



Boulogne-Billancourt, 13 February 2019

2018 Annual Results

A successful year for Carmila

**Gross rental income increases by +13.1% to €340.3m.
Recurring earnings for 2018 total €207.5m,
up +13.5%**

Strong growth of the local digital marketing activity

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 **€340.3m**, including organic growth of **+2.8%**.
- Recurring earnings amounted to **€207.5m**, 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 2017¹ was offset in full.
- The Gross asset value, including transfer taxes, of Carmila's shopping centres totalled **€6.4bn**, up **+10.3%** over 12 months. At comparable scope², 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 where the letting rate is above 96% and activity already looks promising for the first few months of opening.
- In 2018, Carmila signed acquisitions worth €417m 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.

¹ Together with the dilutive effect of the final 2017 dividend for which a proposal has been submitted to the shareholders for the option of share-based payment, 1,501,666 shares were created for this purpose on 14 June 2018.

² Excluding the impact of acquisitions of new shopping malls and extension deliveries completed in 2018.

2018 Rental activity

Gross rental income for 2018 totalled **€340.3m**, 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 €10.7m in gross rents.

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

The financial occupancy rate of the portfolio³ 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 **€313.7m**, 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 **€52.0m**, versus €49.7m in 2017⁴, an increase of **+4.5%**. This growth was mainly linked to variable expenses indexed to income or activity.

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

The net financial expense for 2018 was -€58.6m. In 2017, this expense was -€45.3m and included €6.5m of goodwill 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 -€4.9m lower, primarily due to the financial expenses of the new €350m bond issued in March 2018 (€6.1m). The average cost of debt stood at 2.02%.

EPRA Recurring Earnings, restated notably for 2017 merger-related items (goodwill 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 **€207.5m**, 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 26.2m shares) was fully absorbed by the growth of cash flows over the year.

³ Excluding 1.9% of strategic vacancy at year-end of 2018 and 1.7% at year-end 2017 and 2016

⁴ 2017 expenses restated for costs relating to the 2017 merger between Carmila and Cardety in the amount of €4.7 million.

Portfolio valuation and NAV

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

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

Other variations included i) the recognition of seven completed extension projects in 2018 (+€76m), representing an additional 71,950 sq.m, annualised rental income of €11.0m, of which €3.9m 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 €399m 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 €350m and a coupon of 2.125%.

At 31 December 2018, Carmila's gross debt stood at €2,390m⁵ and its cash position amounted to €213m. Available facilities (RCF and net available cash) stood at €1.2bn. 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.

⁵ Of which €5 million in bank facilities, i.e. a net cash position of €207 million.

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%⁶.

The main extensions delivered in 2018 were the Orléans-Cap Saran shopping centre, Evreux (*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.

⁶ Investment and yield on cost including the share of the margin paid to Carrefour for the 50% that it is co-developing.

Dividends and Outlook

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. Linked to the closing price of Carmila shares on 12 February 2019, this dividend represents an exceptional return of **8,6%**, more than 800 bps above the OAT 10-year rate.

Carmila's long-term growth prospects are sustainable. Carmila has excellent visibility for its income (long leases, indexation, highly stable occupancy rate), productivity gains that enable it to reduce its cost ratio, and a solid financial structure with stable and predictable cost of debt (S&P rating BBB / outlook positive, long maturity debt of which 88% on a fixed rate, good financial liquidity). Furthermore, Carmila has powerful growth drivers at its disposal, including sustained organic growth, a carefully managed pipeline comprising large-scale structural and value-creating projects, and a rapidly expanding, strong local digital marketing strategy.

In addition, Carmila's workforce is agile and dynamic, with vast expertise in digital technology and a passion for innovation. The teams research and develop promising drivers for growth, including:

- » asset enhancement: significant land reserves (approx. 1.5 million square meters) situated close to urban areas, at the heart of city life and on which it has joint development rights with the Carrefour group. These sites harbour revaluation potential which could be fulfilled through mixed-use construction projects or the reallocation of space;
- » a joint venture business with early stage retail and customer service start-ups, to support their development in Carmila's shopping centres. This activity will complement our range of established retailers but could also help boost Carmila's performance with double-digit IRR targets for the next five years;
- » LOUWIFI, a subsidiary created to capitalise on the technical and digital expertise relating to Wi-Fi, low voltage and the integrator network.

Consequently, Carmila's management team is confident in the sustainability and strength of the company's business model.

After the strong growth recorded last year, 2019 will be a year of consolidation:

- three extension deliveries and a number of major projects to be launched;
- we will be keeping a close eye on LTV and financial liquidity over the year, selecting our investments carefully to ensure flexibility in a changing environment.

In this context, Carmila's goal is to achieve **recurring earnings per share growth between 5% and 6,5%**.

Main results and financial indicators

<i>In thousands of euros</i>	31 Dec. 2018	31 Dec. 2017	% change 2018/2017
Gross rental income	340,250	300,911	+13.1%
Net rental income	313,658	276,655	+13.4%
Overhead costs and other operating income and expense ⁷	(50,574)	(47,433)	
Provisions	(1,117)	174	
Other operating income and expenses	(277)	(7,160)	
Share of equity affiliates (<i>recurring earnings</i>)	2,657	2,439	
EBITDA	264,347	224,675	+17.7%
Adjusted EBITDA⁸	264,347	229,390	+15.2%
Net financial income/(expense) (<i>excl. change in FV of financial derivatives</i>)	(59,326)	(45,543)	
Corporate income tax ⁹	(2,747)	(1,910)	
Funds from operations (FFO)	202,274	177,222	+14.1%
Adjusted FFO	202,274	181,937	+11.2%
Depreciation and amortisation	(1,141)	(983)	
Provisions	(1,250)		
Change in fair value of assets and liabilities, net of tax	(36,666)	132,240	
Change in fair value of assets owned by equity affiliates	1,225	(8,628)	
Gains (losses) on sales of investment properties	(2,443)	(2,803)	
Other income and expenses	1,610		
Consolidated net income	163,609	314,304	-47.9%
Consolidated income, Group share	163,557	313,787	-48.0%
EPRA earnings	202,447	179,809	+12.6%
Recurring EPRA earnings	207,521	182,896	+13.5%
<i>Fully diluted per share data (in €)</i>			
Earnings Per Share (EPS)	1.20	2.63	-54.3%
Adjusted FFO	1.49	1.52	-2.4%
Recurring EPRA earnings	1.53	1.53	-
<hr/>			
<i>In millions of euros</i>	31 Dec. 2018	31 Dec. 2017	% change 2017/2016
Portfolio valuation (including transfer taxes)	6,405	5,806	+10.3%
EPRA NAV (€ per share) - (fully diluted)	28.29	27.48	+3.3%
EPRA NNAV (€ per share) - (fully diluted)	27.14	26.53	+2.3%

⁷ In 2017, this included costs of €4,715 thousand relating to the Carmila/Cardety merger.

⁸ Restated for costs of €4,715 thousand relating to the Carmila/Cardety merger.

⁹ Excluding deferred taxes on change in fair value of properties and other deferred taxes.

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Next events and publications:

14 July 2019 (14:30 Paris time): Investors and Analysts Meeting
18 April 2019 (After market close): Q1 2019 activity
16 May 2019 (14:30 Paris time): Shareholders' Annual General Meeting
25 July 2019 (After market close): 2019 Half Year Results
26 July 2019 (9:00 Paris time): Investors and Analysts Meeting
23 October 2019 (After market close): Q3 2019 activity

About Carmila

Carmila was founded by Carrefour and large institutional investors in order to develop the value of shopping centres anchored by Carrefour stores in France, Spain and Italy. At 31 December 2018, its portfolio comprised 215 shopping centres in France, Spain and Italy, leaders in their catchment areas, and with a total value of €6.4 billion. Inspired by a genuine retail culture, Carmila's teams include all of the expertise dedicated to retail attractiveness: leasing, digital marketing, specialty leasing, shopping centre management and portfolio management.

Carmila is listed in compartment A of Euronext Paris under ticker CARM. It benefits from SIIC ("sociétés d'investissements immobiliers cotées") tax status (French REIT regime).

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

On 24 September 2018, Carmila joined the Euronext CAC Small, CAC Mid & Small and CAC All-tradable indices.

Management report – 2018 annual results

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1. Assets and Valuation

a. Competitive advantages

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.

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 speciality 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.

b. Key figures concerning the portfolio

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.

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 (sq.m.)	Carmila Group share per site (%)
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%
Evreux	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".

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 (€M) at 31/12/2018	% 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

c. Asset valuation

Trends in the commercial real estate market and the competitive environment

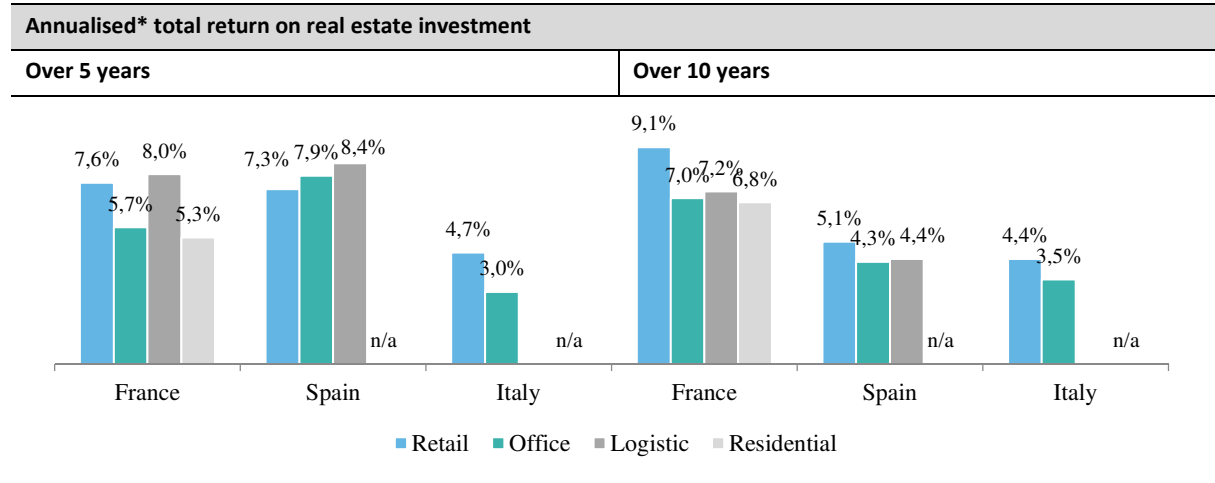
Commercial real estate is defined as all properties owned by professionals who do not occupy them and who draw income from them on a regular basis. Such properties fall into several categories:

- 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.



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, Mercialis 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.

[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 (IPUC¹). 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.

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, Evreux 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 appraisal 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.

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

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	31/12/18		
	millions of euros	%	Number of assets
France	4,600.3	71.8%	129
Spain	1,449.8	22.7%	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%).

Changes to the valuation of the assets

GAV ITT of portfolio	31/12/18				30/06/18				31/12/17				
	GAV ITT (€M)	%	Number of assets	Change vs. 30/06/2018	Change vs. 31/12/2017	GAV ITT (€M)	%	Number of assets	Change vs. 31/12/2017	GAV ITT (€M)	%	Number of assets	
				At current scope	Like for like	At current scope	Like for like		At current scope	Like for like		At current scope	Like for like
<i>(in millions of euros)</i>													
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 Marseilles - 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

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.

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.

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.

Appraisal 31/12/2018

	GAV ITT (€M)	% of value	Average net rent €/m ²	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%

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

<i>(in millions of euros)</i>	31/12/18	31/12/17
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

d. Overview of valuation reports prepared by the independent external appraisers of Carmila

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

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

We confirm that we have prepared our valuations as external and independent 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).

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.

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.

e. Extension pipeline at 31 December 2018

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.

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, Evreux (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

The following table presents the key information on Carmila's expansion projects for the 2018-2024 period.

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.

	Country	Planned area (sq.m)	Planned opening date (sq.m.)	Estimated cost ⁽¹⁾ (€M)	Full year additional rental value (€M)	Yield ⁽²⁾	Yield (Carmila share) ⁽³⁾
Expansion project							
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				
Evreux (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.

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 Evreux 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.

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.

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.

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.

f. 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 (sq.m.)	Carmila Group share per site (%)
France						
Aix en Provence	1971	2014	2015	41	8,317	31.3%
Amiens	1973	2014	2014	20	4,428	25.2%
Angers - Saint Serge	1969	2014	2015	28	5,176	24.5%
Angoulins	1973	2014	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	1974	2014	2014	7	584	11.0%
Besneville	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%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)	Carmila Group share per site (%)
Château Thierry	1972	2014	2015	11	649	8.8%
Châteauneuf-les-Martigues	1973	2014	2016	23	12,734	12.5%
Châteauroux	1969	2014	2014	20	3,561	22.4%
Cholet	1970	2014	2014	30	5,281	16.9%
Condé Sur l'Escaut	1987	2014	2015	8	528	9.6%
Conde Sur Sarthe	1972	2014	2014	31	9,218	71.8%
Crèches sur Saone	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%
Epernay	1970	2014	2016	12	1,043	9.0%
Epinal	1983	2014	2016	24	19,101	100.0%
Epinay-sur-Orge	1992	2015	-	1	54	-
Etampes	1983	2014	2015	3	878	7.7%
Evreux	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%
Herouville 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%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)	Carmila Group share per site (%)
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%
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 Clairia	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%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)	Carmila Group share per site (%)
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 Egrève	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%
Tingueux	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%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)	Carmila Group share per site (%)
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%
Alfajar	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%
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 Vía 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%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)	Carmila Group share per site (%)
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 / Zairaiche	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%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)	Carmila Group share per site (%)
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%
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%

2. Activity for the financial year

a. Selected financial information

Financial information from the income statement

<i>(in millions of euros, except for per-share data)</i>	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

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

<i>(in millions of euros)</i>	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

<i>(in millions of euros except for ratios and per-share amounts)</i>	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

b. Financial statements

Consolidated statement of comprehensive income

<i>IFRS EPRA standard presentation (in thousands of euros)</i>	31/12/18	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
<i>Income from management, administration and other activities</i>	4,595	4,790
<i>Other income</i>	6,631	5,712
<i>Payroll expenses</i>	- 24,839	- 23,878
<i>Other external expenses</i>	- 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

Consolidated statement of financial position

ASSETS

<i>(in thousands of euros)</i>	31/12/18	31/12/17
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

<i>(in thousands of euros)</i>	31/12/18	31/12/17
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	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

Change in net cash position

<i>in thousands of euros</i>	31/12/18	31/12/17
Consolidated net income	163,609	314,304
<i>Adjustments</i>		
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

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
<i>Gains and losses recorded directly in equity</i>									
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
<i>Gains and losses recorded directly in equity</i>									
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

c. 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 €340.3m, including organic growth of +2.8%.
- Recurring earnings amounted to €207.5m, 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 €6.4bn, 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 where the letting rate is above 96% and activity already looks promising for the first few months of opening.
- In 2018, Carmila signed acquisitions worth €417m 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 €340.3m, 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 €10.7m in gross rents.

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

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 €313.7m, 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 €52.0m, versus €49.7m 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 €264.3m, up +15.2% compared with 2017 EBITDA restated for the costs associated with the 2017 merger.

The net financial expense for 2018 was -€58.6m. In 2017, this expense was -€45.3m and included €6.5m of goodwill 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 -€4.9m lower, primarily due to the financial expenses of the new €350m bond issued in March 2018 (€6.1m). The average cost of debt stood at 2.02%.

EPRA Recurring Earnings, restated notably for 2017 merger-related items (goodwill 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 €207.5m, 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 26.2m 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 €6,405m at 31 December 2018, €599m higher (+10.3%) than at 31 December 2017 (€5,806m).

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

Other variations included i) the recognition of seven completed extension projects in 2018 (+€76m), representing an additional 71,950 sq.m, annualised rental income of €11.0m, of which €3.9m 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 €399m 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 NNAV) (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 €350m and a coupon of 2.125%.

At 31 December 2018, Carmila's gross debt stood at €2,390m and its cash position amounted to €213m. Available facilities (RCF and net available cash) stood at €1.2bn. 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, Evreux (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.

d. Analysis of the activity

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.

Retailer activity

<u>Country</u>	<u>Change in tenants sales in 2018 (%)</u>	<u>Performance versus national index (basis points)</u>
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 Estadística 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

Letting activity

Summary

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

	Letting of vacant premises		Letting of extensions		Renewals		
	Number of leases	Annual minimum guaranteed rent	Number of leases	Annual minimum guaranteed rent	Number of leases	Annual minimum guaranteed rent	Reversion
<i>(in thousands of euros)</i>							
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 Clairia 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, Evreux 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-Egrève.

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, Evreux and Pau Lescar and the opening of Naf Naf in Cap Saran, Calais Coquelles, and Athis Mons. Mango opened stores in Cap Saran and Evreux and signed for Orange, Salaise sur Sanne and the extension of Rennes Cesson, Promod opened in Cap Saran, Evreux 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 Cap Saran, Brest and Besançon Chalezeule. Meanwhile Etam Lingerie signed for Aix en Provence, Esprit for Evreux, 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 Evreux 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 Evreux, 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 Evreux, whilst Brut Butcher signed for Saint-Egrève.

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 Evreux. The Greek cooking chain, Mavrommatis, signed for the Nice Lingostière extension, whilst the Italian fast food restaurant group, La Padieneria 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-Echirrolles, with two leases also signed to open in Brest and Vaulx-en-Velin Space Jump opened trampoline parks in the Evreux 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.

<i>(in thousands of euros)</i>	31/12/2018			31/12/2017			Change
	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.

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.

<i>Country</i>	At 31/12/2018			At 31/12/2017		
	Number of leases	Annualised contractual rent (in millions of euros)	%/Total	Number of leases	Annualised contractual rent (in millions of euros)	%/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%

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:

At 31/12/2018			
<i>Tenant</i>	Business sector	Annualised contractual rent (in millions of euros)	%/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:

<i>Business sector</i>	At 31/12/2018			At 31/12/2017		
	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:

<i>Categories</i>	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
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:

<i>Categories</i>	At 31/12/2018		
	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):

Expiration of leases	At 31/12/2018			At 31/12/2017		
	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%
<i>Of which leases with minimum guaranteed rent and additional variable rent</i>	4,871	301.2	84.0%	4,377	265.1	84.2%
<i>Of which leases with variable rent only</i>	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.

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.

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%

e. Comments on the year's activity

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, Evreux Phase 2, Saran in 2018 and Nichelino, Crêches-sur-Saône, Pau Lescar, Evreux Phase 1, Rambouillet, Saint-Egrève 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

Gross rental income	31/12/18			31/12/17
	Gross rental income	Change vs. 31/12/2017		Gross rental income
(in thousands of euros)		Total	At constant scope	
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 is 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

Net rental income <i>(in thousands of euros)</i>	31/12/18		31/12/17
	Net rental income	Change vs. 31/12/2017 Total	Net rental income
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.

Operating expenses

<i>(in thousands of euros)</i>	31/12/18	31/12/17
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 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.

EBITDA

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

EBITDA		
<i>(in thousands of euros)</i>	31/12/18	31/12/17
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

Net financial income/expense

<i>Financial expenses</i> <i>(in thousands of euros)</i>	31/12/18	31/12/17
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 goodwill 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.

f. EPRA performance indicators

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.

<i>(in thousands of euros)</i>	31/12/18	31/12/17
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 of amortised 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 recurring 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.

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:

EPRA cost ratio			
<i>(in millions of euros)</i>		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 (-40bps) for several reasons:

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

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)			
<i>(in thousands of euros)</i>			
	31/12/18	30/06/18	31/12/17
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			
<i>(in thousands of euros)</i>			
	31/12/18	30/06/18	31/12/17
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)

	31/12/18	30/06/18	31/12/17
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

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.

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

EPRA NIY and EPRA "Topped-Up" NIY

(in millions of euros)

	31/12/18	31/12/17
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.

EPRA investments

in thousands of euros	France		Spain		Italy		TOTAL	
	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 Evreux (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 (Ile-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, 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.

g. Financial policy

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		31/12/18	31/12/17
<i>(in thousands of euros)</i>			
		12 months	12 months
EBITDA	(A)	264,347	229,390
Cost of net indebtedness	(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		31/12/18	31/12/17
<i>(in thousands of euros)</i>			
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:

<i>(in thousands of euros)</i>	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.

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.

Cash

<i>(in thousands of euros)</i>	31/12/18	31/12/17
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.

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.

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.

h. Equity and shareholding

<i>In euros</i>	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%.

i. Changes in governance

Appointment of Sébastien Vanhooe as Deputy CEO of Carmila

Yves Cadelano having decided to give a new orientation to his career, the Board of Directors of Carmila took due note of his resignation on 27 July 2018 and appointed Sébastien Vanhooe as Deputy CEO. He joins the management team of Carmila alongside Jacques Ehrmann and Géry Robert-Ambroix.

Sébastien Vanhooe started his career at Immochan and then Immobilière Carrefour before joining A2C in 2003 (now Retail & Connexion).

He held there several positions notably COO and deputy CEO from 2009 until 2013. In 2014 he became COO of Carrefour Property France and then deputy CEO in 2016. Since November 2017 he has held the posts of CEO of Carrefour Property France with responsibilities for managing all the activities of the company.

Resignation of Frédéric Bôl from his position as censor

At 27 July 2018, the board of Directors acknowledged the resignation of Frédéric Bôl from his position as censor.

Appointment of Maria Garrido as Director

At the General Assembly of 16 May 2018, Maria Garrido has been appointed as a Company Director for a period of four years which will end following the General Meeting called in 2022 to approve the financial statements for the year ended 31 December 2021.

Appointment of Claire du Payrat as Director

On 28 October 2018, Carmila's Board of Directors acknowledged the resignation of Raphaëlle Pezant from her position as Director and member of the Compensation and Nominating Committee, and decided, upon the recommendation of the Compensation and Nominating Committee to co-opt Claire du Payrat as a new Director for the remaining duration of Raphaëlle Pezant's term of office, namely until the General Meeting called in 2019 to approve the financial statements for the year ended 31 December 2018. Claire du Payrat is Executive Director in charge of Financial Control and Operational Efficiency for the Carrefour group. Raphaëlle Pezant is replaced in her function as member of the Compensation and Nominating Committee by Laurent Vallée, Secretary General for Carrefour group, who left the Audit Committee, where he is replaced by Claire du Payrat.

j. Outlook

Carmila's long-term growth prospects are sustainable. Carmila has excellent visibility for its income (long leases, indexation, highly stable occupancy rate), productivity gains that enable it to reduce its cost ratio, and a solid financial structure with stable and predictable cost of debt (S&P rating BBB / outlook positive, long maturity debt of which 88% on a fixed rate, good financial liquidity). Furthermore, Carmila has powerful growth drivers at its disposal, including sustained organic growth, a carefully managed pipeline comprising large-scale structural and value-creating projects, and a rapidly expanding, strong local digital marketing strategy.

In addition, Carmila's workforce is agile and dynamic, with vast expertise in digital technology and a passion for innovation. The teams research and develop promising drivers for growth, including:

- asset enhancement: significant land reserves (approx. 1.5 million square meters) situated close to urban areas, at the heart of city life and on which it has joint development rights with the Carrefour group. These sites harbour revaluation potential which could be fulfilled through mixed-use construction projects or the reallocation of space;
- a joint venture business with early stage retail and customer service start-ups, to support their development in Carmila's shopping centres. This activity will complement our range of established retailers but could also help boost Carmila's performance with double-digit IRR targets for the next five years;
- LOUWIFI, a subsidiary created to capitalise on the technical and digital expertise relating to Wi-Fi, low voltage and the integrator network.

Consequently, Carmila's management team is confident in the sustainability and strength of the company's business model.

After the strong growth recorded last year, 2019 will be a year of consolidation:

- three extension deliveries and a number of major projects to be launched;
- we will be keeping a close eye on LTV and financial liquidity over the year, selecting our investments carefully to ensure flexibility in a changing environment.

In this context, Carmila's goal is to achieve recurring earnings per share growth between 5% and 6,5%.