

FINANCIAL REPORT

2017

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1 FINANCIAL STATEMENTS

1.1 Consolidated statement of net income

<i>(in thousands of euros)</i>	31/12/2017	31/12/2016
Gross rental income	300 911	275 683
Real estate expenses	- 4 389	- 3 863
Non rechargeable rental expenses	- 7 305	- 8 272
Property expenses (landlord)	- 12 562	- 11 045
Net rental income	276 655	252 503
Operating expenses	- 47 433	- 41 579
<i>Income from management, administration and other activities</i>	4 790	1 626
<i>Other income from services rendered</i>	5 712	9 045
<i>Personnel costs</i>	- 23 878	- 22 597
<i>Other external expenses</i>	- 34 057	- 29 653
Other operating income	-	1 948
Allowances for depreciation of fixed assets, amortization of intangible fixed assets and provisions	- 809	- 523
Other current operating income and expenses	- 7 160	- 267
Gain (Loss) on sale of investment properties	- 2 803	441
Balance of fair value adjustments	164 470	157 678
<i>Increase in fair value of investment properties</i>	211 795	235 500
<i>Decrease in fair value of investment properties</i>	- 47 325	- 77 822
Share of net income of equity-accounted companies	11 067	6 094
Operating income	393 987	376 295
Income from cash and cash equivalents	927	615
Cost of gross financial debt	- 49 608	- 49 877
Cost of net financial debt	- 48 681	- 49 262
Other financial income and expenses	3 357	- 3 005
Net financial income	- 45 324	- 52 267
Income before taxes	348 663	324 028
Income tax	- 34 359	- 28 380
Consolidated net income	314 304	295 648
Group share	313 787	294 531
Non-controlling interests	517	1 117
Average number of shares comprising Carmila's share capital - non diluted	119 132 838	103 213 159
Income per share (in euros) - non diluted	2,63	2,85
Average number of shares comprising Carmila's share capital - diluted	119 323 222	103 359 785
Income per share (in euros) - diluted	2,63	2,85
Number of shares comprising Carmila's share capital at year-end - diluted	135 182 748	104 698 190
Income per shares outstanding at year-end (in euros) - diluted	2,32	2,81

Statement of other comprehensive income <i>(in thousands of euros)</i>	31/12/2017	31/12/2016
Consolidated net income	314 304	295 648
Items to be subsequently recycled in income	10 923	- 13 907
Cash-flow hedges	10 923	- 13 907
Related income tax	-	-
Items not to be recycled in income subsequently	- 31	39
Re-evaluation of the net liabilities under defined-benefit schemes	- 31	39
Related income tax	-	-
Consolidated comprehensive income	325 196	281 780

1.2 Statement of financial position

ASSETS <i>(in thousands of euros)</i>	31/12/2017	31/12/2016
Goodwill	-	-
Intangible fixed assets	4 559	4 986
Fixed assets	2 411	960
Investment properties carried at fair value	5 356 002	4 425 206
Investment properties carried at cost	91 581	425 237
Investment in equity-accounted companies	47 364	48 331
Other non-current assets	12 981	9 349
Deferred taxes	6 284	1 592
Non current assets	5 521 182	4 915 661
Investment properties to be sold	500	-
Trade receivables	107 919	98 164
Other current assets	75 398	119 994
Cash and cash equivalent	329 397	71 243
Current assets	513 214	289 401
Total Assets	6 034 396	5 205 061

LIABILITIES AND SHAREHOLDERS' EQUITY

<i>(in thousands of euros)</i>	31/12/2017	31/12/2016
Share capital	810 360	313 655
Additional paid-in capital	2 321 671	1 842 673
Treasury shares	- 2 653	-
Other comprehensive income	- 27 937	- 38 829
Consolidated retained earnings	121 234	230 743
Consolidated net income - Group share	313 787	294 531
Shareholder's equity - Group share	3 536 462	2 642 773
Non-controlling interests	5 999	8 431
Shareholders' equity	3 542 461	2 651 204
Non-current provisions	2 142	609
Non-current financial debt	1 966 003	2 050 970
Lease security deposit	69 643	67 216
Non-current tax liabilities and deferred tax	112 867	81 019
Other non current liabilities	7 477	13
Non-current liabilities	2 158 132	2 199 827
Current financial debt	68 970	151 346
Bank overdraft	40 129	16 123
Trade payables	28 567	22 993
Fixed asset payables	71 751	33 773
Current tax liabilities and social dues	38 661	43 254
Other current liabilities	85 724	86 541
Current liabilities	333 802	354 030
Total Liabilities and Shareholders' equity	6 034 396	5 205 061

1.3 Consolidated statement of cash flows

<i>(in thousands of euros)</i>	31/12/2017	31/12/2016
Consolidated net income	314 304	295 648
<i>Adjustments</i>		
Elimination of income from companies equity-accounted	-11 067	-6 094
Elimination of depreciation, amortization and provisions	2 263	302
Elimination of the change in fair value adjustment	-164 239	-158 073
Elimination of capital gains / losses on sale of assets and dilution profit or losses	119	-2 074
Other income and expenses with no cash effect	3 825	1 644
Cash-flow from operations after cost of net financial debt	145 205	131 353
Elimination of tax expense / (income)	34 359	28 380
Elimination of cost of financial debt	48 682	49 263
Cash-flow from operations before cost of net financial debt and tax	228 246	208 996
Change in working capital requirements	47 822	-29 206
Change in lesse's security deposits and guarantees	-537	3 122
Income taxes paid	-11 541	-5 234
Cash flow from operating activities	263 990	177 678
Changes in the scope of consolidation	-7 643	-
Change in fixed asset supplier balances	43 821	-
Acquisition of investment properties	-279 184	-442 219
Acquisition of other fixed assets	-282	-1 550
Changes in loans and advances	-7 343	2 031
Sale of investment properties and other fixed assets	177	3 691
Dividends received	1 474	972
Cash-flow from investing activities	-248 981	-437 075
Share capital increase	613 937	2 002
Opérations sur le capital des sociétés mises en équivalence	-10 025	-
Net sale (purchase) of treasury shares	-2 447	-
Issuance of bonds	-	592 999
Issuance of bank loans	15 905	142 000
Loan repayment	-184 778	-408 230
Interest paid	-49 692	-57 003
Interest received	928	613
Dividends and share premium distributed to shareholders	-164 690	-77 305
Cash-flow from financing activities	219 139	195 076
Change in net cash position	234 148	-64 321
Opening cash position	55 120	119 441
Year-end cash position	289 268	55 120

2 ASSETS AND VALUATION

2.1 Competitive Advantages

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

With more than €5.81 billion of assets¹ and 206 shopping centres and retail parks located in France, Spain and Italy, Carmila is, in continental Europe, the number one listed company in shopping centres adjacent to large food retail brands and the third listed company in commercial property by the market value of its assets on 31 December 2017.

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

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

2.1.2 A portfolio with strong value-creation potential

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

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

¹ Transfer taxes and work in progress included

² In appraisal value, including transfer taxes

2.1.3 A controlled expansion pipeline and acquisition strategy

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

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

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

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

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

Carmila's goal is to continue the dynamic management of its portfolio, to combine security of yield and the sustainable creation of value.

2.2 Key figures concerning the assets

2.2.1 Description of the assets

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

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

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

2.2.2 Presentation of Carmila's most important assets

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

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

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

2.3 Classes of assets by type

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

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

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

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

*retail parks, local shopping centres

2.4 Asset valuation

2.4.1 Our experts and their methodology

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

The fair values used are determined on the basis of the conclusions of independent experts. Carmila uses experts to value the whole of its asset portfolio at the end of every half-year. The assets are inspected by the experts 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 experts have access to all the information needed for valuation of the assets, and specifically the list of leases, the vacancy rate, rental arrangements and the main performance indicators for tenants (such as sales).

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

For the buildings under construction, the valuation takes into account work in progress (capex) for projects under development as well as the margin on development, which corresponds to the increase in fair value (determined by an expert) compared to the total cost price of the project (IPUC³). Carmila considers that a development project may be valued reliably if the following three conditions are all fulfilled (i) all of the administrative authorisations necessary to completing the expansion have been obtained, (ii) the construction contract has been signed and the work has begun and, (iii) uncertainty concerning the amount of future rent has been eliminated.

The experts appointed by Carmila are as follows:

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

Change in scope of consolidation

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

³ Investment Property under Construction – Margin on development which corresponds to the increase in fair value compared to the cost price

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

2.4.2 Geographical segmentation of the portfolio

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

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

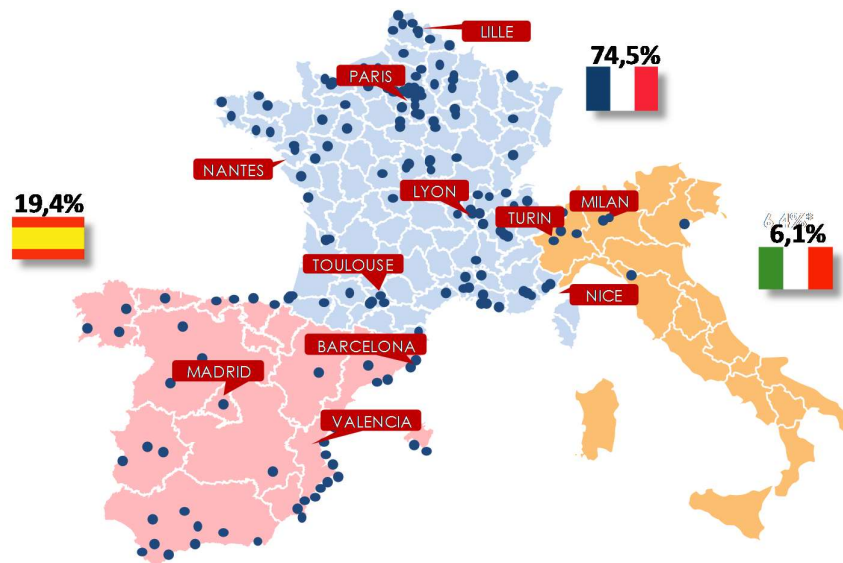
Market value (GAV ITT)¹ – 31/12/2017			
	€M	% of assets	# assets
France	4,323.1	74.5%	128
Spain	1,127.7	19.4%	70
Italy	354.7	6.1%	8
Total	5,805.5	100.0%	206

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

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

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

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



2.4.3 Changes to the valuation of the assets

The data at 31/12/2016 is proforma, with this data including Cardety assets for comparison purposes.

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

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

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

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

- the value of the assets, on a like-for-like basis, increased by +3.9%, representing + €207.9 million and breaks down as follows: + €46.6 million, including transfer taxes, due to the increase in rents and + €161.3 million due to the variation in capitalisation rates applied by the experts⁴;
- the inclusion, within the valued scope, of + €268.4 million in expansions delivered during the year;
- the other variations (variations of assets under construction and IPUC for projects under construction) for + €9.2 million.

2.4.4 Changes in capitalisation rates

EPRA Net Initial Yield⁵

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

⁴ The lots in the existing scope affected by the expansions have been reinstated in the comparable scope.

⁵ EPRA NIY: The EPRA Net Initial Yield is the ratio between net annualised rental income based on the rental status and market value, including transfer taxes, of the assets

Net Potential Yield⁶

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

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

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

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

<i>(in thousands of euros)</i>	31/12/2017
GAV ITT	5,805,509
Works in progress	91,581
Valuation of the share of equity-accounted buildings	67,730
Transfer taxes and registration	290,136
Market value excluding transfer taxes (including IPUC)	5,356,002
Other reclassifications	993
IPUC	26,775
Market value excluding transfer taxes	5,328,234

⁶ NPY: The Net Potential Yield is the ratio between annualised rental income (with reintegration of step increases and rent-free periods) plus the market rental value of the vacant lots defined by the experts and the market value, including transfer taxes, of the assets

The market value, including transfer taxes, of the assets includes elements related to the fair value of buildings held in companies consolidated by the equity method.

2.6 Expert appraisal report

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

1.1.1. General context of the valuation

Context and instructions

In accordance with Carmila's instructions ("the Company") as detailed in the signed valuation contracts between Carmila and the 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 2017.

Reference Documents and General Principles

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

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

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

1.1.2. Valuation considerations and assumptions

Information

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

Floor areas

We have not measured the assets and have therefore based our valuations on the floor 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.

1.1.3. Confidentiality and disclosure

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

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

Jean-Philippe Carmarans

Président

Cushman & Wakefield Valuation France

Tony Loughran,

Partner

Head of C&W Valuation & Advisory, Spain

Mariacristina Laria

Partner

Head of C&W Valuation & Advisory, Italy

Jean-François Drouets

Président

Catella Valuation

Isabel Fernandez-Valencia

Head Of Valuations

Catella Property Spain S.A.

Béatrice Rousseau

Director of Valuation

CBRE Valuation

Christophe Adam

Directeur

Jones Lang LaSalle Expertises

2.7 Expansion pipeline at 31 December 2017

2.7.1 Developments

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

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

Development pipeline:

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

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

For the 2018-2023 period, Carmila's expansion pipeline integrate 31 projects representing a total expected investment of €1.5 billion with an average yield on cost of 6.5%.⁷

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

⁷ 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

Expansion project	Country	Additional area (sqm)	Planned opening date	Estimated Cost ⁽¹⁾ (€M)	Additional rental value in full year (€M)	Yield ⁽²⁾	Yield on Carmila share ⁽³⁾
2017 Projects – Delivered							
BAB 2 Biarritz (phase 2)	France	6,941	Apr.-17				
Rambouillet	France	4,850	Sept.-17				
Langueux St Briec	France	4,711	Oct.-17				
Evreux (phase 1)	France	15,250	Nov.-17				
Pau Lescar	France	6,409	Nov.-17				
Crèches-sur-Saone	France	4,200	Nov.-17				
Saint Egrève	France	2,155	Nov.-17				
Vannes	France	1,460	Nov.-17				
Nichelino	Italy	24,837	Oct.-17				
Total projects 2017		70,813		218.7	16.3	7.5%	7.1%
Projects for 2018							
Besançon	France	15,000	H1 2018				
Chalezeule	France	29,929	H1 2018				
Orleans - Saran	France	1,294	H1 2018				
Douai	France	18,034	H2 2018				
Evreux (phase 2)	France	4,031	H2 2018				
Athis Mons	France	1,207	H2 2018				
Los Patios	Spain	179	H2 2018				
Hérouville restructuring	France						
Total projects 2018		69,674		145.5	11.5	8.0%	7.5%
Projects post 2018							
Lilles - Coquelles Restructurings	France	600	H1 2019				
Toulouse Purpan	France	2,758	2019 / 2020				
Laon (Phase 1)	France	1,700	2019 / 2020				
Chambery Bassens	France	2,288	2019 / 2020				
Thiene	Italy	9,600	2019 / 2020				
Puget (Phase 1) - restructuring	France	1,571	2019 / 2020				
Mably - restructuring	France	3,015	2019 / 2020				
Sallanches	France	1,819	2020				
Nice Lingostière	France	12,791	2020				
Thionville	France	6,432	2020				
Laval	France	4,948	2020				
Rennes - Cesson sévigné	France	6,081	2020				
Milan - Paderno	Italy	32,000	2020				
Angoulins	France	8,923	2020				
Marseille-Vitrolles	France	11,727	2021				

Augusta – Saragossa	Spain	17,334	2021			
Puerta de Alicante	Spain	13,453	2021			
Aix-en-Provence	France	5,978	2022			
Montesson	France	30,409	2022			
Burgos	Spain	15,000	2022			
Toulouse Labège	France	12,385	2022			
Venissieux	France	42,965	2022			
Antibes	France	36,440	2023			
Orleans – Place d’Arc	France	10,732	2023			
Total projects post -2018		290,950		1,402.0	94.0	7.1% 6.4%
Total projects controlled⁽⁴⁾		360,623		1,547.5	105.5	7.2% 6.5%

(1) The total investment corresponds to Carmila's projected share (50% of the investment) plus Carrefour's share (50% of the investment and 50% of the margin) that must be acquired upon delivery.

(2) Expected annualised rents divided by the total estimated investment amount.

(3) Expected annualised rents, divided by the total amount of the investment, including transfer taxes, including Carrefour's share that must be acquired upon delivery.

(4) Projects controlled: post-2017 projects for which studies have been significantly advanced and Carmila holds either the real estate or the right to build on it, but where not all administrative authorisations may have been obtained.

2017 expansions:

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

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

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

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

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

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

On 13 September 2017, Carmila inaugurated the expansion to the shopping arcade in the Carrefour shopping centre in Rambouillet, with the creation of a retail park of a surface area of about 4850 sqm. This expansion was rented to large national retail brands, including Cultura and Courtepaille.

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

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

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

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

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

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

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

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

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

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

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

On 28 November 2017, Carmila inaugurated a "Food Park" backing onto the Saint-Egrève Carrefour hypermarket, located in the only shopping area to the north of the Grenoble urban area. The expansion

is composed of 6 restaurants over 2,155 sqm rented to dynamic retail brands in the food sector (including "Au Bureau" and "Ayako Sushi").

2018 expansions:

In 2018, Carmila plans to deliver 7 expansions for a surface area of 69,674 sqm, for an estimated cost of €145.5 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Administrative authorisations

Building permits

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

To date, 12 building permits have been obtained, including 5 permits during 2017:

- Toulouse-Purpan - 9 February;
- Nice – 14 March;
- Laval – 20 July;
- Sallanches – 08 August;
- Vitrolles – 09 October.

Authorisations to operate retail facilities

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

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

To date, 16 CDAC/CNAC have been obtained, including 4 CDAC/CNAC during 2017:

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

2.7.2 Finalisation of the programme to renovate the existing property portfolio

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

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

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

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

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

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

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

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of lots	Carmila Gross Leasable Area (sqm)	Carmila stake in C.C /Site (%)
France						
Aix-en-Provence	1971	2014	2015	41	8,317	31.3%
Amiens	1973	2014	2014	20	4,428	25.2%
Angers - Saint Serge	1969	2014	2015	28	5,176	24.5%
Angoulins	1973	2014	2018	31	4,800	22.6%
Anncy Brogny	1968	2014	2015	25	4,312	24.6%
Antibes	1973	2014	2014	34	4,820	22.6%
Athis Mons	1971	2014	2014	19	2,502	26.1%
Auch	1976	2014	2014	10	922	16.3%
Auchy les Mines	1993	2014	2015	28	2,762	26.1%
Auterive	2011	2014	-	17	6,674	36.8%
Bab 2 - Anglet	1967	2014	2017	123	25,679	52.4%
Barentin	1973	2016	-	10	5,697	14.5%
Bassens						
(Chambéry)	1969	2014	2014	21	2,701	17.1%
Bay 1	2004	2014	-	29	8,586	32.9%
Bay 2	2003	2014	-	108	21,096	37.0%
Bayeux Besneville	1974	2014	2014	7	584	11.0%
Beaucaire	1989	2014	2015	32	6,825	21.4%
Beaurains 2	2011	2014	-	12	4,364	39.8%
Beauvais	1969	2014	2016	17	3,300	21.1%
Berck SCI de						
l'Arche	1995	2014	2014	21	2,268	49.6%
Berck sur Mer	1995	2014	2014	7	5,354	10.7%
Besançon /						
Chalezeule	1976	2014	2014	9	1,365	9.8%
Besançon						
Chalezeule	1976	2012	2014	2	258	9.8%
Bourg-en-Bresse	1977	2014	2018	23	4,489	19.2%
Bourges (avec extension)						
	1969	2014	2016	49	6,417	31.7%
Brest Hyper	1969	2014	2014	47	18,014	41.0%
Calais / Beau Marais						
	1973	2014	2015	23	5,118	28.3%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of lots	Carmila Gross Leasable Area (sqm)	Carmila stake in C.C /Site (%)
Calais / Coquelles	1995	2014	2018	167	49,774	77.6%
Chambourcy	1973	2014	2018	70	21,057	44.0%
Champs Sur Marne	1967	2014	2014	17	1,773	15.5%
Charleville-Mézières, La						
Croisette	1985	2014	2014	26	2,475	17.5%
Château Thierry	1972	2014	2015	11	649	8.8%
Châteauneuf-les-Martigues	1973	2014	2016	23	12,734	12.5%
Chateauroux	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	2018	9	623	6.0%
Dinan Quevert	1970	2016	-	18	3,196	-
Douai Flers (GM)	1983	2014	2015	47	7,179	19.7%
Draguignan (GM)	1992	2014	2017	27	4,230	39.1%
Échirolles (Grenoble)	1969	2014	2014	34	4,740	20.6%
Epernay	1970	2014	2016	12	1,043	9%
Epinal	1983	2014	2016	24	19,101	100%
Epinay-Sur-Orge	1992	2015	-	1	54	-
Etampes	1983	2014	2018	3	878	7.7%
Evreux	1974	2014	2017	40	17,889	25.7%
Feurs	1981	2014	2018	7	1,025	12.1%
Flers Saint-Georges-Des-Groseillers	1998	2016	-	12	1,691	30.8%
Flins Sur Seine	1973	2014	2014	17	8,111	21.3%
Fourmies	1985	2014	2016	16	1,852	16.1%
Francheville	1989	2014	2015	22	2,421	16.5%
Francheville hyparmo	1989	2014	2015	23	2,433	16.5%
Gennevilliers	1976	2014	2015	17	2,349	14.11%
Goussainville	1989	2014	2015	25	3,171	38.1%
Gruchet	1974	2014	2015	31	8,939	38.7%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of lots	Carmila Gross Leasable Area (sqm)	Carmila stake in C.C /Site (%)
Gueret	1987	2014	2018	13	3,415	17.0%
Hazebrouck	1983	2014	2014	15	1,300	17.3%
Herouville St Clair	1976	2014	2016	49	13,910	40.4%
La Chapelle St Luc	2012	2014	2015	43	17,588	58.0%
La Ciotat	1998	2014	2015	15	703	5.3%
La Roche Sur Yon	1973	2014	2015	11	1,364	16.4%
Laon	1990	2014	2015	39	8,045	91.1%
Laval	1986	2014	2018	38	7,218	42.0%
Le Mans	1968	2014	2014	19	1,938	11.9%
L'Hay Les Roses	1981	2014	2016	12	564	2.6%
Libourne	1973	2014	2014	19	4,146	18.0%
Liévin	1973	2014	2014	20	3,017	7.0%
Limay	1998	2014	2018	7	327	4.8%
Lorient	1981	2014	2014	33	11,600	31.5%
Mably	1972	2014	2017	32	13,215	34.8%
Meylan (Grenoble)	1972	2014	2014	13	1,602	9.2%
Mondeville	1970	2014	-	3	2,401	2.61%
Mondeville HE	2013	2014	-	28	29,833	50.0%
Mont Saint Aignan	1987	2015	2018	33	3,049	13.8%
Montélimar	1985	2014	2016	7	7,689	34.0%
Montereau	1970	2014	2015	9	967	10.4%
Montesson	1970	2014	2018	59	13,274	32.8%
Montluçon	1988	2015	2016	35	3,490	23.0%
Nantes Beaujoire	1972	2014	2015	35	4,479	22.0%
Nantes St Herblain	1968	2014	2015	11	1,467	12.1%
Nanteuil-Les-Meaux (GM)	2014	2015	-	8	811	100%
Nanteuil-Les-Meaux (PAC)	2014	2014	-	5	4,927	100%
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%
Orleans Place d'Arc	1988	2014	2018	70	13,520	53.6%
Ormesson	1972	2015	2018	112	16,843	14.5%
Ormesson SCI Dominique	1972	2015	2018	3	4,076	-

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of lots	Carmila Gross Leasable Area (sqm)	Carmila stake in C.C /Site (%)
Paimpol	1964	2014	2016	14	4,556	20.8%
Pau Lescar	1973	2014	2017	73	11,877	31.0%
Perpignan Claira	1983	2014	2015	77	21,042	52.1%
Port De Bouc	1973	2014	2015	27	6,028	30.6%
Pré-Saint-Gervais	1979	2016	-	19	1,621	-
Puget-sur-Argens	1991	2015	2017	53	4,203	28.4%
Quetigny (PAC)	2014	2014	-	5	7,365	100%
Quimper - Le						
Kerdrezec	1978	2014	2016	38	8,512	26.1%
Rambouillet	2017	2017	-	4	4,850	-
Reims / Cernay	1981	2014	2016	23	3,376	26.8%
Rennes Cesson	1981	2014	2014	41	6,727	31.0%
Rethel	1994	2016	2017	16	3,374	35.7%
Saint-Jean-De-Luz	1982	2014	2017	15	2,598	33.9%
Saint-Lô	1973	2016	-	9	1,085	18.5%
Saint-Martin-au-						
Laërt	1991	2014	2016	11	854	15.6%
Salaise sur Sanne	1991	2014	2014	14	840	40.6%
Salaise-Sur-Sanne	1991	2014	2014	29	6,075	40.6%
Sallanches	1973	2014	2016	14	1,912	17.0%
Sannois	1992	2015	2015	36	3,802	27.4%
Saran - Orleans	1971	2014	2017	52	9,607	29.5%
Sartrouville	1977	2014	2014	36	5,606	26.6%
Segny	1980	2014	2017	16	2,130	30.0%
Sens Maillot	1970	2014	2016	6	1,870	20.4%
Sens Voulx	1972	2014	2016	7	591	5.8%
St Andre Les						
Vergers	1975	2014	2016	7	1,096	5.2%
St Briec -						
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	2018	24	2,973	16.7%
Tarnos	1989	2014	2014	25	4,081	29.0%
Thionville	1971	2016	2018	160	26,188	62.9%
Tinqueux	1969	2014	2015	32	5,919	22.6%
Toulouse Labège	1983	2014	2018	127	21,913	44.9%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of lots	Carmila Gross Leasable Area (sqm)	Carmila stake in C.C /Site (%)
Toulouse Purpan	1970	2014	2015	45	16,551	36.4%
Tournefeuille	1995	2014	-	20	5,672	39.5%
Trans-en-Provence	1976	2014	2016	31	3,687	31.6%
Uzès	1989	2014	2015	19	1,278	15.3%
Vannes - Le						
Fourchêne	1969	2014	2014	63	8,898	41.2%
Vaulx en Velin	1988	2014	2016	49	6,125	34.3%
Venette	1974	2014	2015	40	6,283	24.8%
Venissieux	1966	2014	2016	25	4,445	12%
Villejuif	1988	2014	2015	32	4,093	4.2%
Spain						
Alcala de Henares	2007	2014	2016	25	1,677	17.3%
Alcobendas	1981	2014	2016	47	3,524	23.7%
Azabache	1977	2014	2016	37	5,450	22.4%
Cabrera de Mar	1979	2014	2014	31	14,244	17.9%
Caceres	1998	2014	2015	19	1,517	11.7%
Ciudad de la						
Imagen	1995	2014	2016	26	2,056	14.2%
El Alisal	2004	2014	2016	45	15,174	43.9%
El Pinar	1981	2014	2014	41	4,353	14.0%
La Granadilla	1990	2014	2014	23	909	7.0%
Leon	1990	2014	2016	22	2,497	18.6%
Lérida	1986	2014	2014	15	518	8.8%
Los Angeles	1992	2014	2016	46	6,784	34.4%
Lugo	1993	2014	2017	24	2,027	11.1%
Merida	1992	2014	2017	26	2,599	10.4%
Mostoles	1992	2014	2016	26	3,300	20.1%
Oiartzun	1979	2014	2014	16	744	5.5%
Orense	1995	2014	2016	24	4,141	82.9%
Palma	1977	2014	2014	28	594	5.9%
Peñacastillo	1992	2014	2014	60	10,241	42.0%
Plasencia	1998	2014	-	14	805	11.9%
Pontevedra	1995	2014	2014	22	1,693	13.0%
Reus	1991	2014	2014	28	2,938	21.2%
Rivas	1997	2014	2016	27	2,166	21.5%
Salamanca	1989	2014	2016	17	798	7.6%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of lots	Carmila Gross Leasable Area (sqm)	Carmila stake in C.C /Site (%)
San Sebastian de los Reyes	2004	2014	2016	26	2,273	12.7%
Sestao	1994	2014	2016	24	1,327	48.8%
Talavera / Los						
Alfares	2005	2014	2016	62	20,524	76.7%
Tarragona	1975	2014	2017	22	3,429	11.4%
Torrelavega	1996	2014	2016	21	1,505	9.7%
Valladolid	1981	2014	2017	35	3,306	17.5%
Valladolid II	1995	2014	2017	23	3,571	21.5%
Valverde Badajoz	1996	2014	2015	35	2,747	-
Villanueva	1995	2014	2016	12	692	10.2%
Zaragoza	1989	2014	2015	23	4,306	23.4%
Albacete / Los						
Llanos	1989	2014	2018	25	5,221	23.3%
Alfajar	1976	2014	2015	36	7,213	29.7%
Almería	1987	2014	2014	25	1,032	10.0%
Alzira	1991	2014	2017	25	7,731	18.3%
Cartagena	1998	2014	2016	19	1,126	14.5%
Castellón	1985	2014	2015	25	1,300	8.6%
Córdoba / Zahira	1977	2014	2018	17	1,010	7.4%
Dos Hermanas (Sevilla)	1993	2014	2017	20	1,423	13.4%
Elche	1983	2014	2015	22	9,823	-
Finestrat /						
Benidorm	1989	2014	2016	29	2,235	16.3%
Gandía	1994	2014	2015	23	2,066	13.3%
Granada	1999	2014	2015	30	2,701	15.7%
Huelva	2013	2014	2013	92	33,283	82.4%
Jerez de la Frontera / Norte	1997	2014	2017	44	6,908	37.5%
Jerez de la Frontera, Cádiz / Sur	1989	2014	2016	37	3,900	18.9%
La Línea de la Concepción, Cádiz / Gran Sur	1997	2014	2016	48	9,090	36.5%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of lots	Carmila Gross Leasable Area (sqm)	Carmila stake in C.C Site (%)
Los Barrios						
Algeciras	1980	2014	2015	29	2,363	16.4%
Lucena	2002	2014	2016	14	1,398	11.4%
Málaga / Los Patios	1975	2014	2018	56	5,145	21.4%
Málaga / Alameda II	1987	2014	2016	33	8,844	37.6%
Murcia / Zaraiche	1985	2014	2014	26	2,575	14.1%
Paterna	1979	2014	2016	20	1,687	9.2%
Petrer	1991	2014	2016	32	4,092	23.4%
Sagunto	1989	2014	-	11	976	11.9%
San Juan de Aznalfarache,						
Sevilla	1985	2014	2015	39	5,017	21.5%
Sevilla / Macarena	1993	2014	2016	25	1,884	14.6%
Sevilla /						
Montequinto	1999	2014	2016	18	10,021	7.7%
Sevilla / San Pablo	1979	2014	2014	35	3,282	15.8%
Torrevieja	1994	2014	2014	21	1,711	11.5%
Valencia /						
Campanar	1988	2014	2016	33	3,160	16.7%
Villarreal de los Infantes	1995	2014	2016	16	937	10.3%
Murcia/Atalayas	1993	2016	2018	42	10,024	45.2%
Montigala	1991	2016	2018	58	10,668	43.7%
El Mirador	1997	2016	2018	48	9,846	50.4%
Fan Mallorca	2016	2016	2016	104	38,122	75.0%
As Cancelas wholly-owned (50% of assets held, based on the equity method)	2012	2014	2012	124	50,262	-
Italy						
Massa	1995	2014	2016	42	7,331	45.9%
Burolo	1996	2014	2016	10	969	10.9%
Vercelli	1987	2014	2016	20	3,098	24.1%
Paderno Dugnano	1974	2014	-	73	15,508	47.6%
Gran Giussano	1997	2014	2017	48	9,338	47.4%
Thiene	1992	2014	2015	39	6,016	44.7%

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of lots	Carmila Gross Leasable Area (sqm)	Carmila stake in C.C /Site (%)
Turin	1989	2014	2014	11	1 127	12,7%
Limbate	2006	2015	-	1	1 923	4,4%
Assago	1988	2015	-	2	2 380	5,0%
Grugliasco	1994	2015	-	1	3 842	5,5%
Nichelino	1995	2014	2017	65	29 191	27,0%

3 ACTIVITY FOR THE FISCAL YEAR – 2017 FINANCIAL REPORT

3.1 Selected financial information

Selected financial information from the income statement

<i>(in € millions, except for per-share data)</i>	Fiscal year ended 31 December 2017
Gross Rental Income	300.9
Net rental income	276.7
EBITDA (excluding fair value adjustments) ¹	229.4
Balance of fair value adjustments on investment properties	164.5
Operating Income	393.9
Net financial income/(expense)	(45.3)
Net income (Group share)	313.8
Net income per share ³	2.63
EPRA Net income ²	179.8
EPRA Net income per share ^{2,3}	1.33
Recurring earnings ⁴	182.9

¹ For a definition of the EBITDA (excluding fair value adjustments) and reconciliation with the closest IFRS indicator see Section "Comments on the income for the year".

² For a definition of "EPRA Net income" see the Section "*EPRA Performance Measurements*".

³ End of period on a diluted basis, on the basis of 1351182,748 shares at 31 December 2017.

⁴ Recurring earnings are equal to EPRA Net income excluding certain non-recurring items. See the Section "*EPRA Performance Measurements*".

Selected financial information from the balance sheet

<i>(in € millions)</i>	Fiscal year ended 31 December 2017
Investment properties (gross asset value excluding transfer taxes)	5,356.0
Cash and cash equivalents	329.4
Financial debt (current and non-current)	2,035.0
Shareholders' equity - Group share	3,536.5

Financial information related to key indicators and ratios

<i>(in € millions, except for ratios and per-share amounts)</i>	Fiscal year ended 31 December 2017
Net financial debt	1,745.7
<i>Loan-to-Value Ratio (LTV)¹</i>	30.1%
<i>Interest Coverage Ratio (ICR)²</i>	4.7x
Net asset value (EPRA), excluding transfer taxes	3,714.4
Net asset value (EPRA), excluding transfer taxes, per share ³	27.48
Gross asset value (including transfer taxes, including works in progress)	5,805.5

¹ LTV including transfer taxes and including 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 End of period on a diluted basis, on the basis of 135,182,748 shares at 31 December 2017.

3.2 Key highlights from 2017

On 6 July 2017, Carmila successfully finalised the placement of new shares initiated on 26 June 2017. This resulted in the creation of 26.2 million new shares, representing a capital increase of €614 million net of all costs. This has allowed Carmila to strengthen its position as a major listed company in the shopping centre sector in Europe and to finance the equity share of its extension pipeline, its internal and external growth and its innovative and unique B-to-B-to-C digital strategy.

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

- Recurring earnings amounted to **€182.9 million**, an increase of **+6.2% compared to 2016**, and in excess of the upper target set in July of €175-180 million.

- Gross rental income increased by **+9.2%** to **€300.9 million**, including organic growth of **+2.5%**.
- The value (inclusive of transfer taxes) of Carmila's shopping centres totalled **€5.8 billion**, an increase of **+9.1%** compared to the proforma market value of assets at 31 December 2016⁸. Highly active asset management by our teams, focused on improving the quality of our assets and value creation, resulted in an increase in the valuation of the portfolio on a like-for-like basis of **+3.9%** over 12 months and an average capitalisation rate of **5.7%**, **stable over the second half of the year** and down 20 basis points for the full year
- EPRA NAV per share at 31 December 2017 was up **+6.3%** over 12 months to **€27.48 per share**, compared with proforma NAV at 31 December 2016⁹ following the payment of an interim dividend of €0.75 in November 2017.
- The LTV ratio currently stands at 30.1%. This is expected to increase between 2018 and 2020 to an average of approximately 40%.

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

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

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

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

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

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

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

⁸ Cumulative value of Carmila and Cardety assets at 31/12/16, proforma for the merger of the two companies.

⁹ NAV proforma for the Carmila / Cardety merger at 31/12/16, net of the balance of 2016 dividends to be paid.

3.3 Analysis of the activity

3.3.1 Markets and retailers

3.3.1.1 The economic and competitive environment

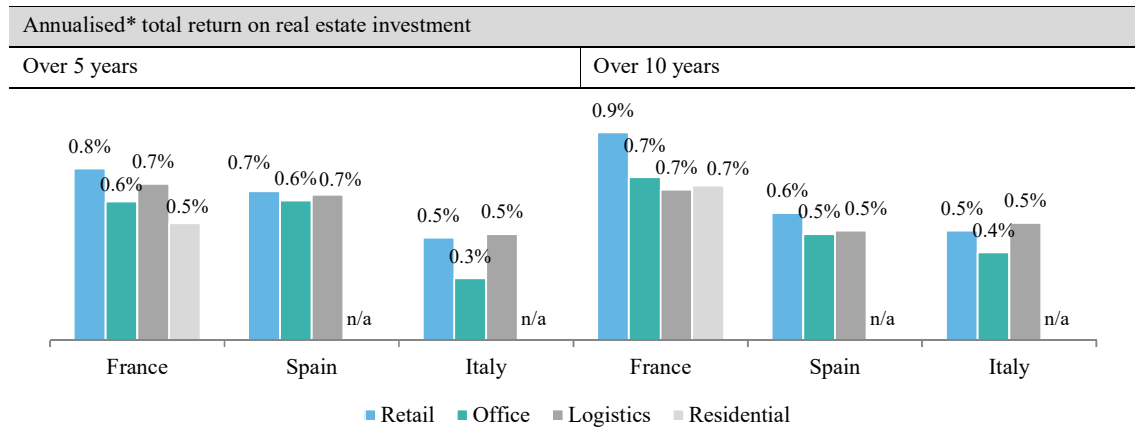
The commercial real estate market

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

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

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

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



Source: MSCI (data at year-end 2016)

Notes and definitions:

* Annualised total return (MSCI's IPD index): measures the performance of direct real estate investments (rental returns and investment returns, excluding leverage effect) as measured by two consecutive appraisals.

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

The shopping centre market in France, Spain, and Italy

- The shopping centre market in France

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

The footfall in France fell slightly by -1.2% and -1.8% in 2016 and 2017 respectively, according to the CNCC. However, shopping centres are continuing to show their ability to generate higher levels of footfall (more than 3 billion visits per year) which benefits retailers and consumers alike. In addition, certain shopping centres have chosen to take advantage of new legal provisions that permit them to open for a greater number of business hours on Sundays. Overall, the variation in retailer revenue for the 2016-2017 period outperformed shopping centre footfall (a decrease of -0.9% in 2016 and -1.5% in 2017¹⁰).

On 1 December 2017, total investment volume in the retail sector was €3.0 billion, a decrease of 11% compared to December 2016. According to Cushman & Wakefield, this decrease in activity in 2017, which continues the downward trend from 2016, has not diminished the appetite of either French or

¹⁰ Total to end November 2017

international investors for the retail sector, but is instead a function of the scarcity of real estate assets available for sale in the French market.

- The shopping centre market in Spain

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

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

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

- The shopping centre market in Italy

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

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

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

Carmila's competitive environment and positioning

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

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

- institutional investors (insurance companies, pension funds and other asset managers, such as Allianz, APG, and NBIM);

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

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

3.3.1.2 Change in revenue of Carmila's tenants

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

Revenue for tenants in Carmila's shopping centres in France increased by +0.7% in 2017 compared to 2016, while revenue for a panel of shopping centres tracked by the CNCC fell by -1.5%¹¹ for the same period.

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

In Italy, revenue for tenants at Carmila's shopping centres increased by +0.5% in 2017 compared to 2016, compared to a -1.4%¹² drop in revenue for retailers at shopping centres tracked by the CNCC panel.

¹¹ CNCC Panel to end November 2017

¹² Panel CNCC to Q3 2017

3.3.2 Letting activity

3.3.2.1 Summary

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

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

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

Letting of vacant premises and extensions

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

Renewal and reversion

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

3.3.2.2 France

Letting of vacant premises and premises created by extensions

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

Key signings

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

Carmila intensified its relationships with the major players in the sector. The most significant transactions in 2017 were the openings by H&M in the centres of Crêches and Pau and the signings for 6 sites for future extensions; the 4 openings of Mango in Perpignan Clair, Langueux, BAB2, Hérouville and 2 signings in Saran and Evreux; the signing of FNAC in Montluçon and Douai and the opening in Alençon; the signings of Darty in Saint Egrève, Boulanger in Evreux, Cultura in Saint Brieuc, Saran and Evreux, Courir in the centres at Saran and Alençon.

Focus on restaurants

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

New trends

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

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

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

First locations in France

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

Renewals and reversion

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

3.3.2.3 Spain

Letting of vacant premises

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

Key signings

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

Focus on restaurants

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

New trends

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

Renewals and reversion

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

3.3.2.4 Italy

Letting of vacant premises

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

The Nichelino shopping centre was 100% commercialised when it opened with signings of structuring brands including OVS, Terranova, Conte'Scarpe e Moda, Maisons du Monde, Piazza Italia. Furthermore, there were numerous signings in the existing portfolio to attract dynamic retail brands. Carmila signed 12 new retail brands including Yamamay, Bistrot Marremonti, Frittostosto and Blokker.

Renewals and reversion

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

3.3.2.5 Specialty leasing and temporary stores

Specialty leasing

Specialty leasing is dedicated to sales points and advertising that generate additional revenue and energise the shopping centres. The specialty leasing department operates in two segments: letting of space in the shopping centres and car parks and managing the advertising partnership agreement with Clear Channel, designed to digitalise shopping centres and jointly develop solutions that closely match

new consumer behaviour. The specialty leasing activity helps generate additional revenues, diversify offerings for the benefit of customers and develop event-based sales to energise traffic in shopping centres. The success of this new letting avenue is based, in particular, on measures to renew concepts with a focus on quality (providing connections or appropriate furnishings), a marketing strategy adapted by centre in terms of duration, nature, or theme, as well as the implementation of effective related tools (including call centres, reservation tools, and digitalised payments).

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

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

Temporary stores

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

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

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

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

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

3.3.2.6 Financial Occupancy Rate

At 31 December 2017, the consolidated financial occupancy rate of Carmila was 96.4%¹³, including 96.1% in France, 96.2% in Spain and 99.9% in Italy.

The financial occupancy rate corresponds to the ratio between the amount of rent invoiced period and the amount of rent that Carmila would collect if its entire rental portfolio were leased, with the assumed rent for vacant lots determined on the basis of rental values used in determining the appraised values.

¹³ Excluding 1.7% of strategic vacancy

The financial occupancy rate is stated excluding strategic vacancies, which are the vacancies necessary in order to implement renovation, expansion, or restructuring projects inside the shopping centres.

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

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

* Excluding Cardety assets

3.3.2.7 Occupancy cost ratio of retailers

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

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

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

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

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

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

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

* Excluding Cardety assets

3.3.3 Structure of leases

3.3.3.1 A solid and diversified tenant base

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

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

Principal tenant retailers

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

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

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

Distribution of contractual rent by business sector on an annualised basis

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

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

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

Distribution of contractual rent by business sector on an annualised basis

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

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

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

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

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

3.3.3.2 Structure of leases and rents

Structure of leases

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

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

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

Right to renegotiate

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

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

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

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

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

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

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

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

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

Method of setting rents

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

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

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

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

3.4 Comments on the income for the year

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

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

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

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

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

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

3.4.2 Income per geographical segment

Operating income per geographical segment

(in thousands of euros)

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

Comment on the changes in rental income

Country	Gross Rental Income 2017 (in million of euros)	Gross Rental Income 2016 (in millions of euros)	variation	Variation on a like for like basis
France.....	212.6	201.2	5.7%	2.2%
Spain.....	68.1	55.3	23.3%	4.0%
Italy.....	20.2	19.2	5.0%	1.8%
Total.....	300.9	275.7	9.2%	2.5%

France

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

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

Spain

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

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

Italy

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

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

3.4.3 Operating expenses

Operating expenses

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

Income from management services, administration and other activities

These revenues mainly relate to first time letting fees and the rebilling of marketing funds dedicated to the development and enhancement of shopping centres.

Other income from services rendered

Other income from services rendered corresponds to rebilling of overhead fees, mainly to the Carrefour Group (rebilling of a share of the shopping centres directors).

Personnel costs

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

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

Other external expenses

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

Other operating income and expenses

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

3.4.4 EBITDA

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

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

3.4.5 Net financial income (expense)

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

Apart from this component and the JV adjustments for financial instruments and hedging, financial income (expense) is stable at -€52.1 million. The average cost of the debt is stable at 2.14% at 31

December 2017 (compared to 2.13% on 31 December 2016) due to a commercial paper programme and the fall in interest rates offset by the costs of unwinding credit lines refinanced in June.

3.5 EPRA measurement indicators

3.5.1 EPRA earnings and EPRA Recurring Earnings

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

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

(1) Elimination of the depreciation of the balance following the rollover of swap contracts (€2,395,000, see Note on the consolidated financial statements and the change in the fair value from the credit risk on banking counterparties of hedging instruments).

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

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

(4) The cost of restructuring financing following bond restructuring is non-recurring.

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

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

- with the implementation of the 2016 bonus share plan, it is important to differentiate the Presence Plan, specific to 2016, and whose single condition for granting shares is to be employed on 31 December 2017. The employee expense provision of €1,470,000 (including social charges) is considered as non-recurring because there will be no equivalent in the coming years. This is not expected to be the case for the Performance Plan;

- a long-term incentive coming due at the end of 2016 is also a non-recurring item. This was provisioned for €1,533,000. Such an incentive will not be renewed;

- in 2016, delays in the legal restructuring of acquired subsidiaries led to a non-recurring tax charge of €1,876,000. There will be no similar situation in 2017;

- the write-off of fixed assets is also considered as non-recurring.

3.5.2 EPRA Cost Ratio

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

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

<i>in millions of euros</i>		31/12/2017
(i)	Operational costs	
	Operating expenses (Personnel costs + Other external expenses)	(57.9)
	Property expenses	(12.6)
(ii)	Net rental expenses	(7.3)
(iii)	Management costs net of profit	4.8
(iv)	Other costs covering administrative costs	5.7
(v)	Share of costs of equity-accounted companies	-
(vi)	Impairment of investment properties	3.0
(vii)	Ground rents	

(viii)	Rental costs included in the gross rent EPRA costs (vacancy costs included)	(64.3)
(ix)	Costs of direct vacancies EPRA costs (vacancy costs excluded)	(6.7) (57.5)
(x)	Gross rent less ground rents	296.5
(xi)	Less : Expenses and costs included in the gross rent	
(xii)	Plus : portion of gross rents of equity-accounted companies	2.4
	Gross Rental Income	299.0
	Cost ratio EPRA (vacancies included)	21.5%
	Cost ratio EPRA (vacancies excluded)	19.2%

3.5.3 Going Concern NAV, EPRA NAV and EPRA NNAV

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

Going concern NAV <i>(in thousands of euros)</i>	31.12.2017	31.12.2016 Proforma*
Consolidated shareholders' equity - Group share	3,536,462	2,687,650
Cancellation of the recognition of the fair value adjustment of hedging instruments	14,394	22,113
Reversal of the deferred income tax on potential capital gains	103,620	57,889
Transfer taxes	290,196	268,383
Going concern NAV	3,944,672	3,036,035
Average number of shares comprising Carmila's share capital	119,132,838	108,868,229
Going concern NAV (in euro)	33.11	27.89
Fully diluted number of shares compromising share capital at period en	135,182,748	109,014,230
Going concern NAV / action fin de période dilué (en €)	29.18	27.85

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

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

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

EPRA NAV (excluding transfer taxes) <i>(in thousands of euros)</i>	31.12.2017	31.12.2016 Proforma *
Consolidated shareholders' equity - Group share	3,536,462	2,687,650
Cancellation of the recognition of the fair value adjustment of hedging instruments	14,394	22,113
Reversal of the deferred income tax on potential capital gains	103,620	57,889
Optimisation of transfer taxes ⁽¹⁾	59,900	50,289
EPRA NAV (excluding transfer taxes)	3,714,376	2,817,941
Average number of shares comprising Carmila's share capital	119,132,838	108,868,229
EPRA NAV (excluding transfer taxes) per average share (in euros)	31.18	25.88
Fully diluted number of shares comprising share capital at period end	135,182,748	109,014,230
EPRA NAV (excl. transfer taxes) per fully diluted outstanding share (in €)	27.48	25.85

* The pro forma contains information in the appendix to document E which was registered on 5 May 2017 with the AMF and which was given the registration n° E.17-040.

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

Triple net asset value (NNNAV EPRA) <i>(in thousands of euros)</i>	31.12.2017	31.12.2016 Proforma *
EPRA NAV	3,714,376	2,817,941
Fair value adjustments of hedging instruments	-14,394	-22,113
Fair value adjustments of fixed rate debt	-10,554	-23,834
Deferred taxes on unrealised capital gains	-103,620	-57,889
Triple net asset value (NNNAV EPRA)	3,585,808	2,714,105
Average number of shares comprising Carmila's share capital	119,132,838	108,868,229
Triple net asset value (NNNAV EPRA) per average share (in euros)	30.10	24.93
Fully diluted number of shares comprising share capital at period end	135,182,748	109,014,230
Triple net NAV (NNNAV EPRA) per fully diluted outstanding share (in €)	26.53	24.90

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

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

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

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

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

3.5.5 EPRA vacancy rate

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

	Financial occupancy rate with the neutralisation of the strategic vacancy	Impact of strategic vacancy	EPRA Vacancy rate
France	96.1%	-1.5%	94.6%
Spain	96.2%	-2.3%	93.9 %
Italy	99.9%	-0.9%	99.0%
Total	96.4%	-1.7%	94.7%

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

3.6 Carmila's financial and cash position

Bonds

Carmila benefits from 2 bond loans subscribed in 2015 and 2016 for a total amount of €1,200,000,000. As a reminder, Carmila completed a bond issue on 10 September 2015 (notional amount of €600,000,000) for a net amount of €593,034,000, received on 18 September 2015 after deduction of the issue premium and bank commissions. The bond was issued with eight-year maturity, on 18 September 2023, with a coupon of 2.375%.

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

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

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

Borrowings from lending institutions

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

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

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

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

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

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

The arrangement costs of this loan restructuring, including the new revolving credit lines described in the paragraph below, totalled €5,950,000 for the period. A financial expense for early repayment was recognised in the amount of €1,262,000.

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

Compliance with the prudential ratios at 31 December 2017

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

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

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

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

At 31 December 2017, Carmila complied with the applicable prudential ratios.

Other loans

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

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

The outstanding balance at the end of June came to €60,000,000 with maturities ranging from 1 to 5 months. Up to €310,000,000 was drawn down during the year reduced by the funds from the capital increase.

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

a credit facility agreement amounting to €759,000,000 in the form of a revolving credit facility (the “RCF”) available until 16 September 2022;

a similar credit facility agreement amounting to €250,000,000 in the form of a club deal (“CD”) with a limited number of leading banking partners close to Carmila maturing on 16 September 2020.

Breakdown of financial debt by maturity date

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

<i>in thousands of euros</i>	31/12/2017	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds - non-current	1 200 000	-	-	-	-	1 200 000
Bond issue premiums - non-current	-10 768	- 1 627	- 1 668	- 1 715	- 1 754	- 4 003
Bonds	1 189 232	- 1 627	- 1 668	- 1 715	- 1 754	1 195 997
Borrowings from credit institutions - non-current	775 389	-	-	-	-	775 389
Accrued interest on current borrowings	8 968	8 968	-	-	-	-
Other loans and similar debt - current	60 000	60 000	-	-	-	-
Loan and bond issue fees	-12 668	- 2 712	- 2 750	- 2 672	- 2 599	- 1 934
Bank and bond borrowings	2 020 921	64 629	- 4 419	- 4 388	- 4 353	1 969 451
Derivatives held as liabilities - non-current	14 053	6 180	5 826	3 610	1 912	- 3 475
Bank facilities (overdrafts)	40 129	40 129	-	-	-	-
Gross debt by maturity date	2 075 103	110 938	1 407	- 778	- 2 441	1 965 976

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

Hedging transactions

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

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

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

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

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

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

During the Q4 2017, Carmila de-designated the portfolio options which were previously recognised as hedges, represented by four caps against three month Euribor, capping the interest paid for a notional of €300,000,000 with the longest running until December 2019. These options, whose maturity is now

relatively close, are all out of the money with a low fair value. This redefinition resulted in an adjustment of the market value as of 31 December 2017 which was accounted through profit/loss for €303,000.

Cash

<i>In thousands of euro</i>	31/12/2017	31/12/2016
Cash	168 567	69 053
Cash equivalents	160 830	2 190
Gross Cash and cash equivalents	329 397	71 243
Bank facilities	-40 129	-16 123
Net cash and cash equivalents	289 268	55 120

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

3.7 Comments on changes in balance sheet items

Capital flows

The Acquisition of investment property item includes acquisition, development, extension flows and investments.

The acquisitions include the purchase by Camilla of 49.9% of Galleria Commerciale Nichelino held by Carrefour. As this was previously an equity-accounted company, this asset enters into the financial statements at 100% on the date of taking control; the market value of 49.9% (purchased to Carrefour Property) of this asset was €36,237,000. The balance of this line item corresponds to the acquisition of various lots, mainly in France, for a total amount of €16,830,000.

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

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

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

Financing flows

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

3.8 Subsequent events

Furthermore, on 2 February 2018, Carmila announced the signing of an agreement with Klépierre for the acquisition of two shopping centres; Grand Vitrolles (in the commune of Vitrolles, Greater Marseille) and Gran Via de Hortaleza in Madrid. These acquisitions, totalling €212.2 million, will enable Carmila to further strengthen its portfolio with two leading shopping centres, both of which boast powerful Carrefour hypermarkets.

3.9 Outlook

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

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

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

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

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

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

3.10 Carmila's dividend policy

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

Carmila's objective is to distribute to its shareholders, from the financial year ended December 31, 2017, an annual amount representing approximately 90% of recurring earnings per share, with a bi-annual payment. Carmila distributions will be made on distributable income where applicable and, in addition to distributed profits, by bonus distributions. It is recalled that, in order to benefit from the SIIC regime in France, Carmila is required to distribute a significant portion of its profits to its shareholders (within the limit of the SIIC income and distributable income):

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