# Carmila S.A.

Share capital of € 810,360,174

58 Avenue Emile Zola

92100 Boulogne Billancourt

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**Statutory auditors’ report on the consolidated financial statements**

Year ended December 31, 2017

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58 Avenue Emile Zola

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## Statutory auditors’ report on the consolidated financial statements

Year ended December 31, 2017

*This is a translation into English of the statutory auditors’ report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors’ report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*
*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Carmila S.A. Shareholders’ annual general meeting

**Opinion**

In compliance with the engagement entrusted to us by your Shareholders’ Meetings, we have audited the accompanying financial statements of Carmila S.A. for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

## Basis for Opinion

### *Audit Framework*

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

### *Independence*

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

### Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

| Key Audit Matters | Responses as part of our audit |
|---|---|
| ***<u>Valuation of investment property</u>***<br>*(Note 6 to the financial statements)*<br>As of December 31, 2017, investment property is recorded on the balance sheet for a net carrying amount of €5,356 million compared to total assets of €6,036 million.<br>As indicated in Note 6 to the consolidated financial statements, in application of the method proposed by IAS 40, Investment property is recorded at fair value. The fair values used are those determined on the basis of findings by independent experts.<br>The property assets are appraised every six months by experts. They independently establish their current and | We have assessed the compliance of the accounting treatment applied by the Group to IFRS accounting principles and the pertinence of the disclosures presented in Note 6 to the consolidated financial statements.<br>Our work and work performed by Components' auditors under our instructions and control consisted in :<br>- Conducting interviews with independent appraisers and Management to assess |

| | |
|---|---|
| future cash flow estimates by applying risk factors either to the net income capitalization rate or to future cash flow. In order to conduct their work, the experts have access to all the information needed to value the assets, and specifically the list of leases, the vacancy rate, rental arrangements and the main aggregates on lessees (such as sales).<br><br>The valuation of investment property which is the main portion of total assets, is considered to be a key audit matter due to :<br>- the use of judgments of Management and independent experts to determine the fair value of investment property,<br>- the complexity of the fair value valuation model<br>- the sensitivity of these fair values to assumptions adopted by the experts. | the pertinence of the valuation methodology and assumptions used;<br>- Verifying, notably in the valuation reports, the qualifications, certifications and independence of external appraisers;<br>- Analyzing the changes in fair value of each investment property and assessing the basis with respect to market changes and the rental situation of the building;<br>- Analyzing the methods for estimating fair values and the valuation assumptions adopted by the independent experts, notably return rates and market rental values, and reviewing sensitivity analyses;<br>- Substantiating the main information provided by the Company to independent experts with the rent schedule and investments;<br>- Comparing investment property amounts in the consolidated financial statements with independent experts' valuation;<br>- Assessing the appropriateness of the disclosures presented in Note 6 to the consolidated financial statements. |
| ***Merger of Carmila SAS by Carmila SA (formerly Cardety SA)***<br>*(Notes 4.2 to the consolidated financial statements)*<br>In accordance with the merger agreement of April 4, 2017, approved by your Shareholders' Meeting on June 12, 2017, Carmila SAS was merged into Carmila SA leading to the transfer of the actual value of all its assets and liabilities.<br>From a legal point of view Carmila SAS was merged into your company, Carmila SA.<br>From an accounting viewpoint, the merger operation is analyzed as a reverse acquisition: Carmila SAS is the purchaser ("Accounting Acquirer") and your company is the acquired company ("Accounting Acquire") in application of IFRS principles.<br>Accordingly, the Carmila SA consolidated financial statements have been prepared to include Carmila | We have assessed the compliance of the accounting treatment applied by the Company to IFRS accounting principles and the pertinence of the disclosures presented in Note 4.2 to the financial statements.<br>Our work notably consisted in:<br>- Assessing the factual elements considered and the pertinence of the analysis of the transaction carried out by Carmila SA which led it to consider that it meet the definition of a reverse acquisition;<br>- Assessing the fair value of consideration transferred determined at the acquisition date; |

| | |
|---|---|
| SAS's activity before the merger. The result of this acquisition is an increase in consolidated equity of €105.6 million and negative goodwill l of €6.6 million recorded in other financial income.<br><br>At the acquisition date, the fair value of consideration transferred in the business combination has been determined on the basis of the number of shares that Carmila SA would have issued to Carmila SAS shareholders to give them a comparable percentage in the consolidated group<br><br>We have identified this topic to be a key audit matter given the unusual character of the reverse acquisition, the consequences of the fair value determination and the overall consolidated financial statement presentation. | - Comparing the accounting entries of the reverse acquisition with the statements of your company at the acquisition date and with the merger-related documents;<br>- Comparing the basis of the calculation for the negative goodwill with the merger agreement and accounts. |

**Verification of the Information Pertaining to the Group Presented in the Management Report**

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

**Report on Other Legal and Regulatory Requirements**

***Appointment of the Statutory Auditors***

We were appointed statutory auditors of Carmila S.A. by the Shareholders' Meeting of June 25, 2010 for KPMG and June 25, 2009 for Deloitte & Associés.

As at December 31, 2017, KPMG was in its 8th year of uninterrupted engagement and Deloitte & Associés in its 9th year.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

**Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

*Objective and audit approach*

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

*Report to the Audit Committee*

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, February 14, 2018

| KPMG S.A. | | DELOITTE & ASSOCIÉS |
|---|---|---|
| Eric Ropert | Adrien Johner | Stephane Rimbeuf |
| *Partner* | *Partner* | *Partner* |

# CONSOLIDATED FINANCIAL STATEMENTS at 31 December 2017

# Contents

# 1. CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

## 1.1. Consolidated statement of comprehensive income

| **IFRS EPRA standard presentation** *(In thousands of euros)* | Note | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| **Gross Rental Income** | | **300 911** | **275 683** |
| Real estate expenses | | - 4 389 | - 3 863 |
| Non-recovered rental charges | | - 7 305 | - 8 272 |
| Property expenses (landlord) | | - 12 562 | - 11 045 |
| **Net rental income** | *9.1* | **276 655** | **252 503** |
| Operating expenses | *9.2* | - 47 433 | - 41 579 |
| *Income from management, administration and other activities* | | *4 790* | *1 626* |
| *Other income* | | *5 712* | *9 045* |
| *Payroll expenses* | | *- 23 878* | *- 22 597* |
| *Other external expenses* | | *- 34 057* | *- 29 653* |
| Other operating income | | - | 1 948 |
| Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions | *9.3* | - 809 | - 523 |
| Other operating income and expenses | *9.4* | - 7 160 | - 267 |
| Gain (loss) on disposals of investment properties and equity investmer | *9.5* | - 2 803 | 441 |
| Change in fair value adjustments | *6* | 164 470 | 157 678 |
| *Upward adjustment to asset values* | | *211 795* | *235 500* |
| *Downward adjustment to asset values* | | *- 47 325* | *- 77 822* |
| Share in net income of equity method investments | *8.3* | 11 067 | 6 094 |
| **Operating income** | | **393 987** | **376 295** |
| Financial income | | 927 | 615 |
| Financial expenses | | - 49 608 | - 49 877 |
| **Net cost of debt** | | **- 48 681** | **- 49 262** |
| Other financial income and expenses | | 3 357 | - 3 005 |
| **Financial income (expense)** | *7.1* | **- 45 324** | **- 52 267** |
| **Income before taxes** | | **348 663** | **324 028** |
| Income tax | *10.1* | - 34 359 | - 28 380 |
| **Consolidated net income** | | **314 304** | **295 648** |
| **Group share** | | **313 787** | **294 531** |
| **Non-controlling interests** | | **517** | **1 117** |
| Average number of shares comprising Carmila's share capital | *8.8.3* | 119 132 838 | 103 213 159 |
| Earnings per share, in euros (Group share) | | 2,63 | 2,85 |
| Diluted average number of shares comprising Carmila's share capital | *8.8.3* | 119 323 222 | 103 359 785 |
| Diluted earnings per share, in euros (Group share) | | 2,63 | 2,85 |
| Diluted number of shares comprising share capital at period end | | 135 182 748 | 104 698 190 |
| Diluted earnings per share, in euros (Group share) | | 2,32 | 2,81 |

| **Consolidated statement of comprehensive income** *(in thousands of euros)* | Note | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| **Consolidated net income** | | **314 304** | **295 648** |
| | | | |
| **Items to be subsequently recycled in net income** | | 10 923 | - 13 907 |
| Cash-flow hedges (effective part) | *7.2.8* | 10 923 | - 13 907 |
| Related income tax | | - | - |
| **Items not to be subsequently recycled in net income** | | - 31 | 39 |
| Re-evaluation of the net liabilities under defined-benefit schemes | | - 31 | 39 |
| Related income tax | | - | - |
| **Consolidated net comprehensive income** | | **325 196** | **281 780** |

## 1.2. Consolidated statement of financial position

### ASSETS

| *(in thousands of euros)* | Note | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| Goodwill | | - | - |
| Intangible assets | *8.1* | 4 559 | 4 986 |
| Property, plant and equipment | *8.2* | 2 411 | 960 |
| Investment properties carried at fair value | *6.1* | 5 356 002 | 4 425 206 |
| Investment properties carried at cost | *6.1* | 91 581 | 425 237 |
| Investments in Equity Accounted Companies | *8.3* | 47 364 | 48 331 |
| Other non-current assets | *8.4* | 12 981 | 9 349 |
| Deferred tax assets | *10.4* | 6 284 | 1 592 |
| **Non current assets** | | **5 521 182** | **4 915 661** |
| | | | |
| Investment properties held for sale | 6.3 | 500 | - |
| Trade receivables | *8.5* | 107 919 | 98 164 |
| Other current assets | *8.6* | 75 398 | 119 994 |
| Cash and cash equivalents | *8.7* | 329 397 | 71 243 |
| **Current assets** | | **513 214** | **289 401** |
| | | | |
| **Total Assets** | | **6 034 396** | **5 205 061** |

## LIABILITIES & SHAREHOLDERS' EQUITY

| *(in thousands of euros)* | Note | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| Share capital | | 810 360 | 313 655 |
| Additional paid-in capital | | 2 321 671 | 1 842 673 |
| Treasury shares | | - 2 653 | - |
| Other comprehensive income | | - 27 937 | - 38 829 |
| Consolidated retained earnings | | 121 234 | 230 743 |
| Consolidated net income - Group share | | 313 787 | 294 531 |
| **Shareholders' equity – Group share** | | **3 536 462** | **2 642 773** |
| Non-controlling interests | | 5 999 | 8 431 |
| **Shareholders' Equity** | **8.8** | **3 542 461** | **2 651 204** |
| Non-current provisions | *8.9* | 2 142 | 609 |
| Non-current financial debt | *7.2* | 1 966 003 | 2 050 970 |
| Deposits and guarantees | | 69 643 | 67 216 |
| Non-current tax liabilities and deferred tax liabilities | *10.3 & 10.4* | 112 867 | 81 019 |
| Other non-current liabilities | *8.10* | 7 477 | 13 |
| **Non-current liabilities** | | **2 158 132** | **2 199 827** |
| Current financial debt | *7.2* | 68 970 | 151 346 |
| Bank overdraft | | 40 129 | 16 123 |
| Trade payables | *8.11* | 28 567 | 22 993 |
| Fixed assets payables | *8.11* | 71 751 | 33 773 |
| Current tax liabilities and social dues | *8.12* | 38 661 | 43 254 |
| Other current liabilities | *8.12* | 85 724 | 86 541 |
| **Current liabilities** | | **333 802** | **354 030** |
| **Total liabilities and shareholders' equity** | | **6 034 396** | **5 205 061** |

## 1.3. Consolidated cash-flow statement

| *In thousands of euros* | *Note* | **31/12/2017** | **31/12/2016** |
|---|---|---|---|
| **Consolidated net income** | | **314 304** | **295 648** |
| *Adjustments* | | | |
| Elimination of income of equity method investments | *8.3* | -11 067 | -6 094 |
| Elimination of depreciation, amortisation and provisions | | 2 263 | 302 |
| Elimination of change in fair value in the income statement | *6.1* | -164 239 | -158 073 |
| Elimination of capital gains/losses on disposals | | 119 | -2 074 |
| Other income and expenses with no cash effect | | 3 825 | 1 644 |
| **cash-flow from operations after cost of net debt and tax** | | **145 205** | **131 353** |
| Elimination of tax expense (income) | *10.1* | 34 359 | 28 380 |
| Elimination of cost of net debt | | 48 682 | 49 263 |
| **cash-flow before cost of net financial debt and tax** | | **228 246** | **208 996** |
| Change in operating working capital | | 47 822 | -29 206 |
| Change in deposits and guarantees | | -537 | 3 122 |
| Income tax paid | | -11 541 | -5 234 |
| **cash-flow from operating activities** | | **263 990** | **177 678** |
| Changes in scope of consolidation | | -7 643 | - |
| Change in fixed assets payables | | 43 821 | - |
| Acquisitions of investment properties | *6.1* | -279 184 | -442 219 |
| Acquisitions of other fixed assets | | -282 | -1 550 |
| Change in loans and advances | | -7 343 | 2 031 |
| Disposal of investment properties and other fixed assets | | 177 | 3 691 |
| Dividends received | | 1 474 | 972 |
| **cash-flow from investment activities** | | **-248 981** | **-437 075** |
| Share capital increase | *8.8* | 613 937 | 2 002 |
| Transactions in share capital of equity accounted companies | *8.3* | -10 025 | - |
| Net sale (purchase) of treasury shares | | -2 447 | - |
| Issuance pof bonds | | - | 592 999 |
| Issuance of new bank loans | *7.2* | 15 905 | 142 000 |
| Loan repayments | *7.2* | -184 778 | -408 230 |
| Interest paid | | -49 692 | -57 003 |
| Interest received | | 928 | 613 |
| Dividends and share premiums distributed to shareholders | | -164 690 | -77 305 |
| **cash-flow from financing activities** | | **219 139** | **195 076** |
| **Change in net cash position** | | **234 148** | **-64 321** |
| Opening cash position | | 55 120 | 119 441 |
| Closing cash position | *8.7* | 289 268 | 55 120 |

## 1.4. Statement of changes in consolidated equity

| In thousands of euros | Note | Capital | Additional paid-in capital | Treasury shares | Other comprehensive income | Consolidated retained earnings | Consolidated net income | Shareholders' equity – Group share | Non-controlling interests | Shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2015** | | **303 914** | **1 926 370** | **0** | **-24 942** | **-114 808** | **324 776** | **2 415 310** | **40 199** | **2 455 509** |
| Share capital transactions | | 9 741 | 64 130 | | | | | **73 871** | | **73 871** |
| Share-based payments | | | | | | 1 644 | | **1 644** | | **1 644** |
| Treasury shares transactions | | | | | | | | **0** | | **0** |
| Dividends paid | | | -147 827 | | | | | **-147 827** | -1 238 | **-149 065** |
| Allocation of 2015 income | | | | | | 324 776 | -324 776 | **0** | | **0** |
| **Net income for the year** | | | | | | | **294 531** | **294 531** | **1 117** | **295 648** |
| *Gains and losses recorded directly in equity* | | | | | | | | | | |
| Recycling of OCI in income | | | | | 2 395 | | | **2 395** | | **2 395** |
| Change in fair value of hedging instruments | | | | | -16 302 | | | **-16 302** | | **-16 302** |
| Actuarial gains and losses on retirement benefits | | | | | 39 | | | **39** | | **39** |
| **Other comprehensive income** | | | | | **-13 868** | | | **-13 868** | **0** | **-13 868** |
| Changes in scope of consolidation | | | | | -20 | 19 130 | | **19 110** | -31 648 | **-12 538** |
| **Balance at 31 December 2016** | | **313 655** | **1 842 673** | **0** | **-38 829** | **230 743** | **294 531** | **2 642 773** | **8 431** | **2 651 204** |
| Share capital transactions | *8.8* | 157 151 | 456 786 | | | - | | **613 937** | | **614 903** |
| Share-based payments | *13.3.1* | | | | | 1 344 | | **1 344** | | **1 344** |
| Treasury shares transactions | *8.8.2* | | | - 2 447 | | | | **-2 447** | | **-2 447** |
| Dividends paid | *2.3* | | - 164 291 | | | | | **-164 291** | - 399 | **-164 690** |
| Allocation of 2016 income | | | | | | 294 531 | -294 531 | **0** | | **0** |
| **Net income for the year** | | | | | | | **313 787** | **313 787** | **517** | **314 304** |
| *Gains and losses recorded directly in equity* | | | | | | | | | | |
| Recycling of OCI in income | *7.2.8* | | | | 3 004 | | | **3 004** | | **3 004** |
| Change in fair value of hedging instruments | *7.2.8* | | | | 7 919 | | | **7 919** | | **7 919** |
| Actuarial gains and losses on retirement benefits | *13.3.1* | | | | -31 | | | **-31** | | **-31** |
| **Other comprehensive income** | | | | | **10 892** | | | **10 892** | **0** | **10 892** |
| Changes in scope of consolidation | | 339 554 | 186 503 | -206 | | - 405 384 | | **120 467** | - 2 550 | **116 951** |
| **Balance at 31 December 2017** | | **810 360** | **2 321 671** | **-2 653** | **-27 937** | **121 234** | **313 787** | **3 536 462** | **5 999** | **3 542 461** |

The *"share capital transactions"* line reflects the capital increase in July 2017. This capital increase enabled a gross sum of 628,600 thousand euros (€613.9 million net of costs) to be raised.

The *"change in scope of consolidation"* line mainly includes the impact of the reverse acquisition and Cardety's entry into the scope of consolidation with net asset value before merger of €120.2 million (see note *4.2 Accounting treatment of the merger between Carmila and Cardety*).

## 2. KEY HIGHLIGHTS OF THE FINANCIAL YEAR

**On 12 June 2017, Carmila marked a new stage in its growth with the approval by the shareholders of Carmila SAS and Cardety SA of the merger of their companies.**

The entity thus created was renamed “Carmila” on 12 June and the new shares resulting from the merger were admitted for trading on 14 June 2017 in Compartment C of the Euronext Paris regulated market under ISIN code FR0010828137 (Mnemonic Code CARM). Since 1st January 2018, the shares of Carmila are admitted for trading in Compartment A of Euronext Paris. The company benefits from the SIIC Regime, the French REIT (Real Estate Investment Trust) status.

Cardety and Carmila signed a merger agreement on 4 April 2017 to create a major listed real estate company dedicated to enhancing and developing flagship shopping centres in France, Spain and Italy, by leveraging a strategic partnership with the Carrefour Group, the leading food retailer and one of the world's leading retail distributors.

This merger has therefore created the third-largest listed shopping centre real estate company in Continental Europe, with a portfolio of 205 assets and an appraisal value of €5.4 billion at the transaction date.

The merger was accounted as a reverse acquisition, insofar as the assets and liabilities of Carmila, the acquired company, were close to 40 times the size of those of Cardety, the acquiree company. Cardety’s business activity has been consolidated over seven months.

### 2.1. Investments

**Investments in France focus mainly on refurbishment and redevelopment operations.**

Among them, ambitious leading projects in their catchment areas were delivered during the financial year, and benefited from significant investment over the period, such as:

- BAB2 in Anglet (Total capital expenditure over the year of €22.6 million): a 10,000 sq.m. extension enabling the rollout of 30 new shops bringing the number of commercial units to 125, and the gross leasable area to 25,400 sq.m. This project won the "brique d’or" (golden brick) award for shopping centres in 2017, a prize awarded by the Club Enseigne et Innovation (Retail Brands and Innovation Club);
- Pau Lescar (€29.3 million): the existing shopping mall and the historic Carrefour hypermarket were totally renovated, making them friendlier and more contemporary. This centre, with its commercial offer enriched by 23 new shops, now has 11,900 sq.m. GLA divided between 70 shops;
- Crèches-sur-Saone (€18.7 million): After 10 months of work, this centre now has 4,100 sq.m. of additional commercial area, increasing the centre's size to 8,300 sq.m. and from 33 to 55 stores;
- Saint Brieuc (€9.8 million): Construction of a 4,700 sq.m. extension which reinforces its position as the leading commercial centre in the Côtes-d’Armor department;
- Rambouillet (€9.0 million): Inauguration of a new retail park;
- Saint Egrève (€3.3 million);
- Vannes (€1.5 million): The restructuring of the Kiabi premises into a retail park converted into six new and innovative midsize stores in the region, with a total redeveloped area of 1,500 sq.m. This complete restructuring extends the commercial offer to 67 stores over more than 6,700 sq.m. GLA.

Furthermore, projects with delivery due date in 2018 received significant investments during the year, in particular developments and extensions in Evreux (a first phase was delivered in 2017, €47.8 million), Saran (€21.3 million), Athis-Mons (€5.4 million) and Besançon Chalezeule (€4.9 million), as well as the redevelopment of Ormesson (€4.4 million).

Finally, Cardety's assets entered the Group's portfolio following the merger between Cardety and Carmila. The appraisal value of these assets was 142,000 thousand euros as at 30 June 2017.

**In Italy,** the I Viali shopping mall and its retail park with some 60 commercial units to the south of Turin was inaugurated on 24 October 2017. I Viali is an authentic lively place that covers 42,000 sq.m. GLA with a primary catchment area of over 680,000 inhabitants in one of Italy's most attractive areas in terms of economic development.

The Group acquired Carrefour's 49.90% interest in this shopping centre on 25 October and now holds 100% of the centre, with an asset value of around €63 million, including rights (note *4.3 Highlights of the 2017 financial year*).

**In Spain,** after a structuring 2016 in terms of development and acquisitions, the Group focused on enhancing and optimising the rental value of its assets, which was reflected in a substantial increase in the value of the Spanish assets.

### 2.2. Disposals

There were no significant disposal during the financial year.

### 2.3. Dividend

On 31 March 2017 the Board of Directors approved an exceptional dividend deducted from the merger premium for a total amount of 62,731 thousand euros or €0.20 per share, paid following the Shareholders' Meeting on 4 May 2017. This payment was in addition to the exceptional dividend paid in November 2016 of €0.20 per share, and totalling 62,731 thousand euros.

These distributions exceed the distribution obligations under the SIIC regime.

On 27 November 2017 the Shareholders' Meeting approved the payment of an interim 2017 dividend of €0.75 per share. This payment was made on 30 November 2017 in the total amount of 101,560 thousand euros (excluding treasury shares) deducted from the merger premium.

### 2.4. Debt and financing

In the context of the merger between Cardety and Carmila, the company refinanced its bank debt to extend the maturity by enlarging the pool of banks. In June 2017, it drew down a total amount of €770 million of debt and agreed a revolving credit facility of €1.009 million from a pool of banks *(*Note *7. Financing and* financial instruments).

The average maturity of bank financing has thus been significantly extended.

Furthermore, this transaction gave it access to the capital markets, which it took advantage of in July with a public capital increase of €628.6 million gross of costs.

## 3. ACCOUNTING PRINCIPLES AND VALUATION METHODS

### 3.1. Presentation of the Group

The Carmila Group's (“the Group” or “the Carmila Group”) purpose is to manage and enhance the value of shopping centres anchored by Carrefour hypermarkets. It operates in France, Spain and Italy.

At 31 December 2017, the Group employed 196 people, including 140 in France, 41 in Spain and 15 in Italy. The Group owns a portfolio of 206 shopping centres, mainly as a result of transactions carried out in 2014. That year, Carmila acquired 126 sites in France, Spain and Italy from the Klépierre group and 6 shopping malls in France from Unibail-Rodamco. The same year, the Group received a contribution of 47 sites in France and various premises and a holding in Spain from the Carrefour Group.

Carmila S.A. ("the Company”), which is the Group’s parent company, is a SIIC company (French REIT) under French law. Its registered office is located at 58 Avenue Emile Zola, 92100 Boulogne-Billancourt, France. Carmila was incorporated by Carrefour S.A. on 4 December 2013 for the sole purpose of the operations described above, which took place in 2014.

On 14 February 2018 the Board of Directors approved and authorised the publication of Carmila's consolidated financial statements for the period from 1 January to 31 December 2017. These financial statements will be submitted for approval at the Shareholders' Meeting on 16 May 2018.

### 3.2. Shareholders, stock-market listing and strategic partnership

Carmila’s share capital is divided among long-term shareholders. At 31 December 2017, the largest shareholder is the Carrefour Group, which has an equity investment of 35.8% in Carmila’s share capital, which is consolidated in its financial statements using the equity method. Carrefour is developing a strategic partnership with Carmila, aimed at revitalising and transforming shopping centres adjoining its hypermarkets in France, Spain and Italy. The other 64.3% of the share capital is mainly owned by long-term investors from major insurance companies or front-rank financial players. The second-largest reference shareholder is the Colony group, which holds 10.3% of Carmila's share capital.

Carmila S.A.'s shares have been listed for trading on compartment C of Paris Euronext since 14 June 2017, and since 1 January 2018 on Compartment A of Paris Euronext.

### 3.3. Accounting standards

**IFRS standards applied**

The Carmila Group's consolidated financial statements as at 31 December 2017 have been prepared in accordance with the IFRS *(*International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) as adopted by the European Union at 31 December 2017 comprising the IFRS*,* the IAS (International Accounting Standards) as well as their interpretations (SIC and IFRIC). All of the texts adopted by the European Union are available on the European Commission website at:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en#individual-rps-acts-adopting-international-accounting-standards-ifrsias-and-related-interpretations-ifric

At 31 December 2017, the standards and interpretations adopted by the European Union were the same as the applicable standards and interpretations published by the IASB at the closing date.

The European Union adopted the following standards, interpretations and amendments, which are mandatory from 1 January 2017:

- amendments to IAS 12 - *Recognition of Deferred Tax Assets for Unrealised Losses;*
- amendments to IAS 7 - *Disclosure Initiative – Statement of cashflows*

These standards had no significant impact on Carmila's consolidated financial statements as at 31 December 2017.

In addition, the Group did not opt for early application of the following texts, adopted by the European Union but whose application is only mandatory after 31 December 2017:

- IFRS 9 – Financial instruments (mandatory application from 01/01/2018);
- IFRS 15 – Revenue from Contracts with Customers (mandatory application from 01/01/2018);
- IFRS 16 – Leases (mandatory from 01/01/2019).

Lastly, the standards and interpretations published by the IASB but not yet adopted by the European Union as at 31 December 2017, but likely to apply to the Group are as follows**:**

- annual IFRS improvements (2014-2016);
- amendment to IAS 28 – *Investments in associates and joint ventures ;*
- amendments to IFRS 10 and IAS 28 - *Sales or Contributions of Assets between an Investor and its Associate or Joint Venture;*
- amendment to IFRS 2 - *Classification and Measurement of Share-Based Payment Transactions;*
- amendment to IFRS 7 - *Financial Instruments: Disclosures;*
- amendment to IFRS 9 – *Prepayment Features with Negative Compensation;*
- IFRS 14 – *Regulatory deferral accounts;*
- IFRS 17 – *Insurance contracts.*

**Assessment of the impacts of applying the new standards:**

The process for determining the potential impacts of IFRS 9, IFRS 15 and IFRS 16 on Carmila's consolidated financial statements is ongoing.

IFRS 9. This new standard defines new principles for classifying and measuring financial instruments, credit risk impairment of financial assets and hedge accounting. The quantitative and qualitative analysis is ongoing.

IFRS 15. The majority of the revenue is comprised of rents. The secondary sources of revenue are marginal. No significant impact is expected.

IFRS 16. As the Group's main activity is as a lessor and there is no significant difference from this point of view between IAS 17 and IFRS 16, no significant impact is expected.

### 3.4. Principal estimates and judgments by management

Preparation of the consolidated financial statements involves the assessment of estimates and assumptions by Group management. These may affect the book value of certain asset and liability items, income and expenses, as well as information provided in the notes to the financial statements. Group management reviews its estimates and assumptions regularly in order to ensure their relevance in light of past experience and the current economic situation. Depending on changes in these assumptions, items appearing in future financial statements may be different from current estimates.

The main estimates used by management to prepare the financial statements relate to:

- measurement of the fair value of investment property (*Note 6.* Investment property). The Group has its property assets appraised every six months by independent appraisers, according to the methods described in Note 6. The appraisers use assumptions for future flows and rates with a direct effect on property values;
- valuation of financial instruments. The Group measures the fair value of the financial instruments that it uses, in accordance with the standard models practiced on the market and under IFRS 13, as described in Note 7.2.8;
- provisions for risks and other provisions related to operations (*Note 8.9 Provisions*);
- the assumptions used to calculate and recognise deferred taxes (*Note 10 Taxes*).

### 3.5. Other presentation principles of the financial statements

#### Conversion of foreign companies' financial statements

The Group's financial statements are presented in thousand of euros, unless otherwise specified. Rounding differences may generate minor differences between the statements.

An entity's functional currency is the currency used for the majority of its cash flows related to operations. All entities within the Group's scope of consolidation are in the euro zone and use the euro as their functional currency.

#### Conversion of transactions conducted in foreign currencies

When a Group entity carries out transactions in a currency other than its functional currency, they are initially converted at the rate prevailing on the date of the transaction. At the end of the year, monetary financial assets and liabilities denominated in foreign currencies are translated into euros at the closing rate of the currency concerned, with the foreign exchange difference recorded in profit or loss.

#### Transactions eliminated from the consolidated financial statements

Items on the statement of financial position, plus income or expenses resulting from intra-Group transactions are eliminated when the consolidated financial statements are prepared.

#### Balance sheet classification

Assets expected to be realised, consumed or transferred as part of the normal operating cycle or in the 12 months following the end of the financial year are classified as "current assets", as are assets held for sale and cash and cash equivalents. All other assets are classified as "non-current assets".

Liabilities that the Group expects to settle as part of the normal operating cycle or in the 12 months following the end of the financial year are classified as "current liabilities".

The Group’s normal operating cycle is 12 months.

Deferred taxes are always shown as non-current assets or liabilities.

**Income statement classification**

The Group uses to present its proportionate share of the equity-accounted companies under Operating income, as their business is part of ongoing Group operations.

# 4. CONSOLIDATION SCOPE AND METHODS

## 4.1. Consolidation scope and methods

**Consolidation methods**

- **Determination of control**

The consolidation method is determined in accordance with the control exercised, as defined by IFRS 10 "*Consolidated financial statements* ".

- **Exclusive control: fully consolidated**

Subsidiaries are companies controlled by the Group. An investor controls an entity when it exercises power over relevant activities, is exposed or entitled to variable returns by reason of its links to the entity, and has the ability to influence those returns due to the power it holds over the entity. The Group exercises power over an entity when it has the effective rights that confer on it the actual ability to direct the relevant activities, i.e. those activities that materially affect the entity's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date of effective transfer of control up until such time as that control ceases to exist.

- **Joint control and significant influence: equity method**

Joint control means the contractually-agreed sharing of control over an entity, which exists only where decisions about the relevant activities require the unanimous consent of the parties sharing control. In accordance with IFRS 11 "*Joint Arrangements*", interests in partnerships can be classified as either joint operations or joint ventures.

Joint operations: partners (“joint operators”) in a joint operation (JO) have direct rights to the assets and assume direct obligations relating to the liabilities of the partnership. Joint operations entail the recognition by each joint operator of the assets over which it has rights, liabilities for which it has obligations, and income and expenses related to interests in the joint operation. Carmila has no joint operations.
Joint ventures: “joint-venturers” in a joint venture only have rights over the joint venture’s net assets. Joint ventures are recognised using the equity method.

Significant influence is presumed when the percentage of voting rights held is equal to or exceeds 20%. All equity interests, regardless of the percentage held, are subject to an analysis to determine whether the Company exerts significant influence.

The Group's investments in associates and joint ventures are initially recognised at cost increased or reduced by changes in the percentage of the net assets of the associate after the acquisition. Goodwill related to an associate is included in the book value of the investment.

For companies under joint control and significant influence, the share of income for the period is presented under “*Share of net income of equity-accounted companies*”. On the balance sheet, these equity investments are presented under "*Investments in associates*."

The financial statements for associates are prepared for the same reference period as that of the Group, and adjusted, where appropriate, to ensure compliance with the accounting policies applied by the Group.

Information on investments in associates is presented pursuant to IFRS 12. "*Disclosure of Interests in Other Entities*".

**Business combinations/acquisitions of assets**

To determine whether a transaction is a business combination, the Group considers, in particular, whether a portfolio of activities is acquired in addition to the real estate assets. Thus, if securities are purchased in a company whose sole purpose is the holding of investment property, and in the absence of any other ancillary services (asset-related contract, personnel, know-how), the acquisition is accounted for as an acquisition of assets in accordance with paragraph 2(b) of IFRS 3 *"Business Combinations"*.

The acquisition of 49.9% of Galleria Commerciale Nichelino was treated as a step acquisition (business combination achieved in stages).

### 4.2. Accounting treatment of the merger between Carmila and Cardety

In accordance with the merger agreement of 4 April 2017 approved by the Shareholders' meeting of 12 June 2017, Carmila S.A. (formerly Cardety S.A.) completed the merger with Carmila S.A.S., entailing the transfer of all the assets of the latter in consideration for the assumption of all its liabilities.

From a legal point of view, Carmila S.A. is the absorbing company and Carmila S.A.S. the absorbed company. Shareholders of Carmila S.A.S. received one new Cardety share for every three Carmila S.A.S. shares they held.

However, from an accounting point of view, pursuant to IFRS 3, analysis of the transaction led to the opinion that the transaction can be considered a reverse acquisition: Carmila S.A.S. is the acquiring company (the "Accounting Acquirer") and Carmila S.A. is the acquired company (the "Accounting Acquiree").

As a result, from the date of the merger, Carmila S.A.'s consolidated financial statements have been prepared in the continuity of Carmila S.A.S.'s financial statements; the transaction generated an increase in consolidated shareholders' equity of 105,540 thousand euros and a badwill, recognised under Other financial income, of 6,528 thousand euros.

The fair value at the acquisition date of the consideration transferred by the accounting acquirer was determined on the basis of the number of shares which it would have had to issue to the shareholders of the accounting acquiree, such as to give them the same percentage interest in the new entity as that resulting from the merger agreement.

Accordingly, the counterpart transferred was determined on all the shares contributed to the transaction in line with the merger agreement.

| | | |
|---|---|---|
| Outstanding number of shares at the date of the signing of the merger | | 313 654 694 |
| Fully diluted number of shares at the date of the signing of the merger | | 314 094 571 |
| Percentage of the Cardety participation in the future merged entity | | **4,0%** * |
| Theoretical number of shares to be issued to the benefit of Cardety shareholders | | 12 950 034 |
| Carmila's share value as determined in the merger (in euros) | | 8,15 |
| **Fair value of the transferred counterpart benefiting Cardety (in thousands of euros)** | | **105 540** |

* see the percentage of interest calculation below :

| | | |
|---|---|---|
| Fully diluted number of shares at the date of the signing of the merger | | 314 094 571 |
| Exchange parity (a) | | 0,333 |
| Equivalent in Cardety shares | (a) | 104 698 190 |
| Outstanding number of Cardety shares at the date of the merger | (b) | 4 316 678 |
| **% of the existing Cardety shareholders' ownership in the future Merged Entity** | (b)/[(a)+(b)] | **4,0%** |

*(a) The parity incudes forecasted dividend distribution by both Carmila and Cardety that will take place before the effective date of the merger*

The fair value measurement of the counterpart transferred was calculated based on a number of shares reflecting Carmila's bonus share allotments, i.e. 314,094,571 shares.

| *(in thousands of euros)* | | |
|---|---|---|
| Transferred counterpart | (d) | 105 540 |
| Cardety's shareholders equity prior to the merger (and before distribution) | (f) | 115 724 |
| Scheduled dividend distribution by Cardety | (g) | (8 115) |
| Cardety's net shareholder equity post dividend distribution | (h) = (f) - (g) | 107 608 * |
| **Impact on the shareholders equity as a result of the business combination** | (i) = (d) - (h) | **(2 068)** |

* Voir calcul ci-dessous pour le montant distribué :

| | | |
|---|---|---|
| Dividend per Cardety share | | 1,88 |
| Number of Cardety shares outsanding at the date of the merger | (b) | 4 316 678 |
| Total amount of the scheduled dividend distriution (in 000 €) | (g) | 8 115 |
| | | |
| Price per share | | 0,20 |
| Number of Carmila shares | | 313 654 694 |
| Amount of Carmila's distribution (in thousands of euros) | | 62 731 |

Any additional information about this merger, including the determining of the shares' price, is available in the Document E with the annexes (http://www.carmila.com/content/uploads/2017/09/20170612_Cardety_Carmila_Document_E_with_annexes.pdf).

Total net assets at fair value of Carmila S.A. (former Cardety S.A.) recorded in the consolidated financial statements on the merger date total 112.1 million euros after dividend payment. Since the acquisition date, the company has contributed at 100% to rental income in the amount of 4,203 thousand euros. If the acquisition had occurred at the beginning of the financial year, the company's contribution at 100% to rental income would have been 6,893 thousand euros.

The badwill reflects the difference between the value of the counterpart transferred and the amount of the assets and liabilities transferred on the takeover date.

Carmila S.A.'s (formerly Cardety S.A.) net assets at fair value recorded in the consolidated financial statements on the date of the merger are therefore €112.1 million post-distribution. Since the acquisition date, the company's 100% contribution to rental income was 4,203 thousand euros. If the acquisition had occurred at the start of the financial year, the company's 100% contribution to rental income would have been 6,893 thousand euros.

## 4.3. Highlights of the 2017 financial year

The merger between GIE Geric and its parent company, Financière Geric, which now directly holds the Thionville shopping centre in full and this subsidiary's simultaneous decision to adopt the SIIC regime, took place on 1 January 2017.

On 25 October 2017, Carmila Holding Italia Srl acquired Carrefour Property Italia's 49.90% interest in the I Viali shopping centre to the south of Turin (Galleria Commerciale Nichelino Srl). Following this operation, Carmila now owns 100% of this centre. The company is therefore fully consolidated.

This acquisition was recognised as a step acquisition. The fair value on the acquisition date of the percentage of equity held by the Group in Galleria Commerciale Nichelino immediately before the acquisition totalled €23.2 million.

A sum of -2,524 thousand euros was recognised under "gain / (loss) on disposals of investment properties and equity investments" in the statement of other comprehensive income after the fair value revaluation of the percentage of equity held by the acquirer before the business combination.

Total net assets at fair value recorded in the consolidated financial statements on the acquisition date total €46.3 million. The counterpart amounting to €46.3 million breaks down as €23.1 million in cash for the additional acquisition of 49.90% of the company shares and €23.1 million for the 50.1% previously held and revalued on the acquisition date.

Since the acquisition date, Galleria Commerciale Nichelino has contributed at 100% to rental income in the amount of 625 thousand euros and 740 thousand euros to Net income (Group share, excluding re-evaluation). If the acquisition had occurred at the beginning of the financial year, the company's contribution at 100% to rental income would have been 716 thousand euros, and 7,232 thousand euros to Net income (Group share).

Finally, the Group created three new companies within the French scope during the financial year: Carmila Ventures France, and two dedicated vehicles to hold the redeveloped shopping centres at Crèches-sur-Saone and Evreux.

## 4.4. Description of main partnerships

### 4.4.1. AS Cancelas

The shares and voting rights in the Spanish company As Cancelas are held equally by Carmila and its partner, Grupo Realia. All resolutions are adopted by a 50.01% majority. Property management, marketing and management of the centre are handled by the Group, with administration provided by Grupo Realia. Carmila regards the joint control, and the company is therefore consolidated under equity method.

### 4.4.2. Galleria Commerciale Nichelino SRL

Carmila Holding Italia owned all of the share capital of Galleria Commerciale Nichelino until 6 April 2016. Since that date, the equity investment of Carmila Holding Italia has decreased to 50.1% and that of Carrefour Property Italia has increased to 49.9%, following the capital increase of 6 April 2016.

Under the Renovation and Development Agreement signed between Carrefour and Carmila, the governance of this company is as follows:

- decisions relating to the shareholders as a group are approved unanimously, particularly those relating to the budget and business plan, investment projects, and company financing;
- the company has two joint managers, who are appointed by Carmila Holding Italia and Carrefour Property Italia respectively;
- the project is financed in equal parts by the two shareholders;
- the development project margin is shared 50-50 by the parties;
- carrefour has granted Carmila a call option on the entire capital and shareholder advances granted to Galleria Commercial Nichelino, for a defined period conditional upon the appraised value of the developed and leased premises. Carmila has granted Carrefour a put option under similar conditions.

The Group considers Galleria Commerciale Nichelino as being jointly controlled with Carrefour Property Italia, and it was therefore historically accounted under the equity method, at 50%.

Carmila exercised its call option on 25 October 2017 and purchased the 49.90% held by Carrefour Property Italia in Galleria Commerciale Nichelino SRL. As a result, the company is fully consolidated from this date.

# 5. SEGMENT REPORTING

## 5.1. Definition of operating segments and indicators used

The Group's Management Committee has been identified as the "chief operating decision-maker" pursuant to IFRS 8 *"Operating Segments"*. The operating segments that have been identified by the Management Committee correspond to the three countries in which the Group operates:

- France;
- Spain;
- Italy.

The Group uses the following indicators to measure the Group's performance and activity:

- gross rental income;
- net rental income per operating segments.

The Group defines recurring operating income as operating income before changes in the fair value of investment properties and adjusted for non-recurring expenses and income, such as:

- Gain / (losses) on disposals of investment properties and equity investments;
- any other non-recurring income or expense.

Operation expenses for each segment correspond to the expenses directly sustained by the segments. Shared expenses that are borne by the France segment are rebilled to the other segments on a prorated basis for the services received.

Furthermore, the Management Committee also reviews changes in the fair value of investment properties by segment when this information is available (twice per year).

Over the two previous financial periods, no individual lessee represented more than 5% of the Group's rental income.

## 5.2. Operating income by operating segment

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

## 5.3. Breakdown of investment property by operating segment

The value of investment properties by country is presented separately whether relating to assets at fair value or assets at cost.

| *in thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Investment properties carried at fair value** | **5 356 002** | **4 425 206** |
| France | 3 976 572 | 3 401 956 |
| Spain | 1 031 270 | 734 960 |
| Italy | 348 160 | 288 290 |
| **Investment properties carried at cost** | **91 581** | **425 237** |
| France | 84 279 | 180 215 |
| Spain | 3 438 | 245 022 |
| Italy | 3 864 | 0 |
| **TOTAL** | **5 447 583** | **4 850 443** |

At 31 December 2017, regarding value of assets, 74.5% of the Group's investment properties were located in France, 19.0% in Spain and 6.5% in Italy.

## 5.4. Breakdown of investment property by operating segment

Investments in investment properties by country are disclosed separately for acquisitions, developments and extensions, or investments in the portfolio on a like-for-like basis.

| | France | | Spain | | Italy | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of euros* | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| Acquisitions | 147 251 | 76 908 | 875 | 243 337 | 64 736 | 4 725 | 212 862 | 324 970 |
| Development and extensions | 167 581 | 69 576 | 0 | 0 | 2 179 | 568 | 169 760 | 70 144 |
| Like-for-like investments | 54 538 | 28 907 | 9 249 | 13 258 | 3 609 | 4 940 | 67 396 | 47 105 |
| **Total capital expenditures** | **369 370** | 175 391 | **10 124** | 256 595 | **70 524** | 10 233 | **450 018** | 442 219 |

The ***acquisitions*** line item includes the entry in the scope of consolidation of the 16 of Cardety's assets, all located in France, in the amount of 132,821 thousand euros, following the reverse takeover between Cardety S.A. and Carmila S.A.S. This line item also includes the change in the scope of consolidation relating to Galleria Commerciale Nichelino, following the Group's takeover of this asset through the purchase of the 49.90% held by the Carrefour Group. As the company was previously an equity-accounted company, this asset entered the consolidated financial statements directly at 100% on 31 December 2017, for 62,064 thousand euros. The balance of this line item corresponds to the acquisition of various lots which are individually not significant, mainly in France, for a total amount of 16,830 thousand euros.

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

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

Finally, ***capital expenditure on a like-for-like basis*** represents less than 15% of the capital expenditure for the period. This capital expenditure is mainly focused on assets being redeveloped where renovation and modernisation works have been carried out on existing parts in order to optimise value creation. This is notably the case of Saran, BAB2, Pau Lescar, Saint Brieuc, Evreux and Athis-Mons.

Total capital expenditure is reconciled with the acquisitions of investment properties line in the statement of cash flows (Note 1.3) as follows:

| | | |
|---|---|---|
| **Investment by operating segments** | *5.4* | **450 018** |
| **Adjustments for non cash investments** | | **-170 834** |
| *Acquisitions - entry of Cardety assets* | *2.1* | -132 821 |
| *Acquisitions - Nichelino Changes in scope of consolidation* | | -38 013 |
| **TOTAL Cash investments** | *1.3* | **279 184** |

## 6. INVESTMENT PROPERTY

### Accounting policies

#### Method adopted: Fair value

An investment property is a property that is held for the purpose of earning rental income or for capital appreciation, or both. The Group views shopping centres as investment properties. In accordance with the method proposed by IAS 40 and the recommendations of EPRA (European Public Real Estate Association), investment properties are recognised and valued individually at cost and then subsequently at fair value.

The difference between the fair value of an investment property on the closing date and its book value before its fair value adjustment on this date is recorded in the income statement as a gain or loss.

The fair value excludes transfer taxes and costs (taxes are assessed on the basis of a direct disposal of the asset even though these costs may sometimes be reduced due to a disposal schedule for shares in the company holding the asset in question).

Under IFRS 13, fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an arm's-length transaction between market operators on the valuation date.

#### Cost of investment property - general points

The acquisition costs of an investment property are capitalised in the value of the investment property.

During the life of the property, expenses such as building works, financial interests, marketing costs and other internal project development costs are also capitalised.

Eviction compensation paid to the lessee upon termination of a lease still in force is recognised as follows:

- restructuring of a site: if compensation is paid as part of a property renovation programme, the compensation is included in the cost price of the work performed;
- replacement of a lessee: if compensation is paid to enable earning a higher level of rent than that of the previous lessee and thus to increase the asset's value, this expense is included in the cost of the asset. Otherwise, it is expensed.

#### Cost of investment property – under construction

The capitalised expenditure for investment properties under construction (including extensions) includes the cost of works, the cost of loans directly attributable to the acquisition, the construction or production of the asset, when this is a prerequisite to using this asset, as well as the costs related to marketing it for the first time.

Capitalised borrowing costs are determined by applying the Group's weighted average cost of borrowing to the average outstanding amount of construction work done, or, where applicable, based on the borrowing costs paid for specific borrowings. Capitalisation of interest ceases when the asset under construction is commissioned.

Investment properties under construction may be appraised at fair value. If the fair value cannot be reliably determined, these projects will continue to be valued at cost, until their fair value can be reliably determined. As with the other fair-value assets, they are valued at market value by an independent appraiser.

The Group believes that a development project's fair value can be reliably determined if the following three conditions are all met:

- all necessary administrative authorisations required for the development have been obtained;
- the construction contract has been signed and the works have begun;
- and there is no longer any uncertainty regarding the amount of future rents.

The project margin is then recognised on the *Investment properties measured at fair value line*.

**Appraisal method**

Fair value is calculated using the valuation rules of IFRS 13; given the complexity of property asset valuation and the nature of certain inputs that are publicly unobservable (pace of rental growth, capitalisation rate), the fair values have been categorised in Level 3 in accordance with the fair value hierarchy, established under the standard based on the type of inputs used for valuation.

The fair values used are determined on the basis of the conclusions of independent experts. Carmila uses experts to value its assets at the end of every half-year. The assets are inspected during these appraisals. The expert valuations comply with the guidance contained in the RICS Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors ("Red Book"). In order to conduct their work, the 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 (revenues).

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

On the basis of the data provided, two methods are used to value assets:

- Net-income capitalisation method

This method consists of applying a yield to the total triple-net revenue for occupied premises and capitalising the net market rent for vacant premises.

For rented units, the total triple-net revenue is determined on the basis of the rents indicated in the rental base, less any non-recoverable charges. For vacant premises, a market rent is used that takes into account an appropriate vacancy period.

The yield used is that found in the property market for a comparable property, and, in particular, reflects the sale area as well as such specific factors as location, access, visibility, retail competition, form of mall ownership (full ownership, joint ownership, etc.), rental and expansion potential, and recent transactions involving the same type of asset.

From the value thus obtained, all net present values of step rents, all charges on vacant premises, and other non-recurring costs or works are deducted.

- Discounted cash-flow method

With this method, a property's discounted value is equal to the total future net revenue available over a given time-frame (generally 10 years). The net revenue available for each year is calculated in the same way as the net revenue defined in the capitalisation method, to which are added non-recurring expenses (works, rent changes, and other) indexed over time. A resale value is calculated for the property, based on the last indexed rent as of the resale date, less any related expenses, to which a yield is applied.

The discount rate used is a risk-free rate (the OAT TEC 10-year rate), increased by property market risk and liquidity premiums as well as asset-specific premiums (based on the nature of the property, rental risk, obsolescence premium).

The appraisers appointed by Carmila are as follows:

- Cushman & Wakefield, for all three countries;
- Catella, for the French and Spanish assets;
- CBRE and JLL for ex-Cardety assets.

They use one or more of the above methods. Cushman & Wakefield primarily uses the discounted cash-flow method, while Catella systematically uses an average of the two methods.

The difference between the fair value thus determined at the reporting date and the fair value at the start of the year plus works and expenses capitalised for the year is recorded in profit or loss.

Property under construction valued at cost is subject to impairment testing, determined by comparison with the project's estimated fair value. The project's fair value is measured internally by the Development teams, on the basis of an exit capitalisation rate and the expected net rents at the end of the project. If the fair value is less than the book value, a write-down takes place.

The investment properties valued at cost are tested for impairment at 30 June and 31 December of each year, as soon as there is an indication of loss of value. When an indication exists, the new recoverable value is compared to its book value and an impairment is recognised.

Investment property is assessed by independent experts at 30 June and 31 December each year.

### Lease agreements

When signing long-term lease agreements notably involving property assets, the Group analyses contractual provisions to determine whether the agreement is an operating lease or a finance lease, i.e. an agreement that effectively transfers to the lessee virtually all of the inherent risks and benefits of the property's ownership. When a property complex is leased, the land and building are analysed separately.

For assets made available to the Group through a finance lease agreement, future minimum lease payments are discounted. An asset is recognised whilst a counterpart of the same amount is recorded as a financial liability. Assets are depreciated over the same periods as property, plant and equipment that the Group owns or over the term of the lease where this is shorter than the useful life of the properties. Lease payments are allocated between financial expenses and amortisation of the balance of the debt.

### Investment properties held for sale

Assets under a promise to sell, a mandate for sale or whose disinvestment has been approved by the Investment Committee are presented, in accordance with the provisions of IFRS 5 "Non-current assets held for sale and discontinued operations", on a separate line in the statement of financial position at their last appraised value. The capital gain or loss on the disposal of the investment property, which is the difference between the net sale proceeds and the book value of the asset, is recorded in the income statement.

**Income on disposal**

Finally, disposal gains are determined by the difference between the proceeds from the sale and the book value of the property asset at the start of the period adjusted for investment expenditure over the period and any deferred taxes recognised on the historic unrealised gain recorded for this asset.

### 6.1. Details of investment properties carried at fair value and at cost.

| *In thousands of euros* | |
|---|---|
| **Investment properties carried at fair value - 31/12/2015** | **4 022 165** |
| Acquisitions | 155 251 |
| Investments | 71 020 |
| Capitalised interest | 1 209 |
| Disposals and removals from scope of consolidation | -870 |
| Other movements and reclassifications | 18 753 |
| Change in fair value | 157 678 |
| **Investment properties carried at fair value - 31/12/2016** | **4 425 206** |
| Acquisitions | 13 097 |
| Change in scope of consolidation | 190 209 |
| Investments | 160 817 |
| Capitalised interest | 1 828 |
| Disposals and removals from scope of consolidation | -37 |
| Other movements and reclassifications | 400 412 |
| Change in fair value | 164 470 |
| **Investment properties carried at fair value - 31/12/2017** | **5 356 002** |

| *In thousands of euros* | |
|---|---|
| **Investment properties carried at cost - 31/12/2015** | **205 518** |
| Acquisitions | 169 719 |
| Investments | 90 955 |
| Capitalised interest | 0 |
| Disposals and removals from scope of consolidation | 0 |
| Other movements and reclassifications | -40 955 |
| Change in fair value | 0 |
| **Investment properties carried at cost - 31/12/2016** | **425 237** |
| Acquisitions | 3 677 |
| Change in scope of consolidation | 5 879 |
| Investments | 73 279 |
| Capitalised interest | 1 232 |
| Disposals and removals from scope of consolidation | -196 |
| Other movements and reclassifications | -417 527 |
| Change in fair value | 0 |
| **Investment properties carried at cost - 31/12/2017** | **91 581** |

The line *"acquisitions"* takes into account various lots that individually are not significant.

The entry in the scope of consolidation line includes the first-time consolidation of the Cardety assets following the merger between Cardety S.A. and Carmila S.A.S., and I Viali in Nichelino (Italy) at 100%, following the full consolidation of the Galleria Commerciale Nichelino SRL, which holds this asset.

The *"Capital expenditure"* line includes the main capital expenditure described in part *2.1. Capital expenditure.*

The *"Other movements and reclassifications*" line shows the balance, net of commissioning during the period, of the transition of assets measured at cost at 31 December 2016 and measured at fair value now, and properties reclassified as assets held for sale.

Finally, the *"Change in fair value"* line records gains or losses on the value of assets using appraisals by independent experts.

At 31 December 2017, no impairment indications had been identified for investment properties valued at cost.

Investments by country and the above data are reconciled as follows:

| *In thousands of euros* | | 31/12/2017 |
|---|---|---|
| Investment properties carried at fair value - Acquisitions | *6.1* | 13 097 |
| Investment properties carried at fair value - entry in the scope of consolidation | *6.1* | 190 209 |
| Investment properties carried at cost - Acquisitions | *6.1* | 3 677 |
| Investment properties carried at cost - entry in the scope of consolidation | *6.1* | 5 879 |
| **TOTAL Acquisitions and entry in scope of consolidation** | | **212 862** |
| **TOTAL Acquisitions - Investments by country** | *5.4* | **212 682** |

| *In thousands of euros* | | 31/12/2017 |
|---|---|---|
| Investment properties valued at fair value - Investments | *6.1* | 160 817 |
| Investment properties valued at fair value - Capitalised interest | *6.1* | 1 828 |
| Investment properties valued at cost - Investments | *6.1* | 73 279 |
| Investment properties valued at cost - Capitalised interest | *6.1* | 1 232 |
| **TOTAL Acquisitions and entry in scope of consolidations** | | **237 156** |
| Property marketing et Extensions | *5.4* | 169 760 |
| Portfolio at constant scope | *5.4* | 67 396 |
| **TOTAL Acquisitions - developments and expansions & portfolio at constant scope** | *5.4* | **237 156** |

### 6.2. Valuation assumptions and sensitivity

Given the limited public data available, the complexity of real estate appraisals and the fact that real estate appraisers use the Group's confidential rental statements for their valuations, Carmila believes that a Level 3 fair value classification of its assets is the most appropriate. In addition, non-publicly observable data, such as rent growth rate assumptions or capitalisation rates, are used by experts to determine the fair values of Carmila's investment property.

At 31 December 2017, 98% of the Group's net asset value had been subject to an independent appraisal.

The balances of rental charge deferrals and front-end fees spread over the fixed term of the leases amounted to 3,800 thousand euros. The appraisal value of the assets in the balance sheet are adjusted by these amounts.

The table below presents the quantitative information used to determine the fair value of investment properties:

| *31/12/2017 - weighted average* | Yield | Rent in € per sq.m (1) | Discount rate 2 | Capitalisation rate (3) | TCAM of NRI (4) |
|---|---|---|---|---|---|
| France | 5,2% | 278 | 5,9% | 5,6% | 1,4% |
| Spain | 6,2% | 215 | 8,3% | 6,2% | 1,7% |
| Italy | 6,2% | 287 | 7,5% | 6,3% | 1,8% |

*(1) The rent is an annual average rent equal to (guaranteed minimum rent + variable rent) per asset and per sq.m. occupied.*
*(2)The discount rate is used to calculate the discounted value of future cash flows under the DCF method (exit yield)*
*(3) The rate used to capitalise revenues in the exit year in order to calculate the exit value of the asset.*
*(4) The average annual 10-year NRI growth rate used by the expert.*

The table below summarises the impact of the change in the in fair value of investment properties in the income statement, by country:

| In thousands of euros | France | | Spain | | Italy | | 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 |
| Change in fair value adjustments | 127 901 | 52 578 | 44 614 | 94 920 | - 8 045 | 10 180 | 164 470 | 157 678 |
| *Upward adjustment to asset values* | *160 803* | *125 428* | *49 755* | *98 027* | *1 237* | *12 045* | *211 795* | *235 500* |
| *Downward adjustment to asset values* | *- 32 902* | *- 72 850* | *- 5 141* | *- 3 107* | *- 9 282* | *- 1 865* | *- 47 325* | *- 77 822* |

Based on the asset fair value, excluding transfer taxes and estimated expenses, the average yield on assets is 5.7% at 31 December 2017.

All else being equal, a 25 basis-point increase in yields would result in a decrease of the total portfolio, including transfer taxes and duties (excluding assets under development or equity-accounted and excluding the effect of changes in rents equal to the decrease in yield) of 233,000 thousand euros (or 4.2%).

### 6.3. Investment properties held for sale

| *In thousands of euros* | |
|---|---|
| **Investment properties held for sale - net value on 31/12/2016** | **0** |
| Investments | 0 |
| Disposals and removals from scope of consolidation | 0 |
| Other movements and reclassifications | 500 |
| Change in fair value | 0 |
| **Investment properties held for sale - net value on 31/12/2017** | **500** |

At 31 December 2017, properties held for sale corresponded to an independent commercial area located in France.

## 7. FINANCING AND FINANCIAL INSTRUMENTS

### Accounting policies

Loans and other financial liabilities are valued at amortised cost, calculated at the effective interest rate.

Redemption premiums on bond loans and issuance costs are recorded as a deduction from the nominal amount of the borrowings concerned and are accounted for at amortised cost, thereby increasing the nominal interest rate.

The Carmila Group has introduced a debt hedging policy that aims to secure the cash flows related to its financing requirements represented by debt in euros. IAS 39 "Financial Instruments: Recognition and Measurement" defines three types of hedging relationships:

- fair value hedging: a hedge of exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such an asset, liability or firm commitment), which is attributable to a specific risk and could affect profit or loss;
- cash flow hedging: a hedge against exposure to changes in cash flow that (i) is attributable to a specific risk associated with a recognised asset or liability (such as all or a part of future interest payments on floating-rate debt) or a highly probable forecast transaction, and ii) could affect profit or loss;
- hedging of a net investment in a foreign operation, as defined in IAS 21 "The Effects of Changes in Foreign Exchange Rates".

In Carmila's case, all interest-rate derivatives in the portfolio are documented as cash flow hedges.

The use of cash flow hedge accounting has the following consequences: at the reporting date, interest-rate swaps are recognised at fair value on the statement of financial position, with the effective portion of the change in fair value being recognised directly in Other Comprehensive Income (OCI), and the ineffective portion in profit or loss.

Carmila uses the dollar offset method for testing hedge effectiveness. This test involves comparing changes in the fair value of the derivative with changes in the fair value of the hypothetical derivative that would perfectly match the risk hedged at inception and at each balance-sheet date, by applying a uniform shock to the benchmark rate curve (250 bps) for the prospective test and at each balance-sheet date for the retrospective test.

Pursuant to IAS 39.74, only the intrinsic-value component of the caps is documented for future cash-flow hedges. Changes in time value are recognised directly in other financial income and expenses.

### Méthode de détermination de la juste valeur des instruments financiers

Les valeurs de marché des instruments de taux sont déterminées sur la base de modèles d'évaluation reconnus sur le marché, ou par recours aux cotations établies par des établissements financiers tiers.

Les valeurs estimées par des modèles de valorisation sont basées sur l'actualisation des flux de trésorerie futurs attendus pour les instruments à terme fermes et sur les modèles Black-Scholes pour les instruments optionnels. Ces modèles utilisent des paramètres calibrés à partir de données de marché (courbes de taux, taux de change) obtenus de fournisseurs de données financières reconnus.

L'évaluation de la juste valeur des instruments financiers dérivés intègre une composante « risque de contrepartie » pour les instruments dérivés actifs et une composante « risque de crédit propre » pour les instruments dérivés passifs. Le risque de contrepartie est calculé selon la méthode dite des «pertes attendues» (*«Expected loss»*) et tient compte de l'exposition au risque de défaut, de la probabilité de défaut ainsi que du taux de perte en cas de défaut. La probabilité de défaut est déterminée sur la base des données de marché disponibles pour chaque contrepartie (approche dite *«des CDS implicites »*).

La juste valeur de la dette à long terme est estimée à partir de la valeur boursière des emprunts obligataires, ou à partir de la valeur de tous les flux futurs actualisés sur la base des conditions de marché sur un instrument similaire (en termes de devise, échéance, type d'intérêt et autres facteurs).

**Method for determining the fair value of financial instruments**

The market values of interest rate instruments are determined based on market-recognised valuation models or by using prices from third-party financial institutions.

The values estimated by valuation models are based on the discounting of expected future cash-flows for futures contracts and on the Black-Scholes models for options. These models use parameters based on market data (yield curves and exchange rates) obtained from recognised financial-data providers.

The assessment of fair value for derivative financial instruments includes a "counterparty risk" component for derivatives held as assets and an "own credit risk" component for derivatives held as liabilities. Counterparty risk is calculated using the "expected-loss" method, which *takes default* risk exposure into account as well as the likelihood of default and the loss rate in the event of default. The probability of default is determined based on available market data for each counterparty (so-called "implied CDS *default probability"*).

The fair value of long-term debt is estimated according to the market value of bonds or of all future flows discounted in accordance with market conditions for a similar instrument (in terms of currency, maturity, interest type and other factors).

## 7.1. Net financial income/(expense)

### 7.1.1. Net cost of debt

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Financial income** | **927** | **615** |
| Interest on Group current-account | 239 | 466 |
| Financial income on cash equivalents | 699 | 128 |
| Other financial income | -11 | 21 |
| **Financial expenses** | **-49 609** | **-49 877** |
| Interest expense on financial debt | -28 500 | -27 709 |
| Interest on borrowings from lending institutions | -7 128 | -10 045 |
| Amortisation of costs, loan premiums and defferal on swaps payments | -7 904 | -5 596 |
| Interest expense on swaps | -6 077 | -6 305 |
| Interest on Group current-account | 0 | -221 |
| Other financial expenses | 0 | -1 |
| **Cost of net indebtedness** | **-48 681** | **-49 262** |

The net cost of debt for 2017 breaks down as follows:

- interests on bank loans amounted to -7,128 thousand euros, after deducting capitalised borrowing costs on the extension projects (909 thousand euros). The reduction in this item is directly related to the repayment of the Kart II loan and the refinancing operation in June 2017;
- interest on bonds was -28,500 thousand euros, compared to 27,709 thousand euros in 2016;
- an amortisation expense for bond and loan premiums and issuance costs of 7,904 thousand euros, including defferal of payment on swaps (-3,004 thousand euros), the accelerated amortisation of the Kart II loan costs (-561 thousand euros) repaid early and refinancing costs, compared to 5,596 thousand euros in 2016;
- the net expenses on hedging derivatives was -6,077 thousand euros, compared with 6,285 thousand euros in 2016.

### 7.1.2. Other financial income and expense

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Other financial income** | **6 747** | **-47** |
| Financial income from investments | 0 | -474 |
| Change in value of financial instruments | 219 | 426 |
| Other financial income | 6 528 | 1 |
| **Other financial expenses** | **-3 390** | **-2 958** |
| Change in value of financial instruments | -224 | 0 |
| Commission on undrawned of credit lines | -3 166 | -2 901 |
| Other financial expenses | 0 | -57 |
| **Other financial income and expense** | **3 357** | **-3 005** |

Other financial income includes a badwill amounting to 6,528 thousand euros as a result of the merger of Carmila and Cardety. This reflects the difference between the value of the counterpart transferred and the amount of the assets and liabilities transferred on the takeover date. *(Note 4.2 Accounting treatment of the merger between Carmila and Cardety*).

Other financial expenses mainly comprise unused commission on undrawn credit lines in the amount of 3,166 thousand euros.

Changes in fair value of hedging instruments (ineffective portion and change in CAP time values) and of credit risk had virtually no impact during the year.

## 7.2. Current and non-current financial liabilities

**Standard & Poor's reaffirmed the rating of Carmila, the merged entity, on 13 June 2017. Its long-term rating is BBB, with a stable outlook, and its short-term rating A-2.**

### 7.2.1. Change in indebtedness

| *In thousands of euros* | 31/12/2016 | Entry in scope of consolidation | Issuance | Repayment | Reclassification | Fair value adjustment | 31/12/2017 |
|---|---|---|---|---|---|---|---|
| **Non-current financial liabilities** | **2 050 971** | **11 492** | **-6 994** | **-79 333** | **-359** | **-9 773** | **1 966 003** |
| Bonds | 1 200 000 | - | - | - | - | - | 1 200 000 |
| Bond issuance premiums | -12 355 | - | - | 1 587 | - | - | -10 768 |
| Borrowings from lending institutions | 851 481 | 12 100 | - | - 88 192 | - | - | 775 389 |
| Loan and bond issuance fees | -9 103 | - 608 | - 6 994 | 4 037 | - | - | -12 668 |
| Derivative instruments - liabilities | 20 948 | - | - | 3 235 | - 359 | - 9 773 | 14 051 |
| **Current financial liabilities** | **167 469** | **329** | **23 699** | **- 82 398** | **-** | **-** | **109 099** |
| Borrowings from lending institutions | 0 | - | - | - | - | - | 0 |
| Accrued interest on loans | 9 344 | 22 | - | - 398 | - | - | 8 968 |
| Other loans and related debt-current [1] | 142 000 | - | - | - 82 000 | - | - | 60 000 |
| Derivative instruments - liabilities | 2 | - | - | - | - | - | 2 |
| Bank facilities | 16 123 | 307 | 23 699 | - | - | - | 40 129 |
| **Gross debt** | **2 218 440** | **11 821** | **16 705** | **-161 731** | **-359** | **-9 773** | **2 075 103** |

[1] Other loans and related debts correspond to Treasury notes. They were drawn up to €310,000 K during the fiscal year and then partly repaid with a closing balance of €60,000 K

### 7.2.2. Group's principal financings

| *in millions of euros* | Borrower | Currency of issue | Interest rate | Final maturity date | Repayment profile | Maximum amount | Amount drawn at 31/12/2017 |
|---|---|---|---|---|---|---|---|
| Bonds | | | | | | 1 200 000 | **1 200 000** |
| | Carmila SA | EUR | 2,375% | sept-23 | Bullet maturity | 600 000 | **600 000** |
| | Carmila SA | EUR | 2,375% | sept-24 | Bullet maturity | 600 000 | **600 000** |
| Bank loans | | | | | | 770 000 | **770 000** |
| | Carmila SA | EUR | 3M Euribor | juin-22 | Bullet maturity | 770 000 | **770 000** |
| Treasury bills | | | | | | 600 000 | **60 000** |
| | Carmila SA | EUR | | | | 600 000 | **60 000** |
| Other financing - Mortgages | | | | | | 5 389 | **5 389** |
| | Financière GERIC | EUR | 2,65% | déc-19 | Amortisable | 2 080 | **2 080** |
| | Financière GERIC | EUR | 3M Euribor | mars-20 | Amortisable | 1 954 | **1 954** |
| | Financière GERIC | EUR | 2,70% | déc-20 | Amortisable | 1 355 | **1 355** |
| **TOTAL** | | | | | | **2 575 389** | **2 035 389** |

### 7.2.3. Bonds

Carmila issued two bonds, in 2015 and 2016, for a total amount of 1,200,000 thousand euros.

As a reminder, Carmila issued a bond on 10 September 2015 (notional amount of 600,000 thousand euros) for a net amount received on 18 September 2015 of 593,034 thousand euros after deduction of the issue premium and bank commissions. The eight-year bond matures on 18 September 2023, and has a coupon of 2.375%.

Carmila issued a second bond for a notional value of 600,000 thousand euros, dated 24 March 2016. After deducting the issuance premium and bank commissions, Carmila received 592,998 thousand euros. This bond has a maturity of eight and a half years, maturing on 16 September 2024, and has a coupon of 2.375%.

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

At 31 December 2017, the outstanding amount of Carmila's bonds was 1,200,000 thousand euros, and 13,408 thousand euros in issue premium and bank commissions remaining to be amortised over the duration of the underlying debts.

### 7.2.4. 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 for 12,100 thousand euros, was repaid.

As a reminder, on 15 December 2013, Carmila and a pool of banks signed a loan agreement for a total of 1,400,000 thousand euros, including 1,050,000 thousand euros for Facility A, used to partially fund the acquisition of property assets from the Klépierre group, and a five-year revolving line of credit of 350,000 thousand euros. 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 thousand euros and the revolving line of credit 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 thousand euros and a revolving line of credit of 124,000 thousand euros. The Facility A line was drawn down in full on 27 November 2014. This loan agreement was signed for five years, maturing on 17 September 2019. During 2016, following the placement of the second bond, the Group made a partial repayment of the drawndown Facility A of 406,000 thousand euros. On 31 May 2016, Carmila negotiated an increase in the revolving credit facility, signed under the same loan agreement, bringing it from 124,000 thousand euros to 396,500 thousand euros.

On 16 June 2017 the Group repaid the balance of 90,000 thousand euros of this syndicated loan and cancelled the related revolving credit facility.

The arrangement costs of this loan restructuring and new agreements, including the new revolving credit lines described in the paragraph below, totalled 7,165 thousand euros for the period. A financial expense for early repayment was recognised in the amount of 1,262 thousand euros.

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

### 7.2.5. Compliance with prudential ratios at 31 December 2017

This loan agreement and those of the confirmed credit lines are subject to compliance with prudential ratios measured at the closing date of each half-year and year:

- interest cover: the ratio of EBITDA to the net cost of debt must be greater than 2.00x at the test dates. This ratio totalled 4.7x at 31 December 2017;

- loan-to-value ratio: the ratio of consolidated net financial debt to the fair value of the investment assets (including transfer costs) must not exceed 55% on the same dates. with the possibility of exceeding this ratio for a half-year period. This ratio totalled 30.1% at 31 December 2017.

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

Under the loan agreements, Carmila may provide collateral for up to 20% of the total amount of the fair value of the investment property. The latter amount must be at least 2,500,000 thousand euros at all times.

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

### 7.2.6. 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 thousand euros at 31 December 2017, maturing in December 2019 and 2020. These three loans were repaid in the amount of 2,826 thousand euros 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 thousand euros, registered with the Banque de France on 29 June 2017.

The outstanding balance at the end of June came to 60,000 thousand euros with maturities ranging from 1 to 5 months. Up to 310,000 thousand euros 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 loan agreements signed on 16 June 2017:

- a loan agreement amounting to 759,000 thousand euros in the form of an undrawn revolving credit facility (the "RCF") maturing on 16 September 2022;

- a similar loan agreement for 250,000 thousand euros in the form of a club deal ("CD") with a limited number of top-tier banking partners close to the Group, maturing on 16 September 2020.

### 7.2.7. Breakdown of financial debt by maturity date

At 31 December 2017, debts maturity breaks down as follows:

| *In thousands of euros* | 31/12/2017 | Less than 1 year | 2 years | 3 years | 4 years | 5 years or more |
|---|---|---|---|---|---|---|
| Bonds - non-current | 1 200 000 | - | - | - | - | 1 200 000 |
| Bond 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 lending institutions - non-current | 775 389 | - | - | - | 775 389 | - |
| Accrued interest on current loans | 8 968 | 8 968 | - | - | - | - |
| Other loans and related debt - current | 60 000 | 60 000 | - | - | - | - |
| Loan and bond issuance 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** | **771 036** | **1 194 062** |
| Derivative instruments - liabilities | 14 053 | 6 180 | 5 826 | 3 610 | 1 912 | - 3 475 |
| Bank overdraft | 40 129 | 40 129 | - | - | - | - |
| **Gross debt by maturity date** | **2 075 103** | **110 938** | **1 407** | **- 778** | **772 948** | **1 190 587** |

The contractual flows including principal and interest break down by maturity date as follows:

**2017** The main contractual flows including principal and interest (non discounted) per maturity date are as follows:

| **Year of repayment** *In millions of Euros* | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **TOTAL** |
|---|---|---|---|---|---|---|---|
| Principal | 62 322 | 2 381 | 686 | | 770 000 | 1 200 000 | 2 035 389 |
| Interest | 39 710 | 41 738 | 44 078 | 46 038 | 47 346 | 47 802 | 266 712 |
| **Group Total (Principal + Interest)** | **102 032** | **44 119** | **44 764** | **46 038** | **817 346** | **1 247 802** | **2 302 101** |

**2016** The main contractual flows including principal and interest (non discounted) per maturity date are as follows:

| **Year of repayment** *In millions of Euros* | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **TOTAL** |
|---|---|---|---|---|---|---|---|
| Principal | 143 164 | 2 322 | 92 381 | 686 | 753 827 | 1 200 000 | 2 192 380 |
| Interest | 39 685 | 39 677 | 40 715 | 42 347 | 38 638 | 28 500 | 229 562 |
| **Group Total (Principal + Interest)** | **182 849** | **41 999** | **133 096** | **43 033** | **792 465** | **1 228 500** | **2 421 942** |

### 7.2.8. Hedging transactions

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

The Group distinguishes three categories of financial instruments using the various valuation methods and uses this classification, in compliance with international accounting standards, to present the characteristics of the financial instruments recognised in the balance sheet at fair value on the closing date:

- Level 1: Financial instruments quoted on an active market;
- Level 2: Financial instruments whose fair value measurement uses techniques based on observable market parameters;
- Level 3: Financial instruments whose fair value measurement uses techniques based on non-observable parameters (parameters whose value results from assumptions that are not based on observable transaction prices on markets for the same instrument or on observable market data available on the closing date) or only partially observable parameters.

| *in thousands of euros* | Fair value level | Fair value in profit and loss | fair value in OCI | loans and receivables | Liabilities at amortised cost | Value in balance sheet 31/12/2017 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | **1 029 616** |
| Financial assets available for sale | Level 3 | 500 000 | | | | **500 000** |
| Liquidity agreement | Level 1 | | | 2 516 | | **2 516** |
| Guarantee and deposits | | | | 10 401 | | **10 401** |
| Trade receivables | | | | 107 919 | | **107 919** |
| Other current receivables | | | | 57 237 | | **57 237** |
| Other current financial receivables | | | | 22 147 | | **22 147** |
| Cash and cash equivalents | Level 1 | 329 396 | | | | **329 396** |
| **Liabilities** | | | | | | **1 965 910** |
| Bonds | | | | | 1 189 232 | **1 189 232** |
| Bank loans | | | | | 762 268 | **762 268** |
| Financial derivatives liabilities | Level 2 | | 6 538 | | 14 410 | **14 410** |

For assets other than financial assets: The book values used are the reasonable estimates of their market value.

The fair value of derivative financial instruments is determined using standard valuation methods using the market conditions on the closing date.

The valuation of investment securities is based on the last known price.

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

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

At 31 December 2017, the Group had set up with leading banking partners:

- eight fixed-rate payer swaps against three month Euribor for a notional value of 410,000 thousand euros covering a period up to, for the longest of them, September 2025;
- two delayed fixed-rate payer swaps against three month Euribor for a notional value of 150,000 thousand euros covering a period up to, for the longest of them, November 2027, and which begins to take effect in 2018.

These hedging instruments, which are still active, were recognised as cash flow hedges for the 2017 financial year. The consequence of this cash flow hedge accounting is that derivative instruments are recognised on the closing balance sheet at their market value, with the change in fair value on the effective part of the hedge recognised in shareholders' equity OCI and the ineffective part in profit and loss under other financial income and expenses. The change in fair value of the swaps at 31 December 2017 is considered to be 100% effective and therefore accounted through shareholders' equity for 14,407 thousand euros. The OCI impact of 10,923 thousand euros therefore includes 7,919 thousand euros of change in fair value for swaps and 3,004 thousand euros of recycling of OCI to profit and loss (cancelled swaps).

During Q4 2017, the Group 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 amount of 300,000 thousand euros, 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 at 31 December 2017, which was recognised through profit and loss for 303 thousand euros.

| *in thousands of euros* | 31/12/2016 | 31/12/2017 |
|---|---|---|
| **Financial instruments liabilities** | | |
| Financial instruments liabilities - fair value in profit and loss | -1 007 | **-704** |
| Financial instruments liabilities - CFH | 22 081 | **14 407** |

The sensitivity of derivative instruments to an interest rate change of +/-0.50% is as follows:

| *in thousands of euros* | Drop in interest rates of 0.5% | | Rise in interest rates of 0.50% | |
|---|---|---|---|---|
| **Profit (loss)** | Change in equity | Change in profit and loss | Change in equity | Change in profit and loss |
| Swap as CFH | -16 807 | | 16 105 | |
| Options as trading | | 1 | | 62 |

## 7.3. Management of financial risks and hedging strategy

### 7.3.1. Credit risk

Credit risk is the risk of financial loss for the Group in the event that a client or debtor fails to meet its contractual obligations. This risk mainly derives from trade receivables, financial investments made in order to place surplus funds and hedging agreements with financial institutions as counterparties.

In France as well as in Spain and Italy, trade receivables relate to tenants; none represents a significant percentage of the related revenue. In addition, upon signing the lease agreement, tenants pay security deposits or supply bank guarantees that, on average, represent three months of rent. Moreover, the Group strives to implement procedures for verifying the financial soundness of its clients and for monitoring and systematically following up on unpaid receivables.

Cash investments are restricted to high-quality instruments; speculative or risky investments are excluded.

Hedging agreements are intended to hedge interest-rate risk and are reserved for non-speculative hedging transactions. The counterparties for these transactions are large, blue-chip banks.

### 7.3.2. Liquidity risk

Liquidity risk is the risk incurred by the Group in the event that it encounters difficulties in repaying its debts as they fall due.

Carmila's policy is to ensure that its available liquid funds are sufficient to meet its obligations. In the short term, liquidity risk is under control, as cash and financial investments (and lines of credit that can be drawn-down very rapidly) far exceed current liabilities.

Carmila has two revolving lines of credit at its disposal, totalling 759,000 thousand euros and 250,000 thousand euros. At 31 December 2017, neither of these two lines has been drawn-down.

### 7.3.3. Other financial risks

Changes in exchange rates, interest rates and the market for publicly-traded stocks each pose different risks.

Since Carmila operates entirely within the euro zone, the Group is not exposed to exchange risk.

With regard to interest-rate risk, Carmila has implemented a hedging policy with the use of derivatives (interest rate swaps and plain vanilla options), as described in Section *7.2.6 Hedging transactions.*

As the Group does not hold any shares in listed companies excluding its own shares it is not exposed to a risk of fluctuating stock prices.

# 8. DETAIL OF OTHER BALANCE-SHEET ITEMS

## 8.1. Intangible assets

### Accounting policies

IAS 38 "*Intangible Assets"* states that intangible assets with a finite useful life are amortised on a straight-line basis over periods corresponding to their expected useful life. Intangible assets without a finite useful must not be amortised. The indeterminate nature of the useful life is reviewed every year. An impairment test must be performed on these fixed assets annually (IAS 36) or as soon as there is an indication of impairment.

Intangible assets are accounted, after initial recognition, at cost reduced by total amortisation and any impairment.

| *In thousands of euros* | 31/12/2016 | Acquisitions | Allowances /Reversals | Change in scope of consolidation | Reclassification | 31/12/2017 |
|---|---|---|---|---|---|---|
| Software | 998 | 223 | - | - | 3 | 1 224 |
| Other intangible assets | 16 212 | 10 | - | - | - 40 | 16 182 |
| Intangible assets in progress | 15 | 49 | - 3 | 3 | - 3 | 61 |
| Intangible assets – gross value | 17 225 | 282 | - 3 | 3 | - 40 | 17 467 |
| Amortisation/software impairment | - 445 | - | - 200 | - | - 90 | - 735 |
| Amortisation/impairment of other intangible fixed assets. | - 11 794 | - | - 368 | - | - 11 | - 12 173 |
| Intangible assets - total amortisation | - 12 239 | - | - 568 | - | - 101 | - 12 908 |
| **Total intangible assets – net value** | **4 986** | **282** | **- 571** | **3** | **- 141** | **4 559** |

The acquisitions included in the "Software" item mainly correspond to investments by central services in France.

Other intangible assets mainly comprise lease and building rights held by Carmila France.

## 8.2. Property, plant and equipment

### Accounting policies

In accordance with IAS *16 "Property, Plant and Equipment*", property, plant and equipment, including land, buildings and equipment that are not classified as investment properties, are valued at their historic cost less depreciation and write-downs due to impairment.

Property, plant and equipment in progress are accounted at cost less any identified impairment.

| In thousands of euros | 31/12/2016 | Acquisitions | Allowances /Reversals | Change in scope of consolidation | Reclassification | 31/12/2017 |
|---|---|---|---|---|---|---|
| Technical plant, machinery and equipment | 2 384 | 1 761 | - | - | 9 | 4 154 |
| Office equipment and computer equipment | 330 | 35 | - | 7 | 54 | 426 |
| Other property, plant and equipment | 112 | - | - | - | - | 112 |
| Property, plant and equipment - gross value | 2 826 | 1 796 | - | 7 | 63 | 4 692 |
| Depreciation/impairment of technical plant, machinery and equipme | - 1 514 | - | - 354 | - | - | -1 868 |
| Depreciation/impairment of office equipment and computer equipm | - 290 | - | - 57 | - | - | -347 |
| Depreciation/impairment of other intangible fixed assets. | - 62 | - | - 4 | - | - | -66 |
| Property, plant and equipment – total depreciation | - 1 866 | - | - 415 | - | - | -2 281 |
| **Total property, plant and equipment Net** | **960** | **1 796** | **- 415** | **7** | **63** | **2 411** |

At 31 December 2017, property plant and equipment mainly includes installations and office equipment for central services in France and Spain. This item also includes office equipment and fittings for the Thionville site.

## 8.3. Investments in equity-accounted companies

### Accounting policies

The accounting policies applied are described in Note 4.1 Associates. The details of equity-accounted companies are available in Note 15*. List of consolidated companies*

The method of accounting for investment property at fair value was also applied to investments in associates in proportion to the Group's interest in these entities.

| *In thousands of euros* | 31/12/2016 | Net income | Distribution | Capital increase | Changes in scope of consolidation | 31/12/2017 |
|---|---|---|---|---|---|---|
| Investments in equity-accounted companies | 48 331 | 11 067 | -1 474 | 10 025 | -20 587 | 47 364 |

At 31 December 2017, this item exclusively includes AS Cancelas (Spain), acquired in 2014 and in operation and Carmila Thiene (Italy), relating to a project.

The capital increase and change in the scope of consolidation column items are related to Galleria Commerciale Nichelino Srl, and its extension project for the I Viali shopping centre in Nichelino (Turin), in a joint promotion with the Carrefour Group. This centre was delivered on 24 October 2017. The Group took control of the entity after acquiring Carrefour's 49.90% interest in this entity, resulting in its full consolidation (see Note *4 Consolidation scope and methods*) and its exit from interests in equity method investments at 31 December 2017.

### Financial information on equity-accounted entities

- With regard to all the equity investments accounted using the equity method, the principal items in the financial position are as follows; they are items presented at 100% (and including consolidation adjustments):

| *Equity method accounted companies* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Investment properties | 131 934 | 144 934 |
| Other non-current assets | 1 355 | 1 354 |
| Deferred tax assets | 154 | 124 |
| Non-current assets | 133 442 | 146 412 |
| Trade receivables | 512 | 625 |
| Other current assets | 1 262 | 4 267 |
| Cash and cash equivalents | 4 420 | 1 509 |
| Current assets | 6 195 | 6 402 |
| **Total Assets** | **139 637** | **152 814** |

| *Equity-accounted companies (in thousands of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Shareholder's equity – Group share | 87 695 | 96 663 |
| Equity | 87 695 | 96 663 |
| External borrowings and financing to associates | 34 126 | 29 092 |
| Other non current liabilities | 14 989 | 2 012 |
| Non current liabilities | 49 115 | 31 104 |
| Current liabilities | 2 827 | 25 047 |
| **Total liabilities and shareholders' equity** | **139 637** | **152 814** |

| *Equity-accounted companies (in thousands of euros)* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Gross Rental Income | 9 154 | 2 979 |
| **Net income** | **25 050** | **12 370** |
| Dividends distributed | 2 947 | 1 944 |

The increase in net results is basically related to the changes in fair value of investment property recorded for the AS Cancelas, and Nichelino assets in the first half-year.

### 8.4. Other non-current receivables

Cash equivalents are short-term investments (maturity of less than three months), highly liquid, easily convertible into a known amount of cash, and subject to a negligible risk of change in value. Cash includes shares in money-market funds and sight deposits. They are measured at fair value through profit or loss.

**Accounting policies**

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the principal financial assets are classified in one of the following four categories:

- loans and receivables;
- assets held to maturity;
- available-for-sale assets.

The classification of these assets determines their accounting treatment. Classification is determined by the Group on the date on which the instrument is initially recorded, based on the asset type and the purpose for which the asset was acquired. Sales and acquisitions of financial assets are recorded on the transaction date, i.e. the date on which the Group bought or sold the asset. Other long-term investments represent the acquisition of a minority stake in a high-quality fast-food chain by Carmila France.

Loans and receivables are initially booked at fair value and then at their amortised cost on the basis of the effective interest rate method. For short-term receivables without a declared rate of interest, the fair value will be the same as the amount on the original invoice. They are subject to impairment testing when there is evidence that they have diminished in value. An impairment loss is recognised if the book value is higher than the estimated recoverable value.

This category includes receivables related to equity investments, other loans and receivables, and trade receivables. They appear in the balance sheet under "Other financial assets" or "Trade receivables".

See Note 6 for Available-for-sale assets*. Investment properties.*

| *in millions of euros* | **31/12/2016** | **Acquisitions** | **Other movements** | **31/12/2017** |
|---|---|---|---|---|
| Non-consolidated equity interests | 101 | 9 | 2 | 112 |
| Advances to associates or non-consolidated companies | 0 | 0 | 0 | 0 |
| Security deposits | 9 219 | 1 183 | 0 | 10 402 |
| Other financial assets | 78 | 2 208 | 230 | 2 516 |
| Other non-current assets - gross | 9 398 | 3 400 | 232 | 13 030 |
| Impairment on other non current assets | -49 | 0 | 0 | -49 |
| **Other non-current assets - net** | **9 349** | **3 400** | **232** | **12 981** |

The security deposits recognised under assets are fully related to deposits made with the Spanish administrative authority, which require that a percentage of the security deposits received from tenants be held by these authorities in a special escrow account.

The increase in other financial assets over the period corresponds to the advances made for the liquidity contract set up following the share listing on Euronext Paris.

## 8.5. Trade receivables and other receivables

### Accounting policies

Trade receivables mainly comprise rent from tenants, front-end fees and any advisory services. They also include the effect of staggering benefits granted to tenants (rent-free periods and rent steps). In the event of loss in value, these receivables are subject to impairment, which takes into account the debtor's capacity to honour its debt and the period for which the receivable is overdue. They have a maturity of less than one year, with the exception of rent discounts and step rents, which are spread over the lease term.

Furthermore, following application of IFRIC 21 Levies, accruals were recorded for all property taxes owed for the 2016 financial year from 1 January of that year. Simultaneously, a provision for the share of property taxes rebilled to tenants was recorded as unbilled revenue. This adjustment has no impact on the annual financial statements.

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Trade receivables - gross | 126 108 | 113 044 |
| Impairment of trade receivables | -18 189 | -14 880 |
| **Trade receivables and other receivables - net** | **107 919** | **98 164** |

The change in the year is mainly explained by a change in consolidation scope. The Group generated new rents and new trade receivables through ex-Cardety and Nichelino assets entering the consolidation scope, and the opening of a large number of redevelopments (Note 2.1).

### 8.6. Other current receivables

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Tax receivables | 36 863 | 73 384 |
| Corporate tax receivables | 3 385 | 3 648 |
| Other tax receivables | 33 478 | 69 736 |
| Financial receivables | 22 147 | 22 708 |
| Receivables related to investment companies | 22 147 | 22 565 |
| Derivative instruments – assets | 0 | 143 |
| Other receivables | 17 598 | 26 384 |
| Calls for funds from co-owners | 8 581 | 17 603 |
| Other miscellaneous receivables | 8 925 | 8 403 |
| Prepaid expenses | 92 | 378 |
| **Total other receivables - gross** | **76 608** | **122 476** |
| Impairment of other receivables | -1 210 | -2 482 |
| **Other current receivables - net** | **75 398** | **119 994** |

At 31 December 2017 the sharp fall in tax receivables mainly concerned the VAT refund on the purchase of the Fan shopping centre in Majorca for 30,845 thousand euros and on the acquisition of the Huelva centre for 11,943 thousand euros.

Financial receivables mainly comprise the Group's loans to equity-accounted companies (AS Cancelas for 14,500 thousand euros and Carmila Thiene for 5,126 thousand euros).

Finally, the fall in the "Other receivables" item corresponds to a return to a more conventional level of calls for funds after a sharp increase recorded last year, mainly in France.

## 8.7. Net cash and cash equivalents

### Accounting policies

Cash equivalents are investments that are short-term (maturity of less than three months), highly liquid, easily convertible into a known amount of cash, and subject to a negligible risk of change in value. Cash includes shares in money-market funds and sight deposits. They are measured at fair value through profit or loss.

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Cash | 168 567 | 69 053 |
| Cash equivalents | 160 830 | 2 190 |
| Gross cash | 329 397 | 71 243 |
| Bank overdraft | -40 129 | -16 123 |
| **Net cash** | **289 268** | **55 120** |

Cash equivalents consist entirely of investments in money-market funds (marketable securities) and term deposits with leading credit institutions. The Group's cash level is partly explained by the capital increase completed on 6 July 2017 for a gross sum of 628,000 thousand euros (613.9 million euros net, see *1.3 Consolidated statement of cash flows).*

## 8.8. Equity

| *In euros* | Number of shares | Share capital | Issuance premium | merger premium |
|---|---|---|---|---|
| On 1 January 2017 | **4 316 678** | 25 900 068 | 37 265 320 | - |
| Capital increase, Carmila contribution-merger | **104 551 551** | 627 309 306 | - | 1 928 898 343 |
| Capital increase | **23 123 818** | 138 742 908 | 416 228 724 | - |
| Supplementary capital increase | **3 067 982** | 18 407 892 | 55 223 676 | - |
| Costs charged against issue premium | **-** | - | - 14 650 041 | - |
| Distribution of dividends GM 27/11/2017 | **-** | - | - | - 101 295 022 |
| **On 31 December 2017** | **135 060 029** | **810 360 174** | **494 067 679** | **1 827 603 321** |

At 31 December 2017, the share capital consisted of 135,060,029 ordinary shares of the same class, each with a nominal value of six euros (€6), fully subscribed and paid up.

During 2017:

- on 12 June 2017 the Extraordinary Shareholders' meetings of Cardety S.A. (renamed Carmila S.A.). and Carmila S.A.S. approved the merger of the second by the first and the issue of 104,551,551 new Carmila S.A. shares as payment for the net assets transferred;
- a capital increase was performed in July 2017. This operation was the subject of prospectus approved by the French financial markets authority (Autorité des marchés financiers – AMF) on 23 June 2017 (no. 17-298), Cardety's (now Carmila) Registration Document, Appendix II of document E and a securities note (note d'opération). This capital increase was subscribed in two phases:

- in respect of the capital increase, 23,123,818 new shares were subscribed for in full at a price of €24 per share, representing a nominal amount of the capital increase of €138,742,908, plus issue premium for an amount of €416,228,724,
- in respect of the supplementary capital increase, 3,067,982 additional new shares were subscribed at a price of €24 per share, representing a nominal amount of the supplementary capital increase of €18,407,892, plus issue premium for an amount of €55,223,676.

In all, this placement operation enabled Carmila to raise 628,600 thousand euros gross (613,900 thousand euros net of costs) to finance its 2017-2020 development plan for extensions, acquisitions and the deployment of its marketing and innovative and unique digital strategy.

#### 8.8.1. Distributions of premiums and capital increases by Carmila

For the distribution of merger premiums, refer to Note *2.3 Distribution of dividends*.

For operations on the share capital refer to Note *8.8 Equity above*.

#### 8.8.2. Treasury stock

Treasury stock is deducted from consolidated shareholders' equity at its acquisition cost. Any income from the sale of treasury stock (together with the corresponding tax effects) is directly charged to shareholders' equity and does not contribute to net income for the financial year. The company set up a liquidity contract following its listing on Euronext Paris. At 31 December 2017, the company holds a total of 113,739 Carmila shares exclusively through this contract.

#### 8.8.3. Earnings per share

Earnings per share is calculated by dividing earnings attributable to the bearers of the Company's ordinary shares by the weighted average number of ordinary shares in circulation during the period. Treasury stock is not considered shares in circulation and therefore reduces the number of shares used to calculate net earnings per share.

Fully diluted earnings per share is determined by adjusting earnings attributable to bearers of ordinary shares and the average weighted number of ordinary shares in circulation, as necessary, to accommodate the effects of all potentially dilutive instruments, which mainly include convertible bonds and stock options allocated to members of the workforce. Stock options are considered potentially dilutive if they are "in the money" (the exercise price used includes the fair value of services provided in accordance with IFRS 2 "*Share-based Payment*").

| As of 31 December 2017 | |
|---|---|
| Average number of shares (undiluted) | 119 132 838 |
| Average number of bonus shares in circulation in 2017 | 190 384 |
| Average number of shares (diluted) | 119 323 222 |

## 8.9. Provisions

### Accounting policies

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are posted when, on the closing date, the Group has a present legal or implicit obligation arising from a past event, the amount of which may be reliably estimated and the settlement of which is expected to result in an outflow of resources representative of economic benefits. This obligation may be of a legal, regulatory or contractual nature, or it may be implicit. These provisions are estimated by their type based on the most likely assumptions. Amounts are discounted when the impact of the passage of time is significant.

| *In thousands of euros* | 31/12/2016 | Allowances | Reversal | Reclassifications | Actuarial adjustments (OCI) | 31/12/2017 |
|---|---|---|---|---|---|---|
| Other contingency provisions | 372 | 1 178 | 30 | - | - | 1 580 |
| Total Contingency provisions | 372 | 1 178 | 30 | - | - | 1 580 |
| Provisions for pensions and retirement benefits | 237 | 138 | - | 156 | 31 | 562 |
| Total Provisions for charges | 237 | 138 | - | 156 | 31 | 562 |
| **Total non-current provisions** | **609** | **1 316** | **30** | **156** | **31** | **2 142** |

Contingency provisions include all tenant-related disputes and litigation. These provisions were jointly reviewed to better understand the facts and circumstances of these disputes (e.g. ongoing negotiations with possible renewal) and possible appeal procedures (right of withdrawal).

## 8.10. Other non-current liabilities

This item includes an earn-out related to the acquisition of an asset in 2016, in which the estimation of the performance and the amount were sufficiently reliable to be accounted. The payment of this earn-out is planned in 2021.

## 8.11. Trade and fixed-asset supplier payables

| *In millions of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Fixed assets payables | 71 751 | 33 773 |
| Miscellaneous trade payables | 4 968 | 4 473 |
| Trade payables, unbilled | 23 599 | 18 520 |
| **Trade payables** | **100 318** | **56 766** |

Fixed asset payables increased significantly notably due to ongoing projects such as Rambouillet and Saran (+14,000 thousand euros) and projects delivered at the year-end such as I Viali in Nichelino (+8,400 thousand euros, delivered in October 2017), Pau Lescar (+7,000 thousand euros, delivered in November 2017) and Crèche sur Saône (+2,000 thousand euros, delivered in November 2017).

## 8.12. Other current liabilities

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Tax and social-security payables | 38 661 | 43 254 |
| Tax liabilities (excluding corporate income tax) | 24 065 | 27 472 |
| Tax liabilities - corporate income tax | 5 192 | 7 070 |
| Social-security liabilities | 9 404 | 8 712 |
| Miscellaneous liabilities | 85 724 | 86 541 |
| Other miscellaneous debts | 21 023 | 24 433 |
| Prepaid income | 64 701 | 62 108 |
| **Other current liabilities** | **124 385** | **129 795** |

The fall in tax liabilities is mainly explained by the settlement of a VAT debt for 3,575 thousand euros during the fiscal year.

The fall in other miscellaneous debts is mainly explained by the reclassification of an earn-out under non-current liabilities for an amount of 7,465 thousand euros offset by an overpayment by tenants in 2017 in Italia (3,902 thousand euros).

Finally, prepaid income increased due to the advance invoicing in Q1 2018 of Carmila S.A.'s assets following the merger with Cardety S.A. and the entry of its assets into the scope (+2,213 thousand euros).

# 9. INCOME STATEMENT

## 9.1. Net rental income

**Accounting policies**

**Gross Rental Income**

Rental income from operating leases is recognised on a straight-line basis over the entire term of the lease agreement.

Pursuant to IAS 17 and SIC 15, any inducements granted by a lessor when negotiating or renewing an operating lease should be recognised as an integral part of the consideration accepted for use of the leased asset, regardless of the nature, form or payment date of those inducements:

- any step rents or discounts granted are recorded by including a reduction or increase in the rental income spread over time. The reference period used is the first non-cancellable lease term;
- any temporary rent reduction granted to a lessee on an exceptional basis to support its business activity are recorded as charges for the year; special sales or marketing promotions undertaken on a tenant's behalf are recorded in the same way;
- any works undertaken on the lessee's behalf may, under certain conditions, be depreciated on a straight-line basis over the fixed term of the lease or incorporated into the cost of the asset;
- where the lessor cancels an ongoing lease, it pays lease termination compensation to the sitting tenant. When the conditions are met, the compensation is recorded as a fixed asset (see Note 6 Investment properties);
- transfer compensation, i.e. compensation paid to a lessee in the event of relocation to other premises in the same building, may, under certain conditions, be spread over the minimum lease term, or, if the building is being renovated, it may be included in the cost price of the asset;
- front-end fees collected by the lessor are considered additional rent. The front-end fee forms part of the net sum exchanged between the lessor and the lessee under the lease. Therefore, the accounting periods during which this net amount is recognised should not be affected by the form of the agreement and payment schedules. These fees are amortised over the initial minimum period of the lease;
- cancellation penalties are received from tenants when they cancel the lease before its contractual term. Such penalties relate to the terminated lease and are recognised as income in the year in which they are incurred.

**Property expenses**

- Real estate expenses:

These are fees paid (or amortisation of initial payments) when the land is covered by a construction lease or concession agreement.

- Unrecovered rental expenses:

These expenses are shown net of rebilling to tenants and primarily represent charges arising from vacant premises.

- Property expenses (owner):

These consist of rental charges borne by the landlord, and charges related to works, litigation costs, allowances for bad debt, and property management costs.

Net rents are calculated based on the difference between rental income and these various expenses.

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Rent | 299 677 | 274 513 |
| Front-end fees and other indemnities | 1 234 | 1 170 |
| Gross Rental Income | 300 911 | 275 683 |
| Property tax | -16 978 | -15 395 |
| Charges rebilled to tenants | 12 589 | 11 532 |
| Real estate expenses | -4 389 | -3 863 |
| Rental charges | -54 960 | -46 904 |
| Charges rebilled to tenants | 47 655 | 38 632 |
| Non-recovered rental charges | -7 305 | -8 272 |
| Management fees | -236 | -264 |
| Charges rebilled to tenants | 0 | 30 |
| Losses and impairment on receivables | -8 332 | -7 478 |
| Other expenses | -3 994 | -3 333 |
| Property expenses (landlord) | -12 562 | -11 045 |
| **Net rental income** | **276 655** | **252 503** |

## 9.2. Operating expenses

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

### 9.2.1. Management, administration and other revenues

These revenues mainly correspond to initial letting fees, marketing services and marketing fund to develop and increase the attractiveness of the centres rebilled to retailers' associations and other various rebilling by real estate companies to co-owners.

### 9.2.2. Other income

Other income from services provided corresponds to the rebilling of overhead fees, principally to the Carrefour Group (rebilling of a proportional share of the personnel costs of shopping centre management), and initial letting fees for a centre managed for Immobilière Carrefour).

### 9.2.3. Payroll expenses

Personnel costs represented 23,878 thousand euros in 2017.

The Group set up share based payment plans in 2016 and 2017 for executives and certain employees. The benefits associated with these plans are recognised as personnel expenses in the amount of 1,613 thousand euros (including the social security contribution), over the year.

#### 9.2.4. Other external expenses

Other external expenses are related to administrative expenses. The main components are marketing expenses, chiefly relating to the build-up of digital tools and startegy, and fees, including those paid to the Carrefour Group for the activities defined in the service agreement (accounting, human resources, general services, etc.), appraisal fees for the asset portfolio, financial communication and advertising fees, travel expenses and directors' fees.

### 9.3. Depreciation, amortisation, provisions and write-downs

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Depreciation and amoritsation allowance for tangible fixed assets and impairment of intangible fixed assets | -983 | -752 |
| Reversal/provisions losses and contingencies, and current assets | 174 | 229 |
| **Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions** | **-809** | **-523** |

The net change in provisions for contingencies and liabilities is attributable to changes in risk provisions over the year (see 8.9 Provisions), mainly associated with property disputes with lessees and current assets.

### 9.4. Other current operating income and expenses

This item mainly includes the exceptional costs related to the merger between Cardety and Carmila comprising banking costs for refinancing, legal and tax fees, audit and valuation costs, and miscellaneous fees.

### 9.5. Gains (losses) on sales of investment properties and equity interests

The Group made no significant disposals during the year. This includes a technical entry for -2,524 thousand euros concerning the acquisition of 49.90% of the shares of Galleria Commerciale Nichelino from Carrefour. This acquisition was recognised as a business combination in accordance with IFRS 3; this amount corresponds to the effect of the fair value measurement of the percentage of equity held by the purchaser before the business combination (see Note *4.3 Highlights of the 2017 financial year*).

## 10. INCOME TAX

### Accounting policies

The Group companies are subject to the tax laws that apply in the countries in which they are established. Income tax is calculated according to local rules and rates.

In France, the Group benefits from the specific tax regime for REITs (Real Estate Investment Trusts). The Group's subsidiaries in Spain and Italy are subject to ordinary taxation in their respective jurisdictions.

### French tax regime for REITs (Real Estate Investment Trusts)

On 1 June 2014, Carmila and its French subsidiaries subject to corporate income tax opted for REIT (SIIC) status for tax purposes from that date.

Characteristics of the regime

The specific corporate tax exemption regime for REITs is an option for companies listed on a French regulatory market with share capital of at least €15 million, having as their main object the acquisition or construction of buildings for leasing or the direct or indirect holding of equity investments in legal entities with the same corporate objective. This option cannot be revoked. Subsidiaries subject to corporation tax may also opt for the regime if at least 95% of their share capital is held.

In exchange, these listed property investment companies are required to distribute 95% of their rental income, 60% of their gains on disposals and 100% of the dividends received from their REIT subsidiaries.

The option of the REIT regime entails the immediate imposition of an exit tax at a rate of 19% on unrealised capital gains relating to buildings and shares in partnerships not subject to corporation tax. The exit tax is payable over a four-year period starting when the entity concerned adopts REIT status.

Discounting of the exit tax liability

The exit tax liability is discounted according to its payment schedule. The liability initially recognised in the balance sheet is discounted, and an interest expense is recorded at each balance-sheet date in other financial expenses, enabling the liability to be reduced to its net present value at the balance-sheet date.

Income tax for companies not subject to the REIT tax regime

Since its adoption of SIIC regime at 1 June 2014, Carmila has established a REIT segment that is exempt from tax on property-leasing transactions and capital gains on disposal, and a segment subject to corporate income tax for other activities.

Income tax for companies not subject to the REIT regime and for foreign companies is calculated under conditions of ordinary law. Financière Géric, which was previously subject to corporate income tax, opted for the SIIC regime on 1 January 2017.

### Ordinary-law arrangements and deferred tax

Current income tax expense is determined on the basis of the rules and rates adopted or in the process of being adopted at the end of the financial year in each country over the period to which the profit relates.

The income tax payable and the tax on future income are offset when they originate within the same tax group, are the responsibility of the same tax authority, and there is a legal right to offset.

Deferred taxes are recognised when there are temporary differences between the carrying amounts of assets and liabilities and their tax base, in respect of those that give rise to taxable income in future periods.

A deferred tax asset, after being used to offset existing liabilities, is recorded if it is probable that the entity in question will have future taxable profits that the deferred tax assets can be used to offset.

Deferred tax assets and liabilities are valued by the liability method at the income tax rate assumed to apply to the period in which the asset will be realised or the liability will be paid, on the basis of income tax rates and tax regulations that have been adopted or quasi-adopted prior to the balance sheet date. The measurement of deferred tax assets and liabilities should reflect the tax consequences resulting from the way in which the company expects, at the balance-sheet date, to recover or settle the book value of its assets and liabilities.

Deferred tax is calculated at the local rates approved on the closing date. The rates applied at 31 December 2017 are 34.43% in France, 24% in Italy and 25% in Spain

### 10.1. Income tax expense

| *In thousands of euros* | **31/12/2017** | **31/12/2016** |
|---|---|---|
| Deferred tax | -32 449 | -24 232 |
| Current tax | -1 910 | -4 148 |
| **Income tax charge** | **-34 359** | **-28 380** |

The deferred income tax expense totalling 32,449 thousand euros is mainly due to the change in deferred tax from temporary differences due to changes in fair value.

The current tax payable by the Group is -1,910 thousand euros, including -2,020 thousand euros for Italy, and a tax asset of 93 thousand euros in France, with the tax of 235 thousand euros mainly involving Louwifi and Carmila Evreux – being offset against a 328 thousand euros dividend tax refund.

### 10.2. Tax reconciliation

The reconciliation of the effective and theoretical tax expense is as follows:

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Net consolidated income | 314 304 | 295 648 |
| Income tax expense | 34 359 | 28 380 |
| Share of net income of equity-accounted companies | -11 067 | -4 875 |
| Net income before taxes and excluding equity-accounted companies' net income | 337 596 | 319 153 |
| Tax rate applicable to the parent company | 34,43% | 34,43% |
| **Theoretical income tax (expense)/income** | **-116 234** | **-109 884** |
| Tax exempt income resulting from the SIIC regime | 92 251 | 77 424 |
| Permanent differences | 2 895 | 2 838 |
| Tax without base | -14 949 | 0 |
| Effect of different tax rates | 7 869 | 12 621 |
| Tax loss without deferred tax recognition | -6 190 | -11 379 |
| **Effective tax (expense)/income** | **-34 359** | **-28 380** |
| **Effective tax rate** | **-10,18%** | **-8,89%** |

## 10.3. Current tax assets and liabilities

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Tax credits | 3 385 | 3 648 |
| **Total tax assets** | **3 385** | **3 648** |
| Tax liabilities - non-current | 9 138 | 15 542 |
| Tax liabilities - current | 5 186 | 6 855 |
| Liabilities related to tax consolidation | 6 | 215 |
| **Total tax liabilities** | **14 330** | **22 612** |

At 31 December 2017, tax receivables include 5,486 thousand euros for Spain, 1,170 thousand euros for Italy and 715 thousand euros for France.

The French companies subject to corporate income tax opted for SIIC regime at 1 June 2014. In addition, Géric opted for the REIT regime during the fiscal year. A provision was accounted in the 2016 financial statements for the total amount of exit tax which will be paid. A first payment of 4,569 thousand euros was made in December 2017. On the balance sheet at 31 December 2017, the 2018 contribution to Géric's exit tax totals 4,569 thousand euros, and 9,138 thousand euros for the non-current part.

## 10.4. Deferred tax assets and liabilities

| *In thousands of euros* | 31/12/2016 | Impact on income | Changes in consolidation scope | Other | 31/12/2017 |
|---|---|---|---|---|---|
| Deferred tax assets | 1 592 | 4 225 | 4 | 463 | 6 284 |
| Deferred tax liabilities | 65 490 | 33 352 | 4 424 | 463 | 103 729 |
| **Net balance of deferred tax** | **-63 898** | **-29 127** | **-4 420** | **0** | **-97 445** |
| Breakdown of deferred tax by type | | | | | |
| Properties | -65 471 | -33 725 | -4 424 | - | -103 620 |
| Tax losses | 1 573 | 4 598 | 4 | - | 6 175 |
| Financial instruments | - | - | - | - | 0 |
| Other items | - | - | - | - | 0 |
| **Net balance of deferred tax** | **-63 898** | **-29 127** | **-4 420** | **0** | **-97 445** |

# 11. OFF-BALANCE-SHEET COMMITMENTS AND ASSOCIATED RISKS

**Off-balance-sheet commitment**

An off-balance sheet commitment can be any transaction or agreement between a company and one or several entities which is not entered on the balance sheet. These commitments, which are received, given or reciprocal, represent risks and advantages which are useful for assessing the Group's financial position.

**Contingent liabilities**

A contingent liability is a potential obligation for the entity to a third party resulting from an event whose existence will only be confirmed by the occurrence or non-occurrence of one or several future uncertain events that are outside the entity's control.

**Contingent liabilities.**

Carmila received a tax assessment for 2014 including an adjustment notice for 62,134 thousand euros, interest and penalties included. After consulting its tax lawyers, Carmila is disputing the merits of this adjustment notice and considers that its chances of success in litigation are probable. Consequently no provision has been recorded for this.

## 11.1. Commitments received

COMMITMENTS RECEIVED

| *In thousands of euros* | 31/12/2017 |
|---|---|
| Financing agreements obtained and not used | 1 009 000 |
| Commitments related to Group financing | 1 009 000 |
| | |
| Sale commitments | 0 |
| Mutual security deposits received from tenants | 34 371 |
| Commitments related to the Group operating activities | 34 371 |
| **Total Commitments received** | **1 043 371** |

### 11.1.1. Financing agreements obtained not used

The Group finances itself through equity and financial liabilities contracted by the parent company. At 31 December 2017, the Group had two confirmed undrawn credit lines negotiated within the scope of its refinancing program in June 2017, totalling 1,009 thousand euros.

#### 11.1.2. Guarantees received from tenants

Certain leases stipulate that the Group will, within the scope of its business activity as a manager of shopping malls, receive bank guarantees guaranteeing the sums owed by the tenants.

#### 11.1.3. Other guarantees received - liability guarantee

As part of the acquisition of the Italian assets, Carmila Italia received an assessment notice from the tax authorities. This tax risk is covered by a liability guarantee granted by the vendors.

### 11.2. Commitments given

**COMMITMENTS GIVEN**

| *In thousands of euros* | 31/12/2017 |
|---|---|
| Purchase commitments | 0 |
| Commitments given related to the scope of consolidation | 0 |
| Financial guarantees given | 5 389 |
| Commitments related to Group financing | 5 389 |
| Commitments under conditions precedent | 212 200 |
| Rental guarantees and deposits | 833 |
| Commitments given on swaps | 150 000 |
| Commitments related to the Group operating activities | 351 833 |
| **Total Commitments given** | **357 222** |

#### 11.2.1. Financial guarantees given

Prior to its acquisition by the Group, Financière Geric granted prime mortgages for an initial amount of 13,000 thousand euros as part of its bank financing. At 31 December 2017, the outstanding amount guaranteed was 5,389 thousand euros.

#### 11.2.2. Commitments subject to conditions precedent

The commitments subject to conditions precedent are undertakings to purchase land, assets or securities and earn-outs for previous acquisitions some of which are insufficiently certain to be recognised in the financial statements.

At 31 December 2017, the Group undertook to purchase two assets in France and in Spain, for a value, including duties/transfer taxes, of 212,200 thousand euros.

#### 11.2.3. Rental guarantees and deposits

The rental guarantees and deposits item comprises guarantees covering the operating premises of the Group and its subsidiaries as well as a guarantee to a Spanish municipality to create an access to a shopping centre.

#### 11.2.4. Commitments given on swaps

At 31 December 2017, the Group contracted swaps covering a notional value of €150 million. These swaps will only be effective in June 2018. Therefore, they have not been recognised at 31 December 2017.

### 11.3. Reciprocal commitments

These mainly involve off-plan sale contracts directly connected to development and redevelopment projects. At 31 December 2017, secured off-plan sale contracts totalled 163,208 thousand euros mainly corresponding to projects at Evreux (Phase 2), Besançon Chalezeule, Athis Mons and Nice Lingostière.

To the best of our knowledge, there has been no omission of significant off-balance-sheet commitments; or commitments which could become significant in the future in accordance with the accounting standards in force.

## 12. TRANSACTIONS WITH RELATED PARTIES

On 16 April 2014, the Carrefour Group and Carmila signed an agreement entrusting functions or services performed by both Carrefour and Carmila. The term of these agreements is set at five years, until 15 April 2019.

**France:**

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Agreement on Renovation and development - Carmila-Carrefour** | | |
| **Exclusive mandate - Carrefour Property Gestion**<br>Lease and asset management | 7 311 | 6 603 |
| **Service agreement between Carmila France and Almia Management and Carrefour Administratif France**<br>Services in the field of insurance management, legal (both corporate and litigations), tax, accounting, payroll, treasury back-office | 773 | 630 |
| **Service agreement between Carmila and Carrefour**<br>Accounting, tax, legal assistance, insurance coverage | - | 62 |
| **Service Agreement between CPF Asset Management and Carmila France**<br>Legal real estate services, human resources, management accounting, janitor services | 511 | 511 |
| **Total billed to Carmila and subsidiaries in France** | 8 595 | 7 806 |
| **Shopping mall Director mandate with Carrefour Property Gestion**<br>Agreement billed by Almia Management | -4 405 | -6 292 |
| **Exclusive mandate with Carrefour Property France, Immobilière Carrefour, Hyparlo, Sogara and Carrefour Property Development**<br>Lease negotiations and speciality leasing activity | 0 | -30 |
| **New extension or other development leases negotiation fees**<br>Billed by Almia Management | -1 599 | -27 |
| **Total billed by Carmila in France** | -6 004 | -6 349 |
| **Billing net in France (expense)** | 2 591 | 1 457 |

At 31 December 2017, these flows are reflected by a liability on Carmila's balance sheet of 2,533 thousand euros and a receivable of 1,322 thousand euros.

## Spain:

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Exclusive mandate - Carrefour Property España** | **1 860** | **1 563** |
| *Lease management* | | |
| **Service contract - Centros Comerciales Carrefour** | **558** | **555** |
| *Insurance, legal assistance, tax, accounting, cash management, IT, payroll, janitor services* | | |
| **Service contract - Carrefour Property España** | **280** | **266** |
| *Legal real estate services, management, human resources* | | |
| **Total charged to Carmila in Spain** | **2 698** | **2 384** |
| **Exclusive mandate - Carrefour Property España, Carrefour Norte, Carrefour Navarra and third parties** | **-145** | **-55** |
| *Asset management* | | |
| **Exclusive mandates - Carrefour Property España, Carrefour Navarra, Carrefour Norte and third parties** | **-613** | **-580** |
| *Marketing of premises in shopping malls* | -51 | -48 |
| *Marketing of leasable areas comprised within common areas* | -562 | -531 |
| **Total invoiced by Carmila in Spain** | **-758** | **-635** |
| **Net amount charged - Spain** | **1 940** | **1 749** |

At 31 December 2017, these flows are reflected by a liability on Carmila's balance sheet of 747 thousand euros and a receivable of 41 thousand euros.

## Italy:

| *In thousands of euros* | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Service contract with GS S.p.A. - Nichelino Project** | **381** | **306** |
| *Legal assistance, tax, accounting, technical maintenance* | | |
| **Service contract with Carrefour Property Italia S.r.l.** | **197** | **97** |
| *Management accounting, project investment, janitor services* | | |
| **Cash Management Service contract with Carrefour Italia Finance S.r.l. - Services in treasury management** | **53** | **25** |
| **Exclusive mandate with Carrefour Property Italia S.r.l.** | **626** | **729** |
| *Lease and asset management and lease negotiations* | *383* | 682 |
| *Speciality leasing* | *243* | *47* |
| **Total invoiced to Carmila in Italy (expense)** | **1 257** | **1 157** |

At 31 December 2017, these flows are reflected by a liability on Carmila's balance sheet of 1,257 thousand euros.

In addition, Carrefour and Carmila signed an agreement on the renovation and development of Carmila's assets. The draft agreement is attached to the Investors' Agreement and calls for an initial round of renovations totalling 238,500 thousand euros, of which 161,000 thousand euros to be borne by Carrefour, 74,500 thousand euros by Carmila, and 3,000 thousand euros by third-party co-occupants or co-owners.

# 13. EMPLOYEE REMUNERATION AND BENEFITS

## 13.1. Personnel costs

See Note 9.2.1.

## 13.2. Headcount

At 31 December 2017, the Carmila Group had 196 employees, including 140 in France mainly through its Almia Management subsidiary, 41 in Spain and 15 in Italy.

## 13.3. Employee benefits

Employees receive benefits during their employment (paid leave, sick leave, profit-sharing, long service awards, etc.) and defined-benefits or defined-contribution retirement payments (end-of-career severance payments, retirement benefits, etc.).

### 13.3.1. Retirement plans

**Accounting policies**

**Defined-contribution schemes**

Defined-contribution schemes are schemes whereby the company makes periodic fixed contributions to external benefit agencies that provide administrative and financial management. These schemes free the employer from any further obligation, with the agency taking responsibility for paying employees the amounts owed them (basic social security pension schemes in France, supplementary pension schemes and pension funds with fixed contributions).

These contributions are recognised as expenses when they fall due.

**Defined-benefit schemes and long-term benefits**

Carmila makes provisions for various defined-benefit schemes that depend upon individuals' accumulated years of service within the Group.

The actuarial method used for this evaluation is a prospective method that projects career-end salaries and calculates pro-rata entitlements based on years of service, a method that complies with the recommendations of IAS 19. The calculations are made by a qualified actuary.

For each active participant, the benefit likely to be paid is estimated based on the rules defined in the collective bargaining agreement or schedule in force, using personal data projected to the standard age for payment of the benefit. The company's total obligations toward each participant (actuarial value of future benefits) are then calculated by multiplying the estimated benefit by an actuarial factor, which takes into account the following:

- assumptions concerning the employee's probability of either leaving the company or dying before the age of payment of the benefit;

- the discounted value of the benefit at the valuation date.

These total benefits are then allocated over each of the past and future financial years for which the participant accrued rights under the program:

- the share of this total benefit allocated to financial years prior to the valuation date (actuarial debt or value of the obligations) corresponds to the company's obligations for "services rendered". The actuarial debt corresponds to the total obligations indicated on the balance sheet;
- the share of the total cost allocated to financial years subsequent to the valuation date (cost of services) represents the likely increase in obligations as a result of the additional year of service that the participant will have performed at the end of the financial year. Depending on their nature, charges related to the cost of services are recorded either under Operating income or under other financial income and expenses for the portion relating to interest expenses.

In accordance with IAS 19, actuarial gains and losses resulting from a change in assumptions are recorded under "Other comprehensive income".

With this method, the value of the obligations or the actuarial debt at the valuation date is obtained by distributing the total plan cost or present value of future benefits (PVFB) on a straight-line basis from the participant's employment start date to his or her retirement date.

The discount rate reflects the expected year-end yield from investment-grade (AA) euro-zone bonds with a maturity equal to the valued obligation (with reference to the rate for iBOXX Euro AA corporate bonds maturing in 10 years or more).

**Components of the net obligation**

| *In thousands of euros* | 2017 | 2016 |
|---|---|---|
| Fair value of assets in the plans | 0 | 0 |
| **Discounted value of unfunded obligations -start of a period** | **293** | **270** |
| Cost of past services | 83 | 61 |
| Net actuarial losses and gains | 31 | 40 |
| Acquisitions/Disposals | 155 | -78 |
| IFC rights outstanding | 0 | 0 |
| **Net obligation recognised in the balance sheet for defined benefit schemes** | **562** | **293** |

**Change in net obligation**

| *In thousands of euros* | 31/12/2017 |
|---|---|
| **Net obligation at start of period** | **293** |
| Pension expense recorded in income for the period | 82 |
| Contributions paid by Carmilla in the income for the period | 0 |
| Acquisitions/Disposals | 155 |
| Benefits paid to beneficiaries of unfunded benefits | 0 |
| Change in actuarial differences and other legal modifications | 31 |
| **Net obligation at end of period** | **562** |

**Components of the pension expense**

| *In thousands of euros* | 31/12/2017 |
|---|---|
| Cost of services rendered during the financial period | 80 |
| Financial cost | 8 |
| **Personnel expense for the period** | **88** |

At 31 December 2017, the Group applied the principal actuarial assumptions shown below:

- Discount rates: 1.44% (1.21% in 2016)
- Annual salary increase rate: 2.0% (+2.0% in 2016)
- Retirement age: between 166 and 172 quarters, depending on the generation.

### 13.3.2 Share-based payments

**Accounting policies**

The Group applies the provisions of *IFRS 2 "Share-based Payments*". The fair value of share-based payment rights granted to employees is determined at their grant date. It is recorded as personnel expenses, with a corresponding increase in shareholders' equity over the period when the rights were definitively vested. The amount recognised as an expense is adjusted to reflect the number of rights for which it is estimated that the non-market service and performance conditions will be met. Thus, the amount recognised as an expense *in fine* is based on the actual number of rights that fulfil the service conditions and the non-market performance conditions at the vesting date. For share-based payment rights with other conditions, the fair value measurement at the grant date reflects these conditions. The differences between the initial estimate and actuals do not give rise to any subsequent adjustments.

Under IFRS 2.11, the equity instruments granted must be measured at their fair value at the grant date using an option pricing model. The Black & Scholes method was used to simulate the fair unit value of instruments.

| *Summary of the plans* | Plan n°1 | | Plan n°2 | | Plan n°3 | |
|---|---|---|---|---|---|---|
| | France | Abroad | France | Abroad | France | Abroad |
| Date of General Meeting | 14/04/2016 | | 14/04/2016 | | 14/04/2016 | |
| Date of grant | Key employees: 15/06/2016<br>Corporate agents: 14/04/2016 | | Key employees: 15/06/2016<br>Corporate agents: 17/05/2016 | | 12/06/2017 | |
| End of vesting perioid | 31/12/2017 | 13/04/2018 | Key employees: 15/06/2018<br>Corporate officers: 14/02/2018 | | Key employees: Tranche 1: 12/06/2019<br>Tranche 2: 12/06/2020 Corporate officers: 12/06/2020 | |
| End of holding period | Key employees: 15/06/2018<br>Corporate agents: 14/04/2018 | | Key employees: 15/06/2018<br>Corporate agents: 17/05/2018 | | Key employees:<br>Tranche 1: 12/06/2019<br>Tranche 2: 12/06/2020<br>Corporate officers: 12/06/2020 | |
| Continued employment condition | The beneficiary's continued employment during the vesting period | | The beneficiary's continued employment during the vesting period | | The beneficiary's continued employment during the vesting period | |
| Performance condition | No | | Complete yield rate (CYR): Based on the revalued liquidation assets and recurring EPS: based on net consolidated current income in accordance with IFRS principles | | Complete yield rate (CYR) Based on the revalued liquidation assets and recurring EPS: based on net consolidated current income in accordance with IFRS principles | |
| **Shares initially allocated** [1] | **47 062** | **9 599** | **74 159** | **15 181** | **79 990** | **16 998** |
| Shares cancelled at 31/12/2107 | - 2 399 | - | - 4 131 | - | - | - |
| Discount for performance shares in 2017 | - | - | - | - | - | - |
| Shares vested in 2017 | - 44 663 | - | - | - | - | - |
| **Outstanding shares at 31 December 2017** | **0** | **9 599** | **70 028** | **15 181** | **79 990** | **16 998** |

| Plan n°1 | |
|---|---|
| Unit value | 7,71 € |
| Fair unit value | 7,13 € |
| **Expense for the period [4]** | **€0 k [2]** |

[2] This plan was fully provisioned in 2016 for €1,470 K

| Plan n°2 | |
|---|---|
| Unit value | 7,71 € |
| Fair unit value | 6,99 € |
| **Expense for the period [4]** | **€1,005 k** |

| Plan n°3 | |
|---|---|
| Average share price on the allocation date | 28,50 € |
| Dividend per share | 1,50 € |
| Unit value [3] | €24.68 - €23.84 |
| **Expense for the period [4]** | **€608 k** |

[2] Fully booked in 2016
[3] Respectively for key employees and company representatives
[4] The expense for the period includes social charges (20%)

The Group has three free shares plans for corporate officers and key employees in France and Spain and Italy.

The first plan was fully provisioned in 2016, with all the shares vesting at 31 December 2017 for French beneficiaries.

During the 2016, the Group set up two free shares plans for directors and some employees. The cost is spread over the vesting period (period of work to be completed by the employee prior to exercising the options granted to him or her).

There were two types of plans in effect at 31 December 2017, granted in 2016 and 2017:

- attendance plan, whose criteria relate to the presence of employees in the Group at the vesting date (31 December 2017). The number of options initially allocated is 56,661 (the maximum number of shares allocated after taking the merger parity into account);
- performance plan that incorporates, as well as the presence criterion outlined above, the fulfilment of conditions relating to the Group's financial performance. Of these performance plans:
  - 50% relates to the fulfilment of conditions linked to the change in the full yield in 2017 (based on the NNNAV indicator as defined by EPRA) versus a comparable panel of real estate companies,
  - 50% relates to the fulfilment of conditions relating to *the change in* recurring earnings per share (see management report) in 2017 compared with the original subscription price.

  The number of options allocated was 89,340 in 2016 and 96,988 in 2017 (the maximum number of shares allocated after taking the merger parity into account)

These benefits granted were accordingly spread over the allotment period and recognised in personnel expenses for 1,613 thousand euros, with a corresponding increase in equity of 1,344 thousand euros and social liabilities of 269 thousand euros (a 20% social charges flat fee) for the 2017 financial year

# 14. ADDITIONAL INFORMATION

## 14.1. Relations with the statutory auditors

| *In thousands of euros* | KPMG | | | | Deloitte | | | | Other | | | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Statutory auditors | | Network | | Statutory auditors | | Network | | Statutory auditors | | Network | | Statutory auditors | Network |
| | 31/12/2017 | % | 31/12/2017 | % | 31/12/2017 | % | 31/12/2017 | % | 31/12/2017 | % | 31/12/2017 | % | 31/12/2017 | 31/12/2017 |
| **Certification of individual and consolidated financial statements and limited half yearly examination** | 358 | 47% | 130 | 100% | 127 | 67% | 107 | 100% | 26 | 68% | - | 0% | 511 | 237 |
| Carmila S.A. | 132 | 17% | - | 0% | 76 | 40% | - | 0% | - | 0% | - | 0% | 208 | - |
| Fully consolidated subsidiaries | 226 | 30% | 130 | 100% | 51 | 27% | 107 | 100% | 26 | 68% | - | 0% | 303 | 237 |
| | | | | | | | | | | | | | | - |
| **Services other than certifying the financial statements** | 402 | 53% | - | 0% | 62 | 33% | - | 0% | 12 | 32% | - | 0% | 476 | - |
| Carmila S.A. [1] | 402 | 53% | - | 0% | 62 | 33% | - | 0% | 12 | 32% | - | 0% | 476 | - |
| Fully consolidated subsidiaries | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% | - | - |
| **Total fees** | 760 | 100% | 130 | 100% | 189 | 100% | 107 | 100% | 38 | 100% | 0 | 0% | 987 | 237 |

(1) In 2017, these fees are mainly connected to the services and works performed within the scope of the Cardety-Carmila merger (End-of-work letters, report on pro forma information, report on the forecasts, report on CSR information) and within the scope of operations on the share capital (comfort letter).

## 14.2. Subsequent events

On 2 February 2018, the Group announced the acquisition from the Klépierre group of two leading shopping centres adjoining large STRONG Carrefour hypermarkets in Marseille-Vitrolles and Madrid, for 212,200 thousand euros, and which is consistent with its development strategy.

# 15. LIST OF CONSOLIDATED COMPANIES

| List of consolidated companies<br>Fully consolidated companies | Country | % interest<br>December 2017 | December 2016 | Change | % control<br>December 2017 | December 2016 | Change |
|---|---|---|---|---|---|---|---|
| **FRANCE** | | | | | | | |
| Carmila SA | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila France SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Almia Management SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI du Centre Commercial de Lescar | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI de l'Arche | France | 50,00% | 50,00% | - | 50,00% | 50,00% | - |
| SCI des Pontots | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Anglet | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Coquelles | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Labège | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Orléans | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Dominique | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Bourges | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Sothima | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Hyparmo SARL | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Bay 1 Bay 2 SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Financière GERIC SA | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SAS Louwifi | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Crèches sur Saone SAS | France | 100,00% | 0,00% | 100% | 100,00% | 0,00% | 100% |
| SAS Carmila Evreux | France | 100,00% | 0,00% | 100% | 100,00% | 0,00% | 100% |
| Carmila France SAS | France | 100,00% | 0,00% | 100% | 100,00% | 0,00% | 100% |
| **SPAIN** | | | | | | | |
| Carmila España SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Santiago SLU | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Talavera SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Huelva SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Mallorca SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| **ITALY** | | | | | | | |
| Carmila Holding Italia Srl | Italy | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Italia Srl | Italy | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Assago SRL | Italy | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Grugliasco SRL | Italy | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Limbiate SRL | Italy | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Milano Nord SRL | Italy | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Galleria Commerciale Nichelino SRL | Italy | 100,00% | 50,10% | 49,90% | 100,00% | 50,10% | 49,90% |

| List of consolidated companies<br>Equity accounted companies | Country | % interest<br>December 2017 | December 2016 | Change | % control<br>December 2017 | December 2016 | Change |
|---|---|---|---|---|---|---|---|
| AS Cancelas | Spain | 50,00% | 50,00% | - | 50,00% | 50,00% | - |
| Carmila Thiene SRL | Italy | 50,10% | 50,10% | - | 50,10% | 50,10% | - |

| List of deconsolidated companies in 2017 | Country | % interest<br>December 2017 | December 2016 | % control<br>December 2017 | December 2016 | Comments |
|---|---|---|---|---|---|---|
| SNC GERIC | France | - | 100,00% | - | 100,00% | Merger |