2018. At the end of the option period, shareholders having elected to receive the balance of the 2017 dividend in shares represented 34.27% of Carmila shares. For the purposes of the dividend payment in shares, 1,501,666 new shares have been issued. The settlement and delivery of the shares as well as their admission to trading on Euronext Paris occurred on 14 June 2017. After this capital increase, the number of Carmila outstanding shares is 136,561,695 shares. By-laws were modified accordingly.

The description below covers the main provisions of the By-laws.

8.2.1 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).

8.2.2 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.

8.2.3 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.

8.2.4 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.

8.2.5 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.

8.2.6 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 283).

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

Annex I Commission Regulation (EC) no. 809/2004	Page No.	Chapter/Section No.
17/ Employees		
17.1. Number of employees	114	4.4.2.1
17.2. Shareholdings and stock options	197	6.3.3
17.3. Arrangements for involving the employees in the share capital of the issuer	184/197	6.2.2 (4) / 6.3.3
18/ Main shareholders		
18.1. Shareholders holding more than 5% of the share capital	194	6.3.2
18.2. Existence of different voting rights	-	NA
18.3. Direct or indirect control	-	NA
18.4. Agreement implementation of which could result in a change in control	198	6.3.4
19/ Related party transactions	**131**	**5.1.5**
20/ Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
20.1. Historical financial information	60/202/ 249/267	3.1/7.1/7.3/7.4.6
20.2. Pro forma financial information	-	NA
20.3. Financial statements	61/202/249	3.2/7.1/7.3
20.4. Auditing of historical annual financial information	246/268	7.2/7.5
20.5. Age of latest financial information	31 December 2018	
20.6. Interim and other financial information	-	NA
20.7. Dividend distribution Policy	83	3.7.5
20.8. Legal and arbitration proceedings	152	5.5
20.9. Significant Changes in the financial or business situation	59	3
21/ Additional information		
21.1. Share capital	83/189	3.8/6.3.1
21.2. Memorandum and Articles of Association	276	8.2
22/ Material contracts	152	5.6
23/ Information originating from third parties and expert statements experts and declarations of interests		
23.1. Identity	49	2.4
23.2. Declaration	49	2.4
24/ Documents available to the public	**280**	**8.6**
25/ Information on holdings	**129/130**	**5.1.2/5.1.3**

8.7.2 Correspondence table of the Annual Financial Report

Headings in Article L. 451-1-2 of the French Monetary and Financial Code	Page No.	Chapter/Section No.
1/ Management report to Shareholders	**264**	**7.4**
2/ Consolidated financial statements	**202**	**7.1**
3/ Parent company financial statements	**249**	**7.3**
4/ Report of the Statutory Auditors on the parent company financial statements and consolidated financial statements	**246/268**	**7.2/7.5**
5/ Corporate governance report	**153**	**6**
6/ Statutory Auditors' Report on the Corporate governance report	**199**	**6.4**
7/ Declaration by the physical persons with responsibility for the Annual Financial Report	**279/280**	**8.3/8.5**

8.7.3 Correspondence table of the Management report to Shareholders

Reference texts			Page No.	Chapter/Section No.
COMMENTS ON THE FINANCIAL YEAR				
French Commercial Code	L. 225-100-1, L. 232-1, L. 233-6 and L. 233-26	Situation of the Company during the financial year ended and objective and comprehensive analysis of changes in the business, results and of the Company and Group	59	3
French Commercial Code	L. 225-100-1	Key non-financial performance indicators relating to the Company's specific business	60/77	3.1/3.6
French Commercial Code	L. 225-102-1	Extra financial performance declaration	85	4
French Commercial Code	L. 233-6	Significant holdings taken during the financial year in companies with their registered office in France	130	5.1.3
French Commercial Code	L. 232-1 and L. 233-26	Significant events between the financial year closing date and the date of this report	244/263	7.1 Note 13/ 7.3 Note 9.4
French Commercial Code	L. 232-1 and L. 233-26	Foreseeable change in the Company or Group situation	84	3.10
French General Tax Code	243 bis	Dividends distributed in respect of the last three financial years and amount of income distributed in respect of these same financial years eligible for the 40% tax credit	103	4.2.3
French Commercial Code AMF position-recommendation 2009-16	L. 441-6, L. 441-6-1 and D. 441-4	Information on the Company's supplier and customer payment terms		
ELEMENTS OF GROUP PRESENTATION				
French Commercial Code	L. 225-100-1	Description of the main risks and uncertainties faced by the Company	136	7.2
French Commercial Code	L. 225-100-1	Financial risks related to the effects of climate change and presentation of measures taken by the Company to mitigate them by implementing a low-carbon strategy in all areas of its activity	151	5.4.5
French Commercial Code	L. 225-100-1	Principal characteristics of internal control and risk management procedures put in place by the Company relating to the preparation and processing of accounting and financial information	150	5.4.4
French Commercial Code	L. 225-100-1	Indications about the objectives and policy for hedging each main category of transactions for which hedge accounting is used	82	3.7.2
French Commercial Code	L. 225-100-1	The Company's exposure to price, credit, liquidity and cash risks	141	5.2.3
French Commercial Code	L. 225-102-1, R. 225-105 and R. 225-105-1	Social and environmental consequences of the activity and related Statutory Auditors' report	85/125	4/4.7
French Commercial Code	L. 225-102-1	Collective agreements concluded in the Company and impacts on the Company's financial performance as well as on employees' working conditions	115	4.4.2
French Commercial Code	L. 225-102-2	In the event of operation of an installation referred to in article L. 515-36 of the French Environmental Code: • description of the technological accident risk prevention policy, • report on the ability to cover public liability in respect of people and property and, • detail of the resources put in place by the Company to ensure management of compensation for victims in the event of a technological accident for which the Company is liable (including Seveso installations).	-	NA

8

Reference texts			Page No.	Chapter/Section No.
French Commercial Code	L. 225-102-4	Vigilance plan enabling identification of risks and prevention of serious abuses of human rights and fundamental freedoms, or serious impacts on health, safety and the environment resulting from the Company's activity and that of sub-contractors and suppliers	-	NA
French Commercial Code	L. 232-1	Research and development activities	152	5.7
ELEMENTS RELATING TO CORPORATE GOVERNANCE				
French Commercial Code	L. 225-185	Conditions for exercise and holding of options by senior executives	-	NA
French Commercial Code	L. 225-197-1	Conditions for holding bonus shares awarded to senior executives	184 / 197	6.2.2.1 (4) / 6.3.3
French Monetary and Financial Code	L. 621-18-2	Transactions on the Company's securities by senior executives and related persons	195	6.3.2.5
French Monetary and Financial Code	L. 225-184	Option granted, subscribed or acquired during the financial year by senior executives and any of the top ten executives of the company and options granted to all employees by category	-	NA
INFORMATION ABOUT THE COMPANY AND THE SHARE CAPITAL				
French Commercial Code	L. 225-211	Detail of purchases and sales of treasury shares during the financial year Information about acquisitions by the Company of treasury shares in order to allocate them to employees or senior executives	192	6.3.1.5
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	194	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	194	6.3.2
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	194	6.3.2
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	208	7.1 Note 2
French Commercial Code	R. 225-102	Company's results over the last five financial years	267	7.4.6

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	185	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	176	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	176	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	185	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	154	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	132	5.1.5.3
French Commercial Code	L. 225-37-4	Choice of methods of exercising executive management	175	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 with regard to capital increases	190	6.3.1.3
French Commercial Code	L. 225-37-4	Composition, conditions of preparation and organisation of the Board	154	6.1.2
French Commercial Code	L. 225-37-4	Description of the diversity policy applied to Board members as to criterias such as age, gender, qualification and professional expertise, together with a description of this policy, its aims, ways of application and results obtained during the financial year. Information regarding the way the company is looking for a balanced organisation as far as gender is concerned, thanks to the adhoc committee put In place by the senior management of the company to assist them in general missions to obtain results expected as far as mixity is concerned at the top 10% senior management level.	173	6.1.2.4
French Commercial Code	L. 225-37-4	Limitations to the powers of the Chief Executive Officer	171/175	6.1.2.4/6.1.3
French Commercial Code	L. 225-37-4	Compliance with the Corporate Governance Code	154	6.1.1
French Commercial Code	L. 225-37-4	Specific arrangements for the participation of shareholders in Shareholders' Meetings	278	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	276	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	171/192	6.1.2.4/6.3.1.5

Reference texts			Page No.	Chapter/Section No.
INFORMATION ON SHARE CAPITAL				
French Commercial Code	L. 225-37-5	Structure and changes in the Company's share capital	189	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	194	6.3.2.1
French Commercial Code	L. 225-37-5	List of holders of any securities bearing special control rights and description of such rights	198	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	198	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	198	6.3.5
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	198	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	198	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 sq.m., 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 sq.m. 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 2017: 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 3 and 7 of the Registration Document 2017 filled with the Financial Market Authority ("AMF") on the 20 April 2018 with reference D. 18-0358;
- 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.

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