MERGER BY ABSORPTION OF

BY

DOCUMENT PREPARED IN REFERENCE TO THE MERGER BY ABSORPTION OF CARMILA BY CARDETY

Appendix to the reports of the Board of directors of Cardety and the Chairman of Carmila
to their general shareholders' meetings convened on June 12, 2017

VISA OF THE *AUTORITÉ DES MARCHÉS FINANCIERS*

In accordance with its General Regulation and in particular Article 212-34, the French financial markets authority (*Autorité des marchés financiers* – AMF) registered the French version of this document under number E.17-040 on May 5, 2017. The French version of this document was prepared by the issuer and is binding on its signatories.

In accordance with Article L. 621-8-1-I of the French Monetary and Financial Code (*Code monétaire et financier*), the registration number was granted after the AMF had verified that this document is complete and comprehensible and that the information it contains is consistent. It does not imply that the AMF approves the advisability of the transaction or that it has verified the accounting and financial information presented therein.

It certifies that the information contained in this document is consistent with the regulatory requirements for the subsequent admission to trading on Euronext Paris of the shares of Cardety which, subject to the approval of Cardety and Carmila's general shareholders' meetings, will be issued as consideration for the contribution.

The notice of Cardety's general shareholders' meeting containing the draft resolutions to be put to shareholders' vote will be published in the *Bulletin des Annonces Légales Obligatoires* (BALO) dated May 8, 2017.

This document incorporates by reference the reference document of Cardety filed with the AMF on April 25, 2017 under no. D.17-0428 (the "**2016 Cardety Reference Document**").

This document is available to shareholders free of charge at the registered offices of Cardety and Carmila as well as on the websites of Cardety (www.cardety.com), Carmila (www.carmila.com) and the AMF (www.amf-france.org).

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SUMMARY OF THE DOCUMENT

Document registered with the AMF under no. E.17-040 on May 5, 2017

This summary should be read as an introduction to this document. Any decisions to invest in the financial instruments that are the subject of the transaction described herein should be based on a comprehensive review of this document. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor may, depending on the national legislation of the EU Member States or parties to the European Economic Area agreement, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have presented the summary, including its translation, and have asked to be notified thereof within the meaning of Article 212-41 of the general regulations of the AMF (the "**AMF General Regulation**"), but only if the summary is misleading, inaccurate or inconsistent with respect to with the other parts of this document or when the summary does not provide when read together with the other parts of this document key information helping investors when considering whether to invest in said financial instruments.

In this document, the term "**Cardety**" refers to Cardety and the "**Carmila Group**" refers to Carmila and its consolidated subsidiaries as a whole. The term "**New Carmila**" refers to Cardety following the merger between Cardety and Carmila. The term "**New Carmila Group**" refers to New Carmila, its consolidated subsidiaries and holdings as a whole.

1. SUMMARY OF THE MAIN TERMS AND CONDITIONS OF THE MERGER BY ABSORPTION OF CARMILA BY CARDETY (THE "MERGER")

Purpose
The purpose of the proposed Merger between Cardety and Carmila is to create a major real estate company in the business of managing and enhancing the value of shopping centers and retail parks anchored by the stores of the Carrefour Group, a worldwide leader in retail. The combined portfolio of the new group will also make it possible to expand Cardety's offering to the retail brands in Carmila's portfolio and vice versa. As a result of the proposed Merger, Carmila will also have the support of a listed real estate company, which will give it access to new sources of financing to develop business and the common strategy of the New Carmila Group.
Exchange Terms
The exchange ratio has been set at one (1) Cardety share per three (3) Carmila shares.
Shares to be Issued
In consideration for the Merger, Cardety will issue 104,551,551 new shares with a par value of 6 euros each, for the benefit of Carmila shareholders. A request will be made for the admission of the new shares to trading on Compartment A of the regulated market of Euronext in Paris ("**Euronext Paris**").

Shareholder structure of Cardety and Carmila

- *Shareholder structure of Cardety as at March 31, 2017*

Shareholders	Number of shares	Percentage of share capital and voting rights[4]
Carrefour (CRFP 13) [1]	1,856,167	43.00%
Delta Immo – Swiss Life REIM [2]	832,065	19.28%
SwissLife DynaPierre – Swiss Life REIM [2]	85,960	1.99%
Sub-total: Delta Immo and SwissLife DynaPierre, together	*918,025*	*21.27%*
Charles de Gaulle Neuilly – Primonial REIM [3]	832,065	19.28%
Primonial CapImmo [3]	184,733	4.28%
Sub-total: Charles de Gaulle Neuilly – Primonial REIM Primonial CapImmo, together	*1,016,798*	*23.56%*
Public	516,788	11.96%
Treasury shares	8,900	0.21%
TOTAL	**4,316,678**	**100%**

[1] Including shares held by members of the Board of directors pursuant to simple loans of shares ("*prêts de consommation d'actions*") entered into with CRFP 13.
[2] Delta Immo – Swiss Life REIM and SwissLife Dynapierre – Swiss Life REIM have declared that they are acting in concert.
[3] Charles de Gaulle Neuilly – Primonial REIM and Primonial CapImmo have declared that they are acting in concert.
[4] Theoretical voting rights (total number of voting rights attached to the total number of shares, including treasury shares and shares without voting rights).

- *Shareholder structure of Carmila as at March 31, 2017*

Shareholders	Number of shares	Percentage of share capital and voting rights
CRFP 15 (Carrefour)[1]	133,059,201	42.42%
Colkart[2]	41,641,819	13.28%
CAA Kart 2[3]	36,506,840	11.64%
C Commerce 2[4]	35,015,557	11.16%
SAS Sogecar 2[5]	18,999,061	6.06%
LVS II France II SAS[6]	18,999,061	6.06%
SAS Kart-One[7]	17,507,778	5.58%
Kart SBS SAS 2[8]	6,578,954	2.10%
Kartam Associée[9]	5,065,266	1.61%
Managers and employees[10]	281,157	0.09%
TOTAL	**313,654,694**	**100%**

[1] CRFP 15 is controlled by Carrefour.
[2] Colkart is controlled by Colony.
[3] CAA Kart 2 is controlled by Predica.

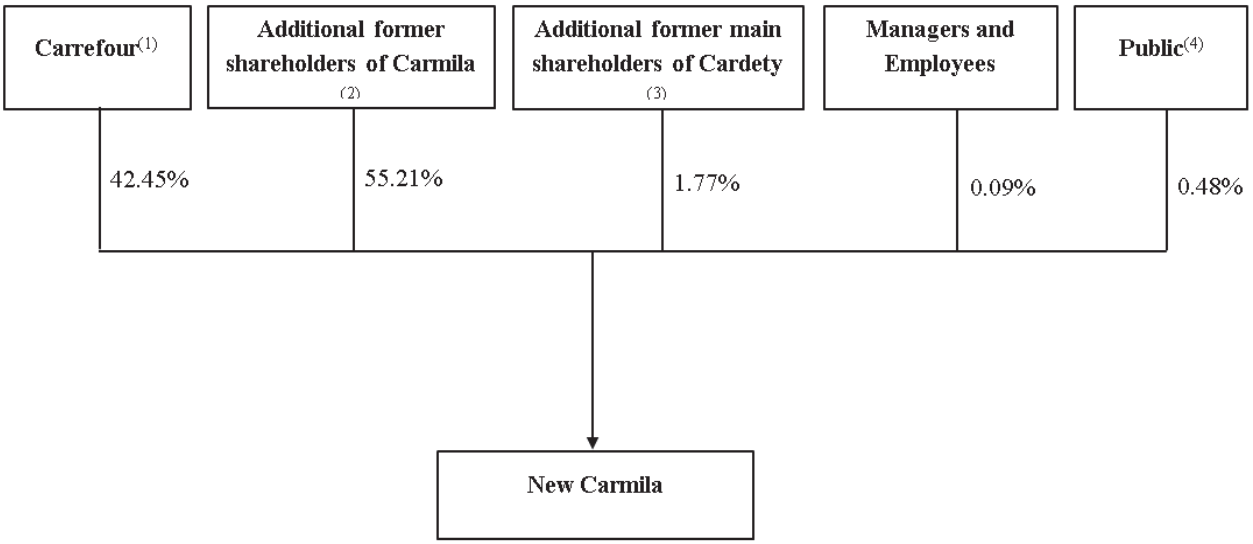
(4) C Commerce 2 is controlled by Cardif.
(5) SAS Sogecar 2 is controlled by Sogecap.
(6) LVS II France II SAS is controlled by Pimco.
(7) SAS Kart-One is controlled by Axa.
(8) Kart SBS SAS 2 is controlled by Blue Sky Group.
(9) Kartam Associée is controlled by Amundi.
(10) These shares were subscribed by certain senior executives and employees of the Carmila Group in connection with a capital increase reserved for employees.

- *Post-Merger shareholder structure*

Shareholders	Number of shares	Percentage of share capital and voting rights
CRFP 13 (Carrefour) (1)	46,209,234	42.45%
Colkart(2)	13,880,606	12.75%
CAA Kart 2(3)	12,168,946	11.18%
C Commerce 2(4)	11,671,852	10.72%
SAS Sogecar 2(5)	6,333,020	5.82%
LVS II France II SAS(6)	6,333,020	5.82%
SAS Kart-One(7)	5,835,926	5.36%
Kart SBS SAS 2(8)	2,192,984	2.01%
Kartam Associée(9)	1,688,422	1.55%
Primonial (10)	1,016,798	0.93%
Swiss Life(11)	918,025	0.84%
Treasury shares	8,900	0.01%
Managers and employees	93,708	0.09%
Free float	516,788	0.47%
TOTAL	108,868,229	100.00%

(1) Following the simplification of the shareholding structure at the time of the merger, this interest will be held through CRFP 13 SAS, a company controlled by Carrefour.
(2) Colkart is controlled by Colony.
(3) CAA Kart 2 is controlled by Predica.
(4) C Commerce 2 is controlled by Cardif.
(5) SAS Sogecar 2 is controlled by Sogecap.
(6) LVS II France II SAS is controlled by Pimco.
(7) SAS Kart-One is controlled by Axa.
(8) Kart SBS SAS 2 is controlled by Blue Sky Group.
(9) Kartam Associée is controlled by Amundi.
(10) Interest held by Charles de Gaulle Neuilly and CapImmo, who have declared that they are acting in concert.
(11) Interest held by Delta Immo and SwissLife Dynapierre, who have declared that they are acting in concert.

The simplified organizational chart below shows the shareholder structure of New Carmila after the Merger, in percentage of share capital and theoretical voting rights.



(1) In particular through its direct subsidiary, CRFP 13.
(2) I.e. entities controlled by Colony, Predica, Cardif, Sogécap, Pimco, Axa, Blue Sky Group and Amundi, respectively.
(3) I.e. entities controlled by Primonial and Swiss Life, respectively.
(4) Including treasury shares.

Assessment of the exchange ratio

The exchange ratio of one (1) Cardety share per three (3) Carmila shares is the result of negotiations between the parties and is within the range of ratios derived from a multi-criteria analysis based on assessment methods commonly used and appropriate for the contemplated transaction, taking into account the intrinsic characteristics of the sector and of Cardety and Carmila, in particular.

The following assessment methods were used on a primary basis:

- the adjusted historical net asset method,
- the adjusted dynamic net asset method, and
- the future dividend discount model method.

The following assessment methods were used on a secondary basis:

- the historical and forecasted current cash flows per share method,
- the comparable transactions method, and
- the comparable trading multiples method.

The following table provides a summary of the ratios obtained from the various methods used:

METHOD USED	RESULTING RATIO *(in Carmila shares for 1 Cardety share)*	PREMIUM/(DISCOUNT) FOR THE CARDETY SHAREHOLDERS (premium resulting from the 3 Carmila shares per 1 Cardety share ratio used in relation to the ratios resulting from the valuation methods used)
ON A PRIMARY BASIS		
Historical NAV		
EPRA NAV at 31/12/2016 – Adjusted Triple net EPRA NAV at 31/12/2016 - Adjusted	2.84 2.97	+5.7% +1.0%
"Dynamic" NAV		
Based on EPRA NAV at 31/12/2016 adjusted	2.75	+9.2%
Dividend discount model		
Method 1: 2017-2021 companies projections Method 2: standard distribution rate over the 2017-2021 period	2.96-3.38 2.67-3.08	+1.4% / -11.2% +12.4% / -2.7%
ON A SECONDARY BASIS		
Current cash flows		
2018-2021 data	2.62-3.53	+14.5% / -15.0%
Comparable transactions		
Premium on most recent EPRA NAV Premium on most recent triple net EPRA NAV	2.85 3.01	+5.4% -0.4%
Comparable trading multiples		
Premiums on EPRA NAV Current cash flow multiples	2.57-2.90 2.28	+16.7% / +3.4% +31.3%

Conclusions of the French independent merger appraisers ("*commissaires à la fusion*")	
On the value of contributions	In their report on the value of contributions dated May 3, 2017, the independent merger appraisers concluded that: "*On the basis of our work and as of the date of this report, we consider that the value of contributions used, which is €2,556,207,649.20, is not overestimated and that, consequently, net contributed assets are at least equal to the amount of the capital increase of the Absorbing Company, with the addition of the merger premium*."
On the consideration for the contributions	In their report on the consideration for the contributions dated May 3, 2017, the independent merger appraisers concluded that: "*On the basis of our work and as of the date of this report, we consider that the exchange ratio of 1 CARDETY share for 3 CARMILA shares, approved by the participating companies, is fair*."

Retroactive date of the transaction, conditions precedent and date of completion of the Merger

The Merger will have retroactive effect as of January 1, 2017.

The completion of the Merger is subject to the satisfaction of the following main conditions precedent (unless Cardety and Carmila mutually decide to waive them):

- approval of the Merger by Cardety's general shareholders' meeting;
- approval of the Merger by Carmila's general shareholders' meeting;
- obtaining the requested confirmations from the tax authorities in France (obtained before the date of registration of this document) and Spain;
- obtaining the decision from the AMF granting Carrefour a waiver of the obligation to file a proposed tender offer on Cardety's shares as a result of the Merger, pursuant to the provisions of Articles 234-9 and 234-10 of the AMF General Regulation, should the transactions contemplated in connection with the Merger lead to such an obligation; and
- consultation of Carmila's bondholders.

Under the terms of the merger agreement, the parties' commitments to the Merger no longer apply if the conditions precedent are not met by December 31, 2017.

As of today, it is planned to hold Carmila's general bondholders' meetings (on first notice) on May 24, 2017 and Cardety and Carmila's general shareholders' meetings called to approve the Merger on June 12, 2017.

The Merger and resulting dissolution of Carmila will be completed, from a legal standpoint, on the date on which the last of the above-mentioned conditions precedent is satisfied (or, if applicable, the date on which Carmila and Cardety mutually decide to waive them). However, Cardety's general shareholders' meeting or Board of directors may decide to consider that the completion date falls between the date on which the conditions precedent are satisfied (or, if applicable, the date on which Carmila and Cardety mutually decide to waive them) and the fifteenth (15th) business day following the date of satisfaction of the conditions precedent.

2. SUMMARY OF THE MAIN CHARACTERISTICS OF THE ABSORBING COMPANY

General information about Cardety
Cardety is a *société anonyme* with a board of directors registered with the Nanterre Trade and Companies Register under number 381 844 471.
Information about Cardety's business
Cardety is a real estate company in the business of managing and enhancing the value of shopping centers anchored by the stores of the Carrefour Group, a worldwide leader in retail. A more detailed description of Cardety's business is provided in Chapter 6 of the 2016 Cardety Reference Document.

3. SUMMARY OF THE MAIN CHARACTERISTICS OF THE ABSORBED COMPANY

General information about Carmila
Carmila is a *société par actions simplifiée* registered with the Nanterre Trade and Companies Register under the number 798 904 025.
Information about Carmila's business
Carmila is a real estate company in the business of managing and enhancing the value of shopping centers anchored by the stores of the Carrefour Group, a worldwide leader in retail. A more detailed description of Carmila's business is provided in Chapter 6 of Appendix II to this Document E.

4. SUMMARY OF THE MAIN RISK FACTORS

The risk factors associated with Cardety and Carmila and their business are described, respectively, (i) in paragraph 5 of the management report of Cardety's Board of directors, provided in Chapter 9.2 of the 2016 Cardety Reference Document and Chapter 4 of the 2016 Cardety Reference Document and (ii) in Chapter 4 of Appendix II to this document, with respect to Carmila, and include the following risks, in particular:

Risk factors relating to Cardety

Risks relating to the economic and competitive environment

- Cardety's business growth could be significantly affected by negative uncertainties in a number of macroeconomic cyclical factors in France, in a changing political context.

- Given the high level of maturity and competition in the market in which it operates, Cardety may not be able to carry out future projects, and in particular certain projects relating to acquisitions of commercial real estate assets that it may wish to undertake.

Financial and market risks

- The value of Cardety's assets is subject to risks associated with its indebtedness and to fluctuating interest rate risk.

- Failure to comply with a financial covenant would result in an early repayment of Cardety's financing agreement.

- In the context of its bank loan, Cardety granted a mortgage on operated and development investment properties that it owns.

Risks relating to acquisitions and disposals

- Any acquisition/disposal of commercial real estate assets involves certain risks that Cardety may not be able to properly evaluate.

Risks relating to the operation of commercial real estate assets

- Cardety's business and operating results could be affected in case of difficulties in the marketing of commercial real estate assets that it holds or will hold in the future.

- It cannot be excluded that, when the leases are renewed, Cardety faces an adverse market and/or regulatory context for the lessors and, in case of renewal of the lease at its due date, Cardety cannot guarantee that it will be able to quickly re-lease its assets and on satisfactory terms.

Risks relating to constraints under the tax regime applicable to Listed Real Estate Investment Companies (Sociétés d'Investissement Immobilier Cotées, or "SIIC"), to a potential change to the rules applicable to that regime, or to the loss of this SIIC status.

- In the event of non-compliance with certain obligations and requirements imposed by law, the SIIC tax regime applicable to Cardety could be challenged.

Risk factors relating to Carmila

Risks relating to the Group's industry

- The New Carmila Group is subject to risks relating to unfavorable changes in macroeconomic conditions in

the countries in which it operates.

- A downturn in the commercial real estate market could have a negative impact on the valuation of the New Carmila Group's real estate assets and rental income.

- The New Carmila Group's real estate assets are concentrated in France, Spain and Italy.

- The New Carmila Group could be unable to anticipate, identify and keep up with changes in the commercial real estate market, or to invest with commercial success in new services and technologies.

Risks relating to the New Carmila Group's business

- The New Carmila Group's investment policy and the success of its development strategy rely on its partnership with the Carrefour Group.

- Customer traffic at the New Carmila Group's shopping centers relies on the presence and attractiveness of the Carrefour Group's hypermarkets.

- The New Carmila Group is subject to the risk of a decrease in the number of visitors to its shopping centers.

- The New Carmila Group is subject to risks in carrying out renovation, restructuring and expansion projects at its shopping centers as well as to risks relating to the acquisition of shopping centers.

- The New Carmila Group is subject to the risk of decreased occupancy rates at its shopping centers.

- Appraisals of the Group's portfolio may not reflect the actual amount that the New Carmila Group would receive if it sold the properties, and the valuation of its assets may vary from one period to the next.

- The New Carmila Group could be unable to maintain its relationships with major retailers or to establish new relationships with other large retailers on satisfactory terms.

- The Carmila Group relies on the Carrefour Group for necessary support functions, which are provided under agreements with Carrefour Group entities.

Risks relating to the financial condition and financing policy of the New Carmila Group

- The New Carmila Group's significant indebtedness could affect its ability to pay its debts and conduct its business.

- The Carmila Group is subject to restrictive covenants under its financing agreements, which could impair its ability to conduct its business.

- The Group is subject to risks relating to a downgrade in its debt ratings.

- The New Carmila Group's ability to raise funds could be limited.

Regulatory, legal and tax risks

- The New Carmila Group's business is subject to numerous regulations that could change in the future.

- The New Carmila Group will be subject to risks in France relating to restrictions under the tax regime applicable to SIIC, to a potential change in the rules under that regime, or to the loss of its status under the

regime.

- The New Carmila Group is also subject to market risks, in particular interest rate risk and liquidity risk.

Risk factors relating to the transaction

These risk factors are described in paragraph 3.1 of this document and are summarized as follows:

- The issuance of new shares in connection with the Merger will dilute the holdings of Cardety's existing shareholders.

- The number of new Cardety shares issued in connection with the Merger will not vary based on the evolution of Cardety's share price.

- Shareholders may wish to sell new shares issued in connection with the Merger.

- Any delay in the completion of the Merger may reduce its expected benefits.

- Certain agreements may be terminated as a result of the Merger.

- New Carmila's revenues and financial condition may be materially different from those presented in the unaudited pro forma consolidated financial information relating to Carmila's integration within Cardety.

- The completion of the Merger may affect Cardety's share price.

5. SELECTED PRO FORMA FINANCIAL INFORMATION

Pro forma financial information

For the purposes of the unaudited consolidated pro forma financial information (the "**Unaudited Consolidated Pro Forma Financial Information**") and pursuant to IFRS 3, Carmila is considered the acquirer of Cardety which is, from a legal standpoint, the acquiring company.

The Unaudited Consolidated Pro Forma Financial Information was prepared for the fiscal year ended December 31, 2016 in order to illustrate the impact that the Merger of Carmila and Cardety would have had on the consolidated income statement of the New Carmila Group if the Merger had been completed on January 1, 2016 and on the consolidated balance sheet of the New Carmila Group if the Merger had been completed on December 31, 2016.

The Unaudited Consolidated Pro Forma Financial Information is included in Section 20.2, *"Financial information concerning the assets, financial position and results of the Company – Unaudited consolidated pro forma financial information"* of Appendix II to this document. By its nature, the Unaudited Consolidated Pro Forma Financial Information, which was prepared for informational purposes only, relates to a hypothetical situation and therefore does not purport to represent the New Carmila Group's financial condition or results of operations. It should not in any way be considered an indication of future results or financial condition.

The statutory auditors of the New Carmila Group have issued a report on the Pro Forma Financial Information, which is included in Section 20.2 *"Financial information concerning the assets, financial position and results of the Company – Unaudited consolidated pro forma financial information"* of Appendix II to this document.

Selected unaudited pro forma income statement data of the New Carmila Group

(in € millions except per share data)	**Fiscal year ended December 31, 2016**
Gross rental income	282.2
Net rental income	258.5
Operating income (before change in fair value and share of net income of equity-accounted companies)	217.2
EBITDA (excluding fair value adjustments) [1]	218.9
Balance of fair value adjustments on investment properties	183.3
Operating income	406.6
Net financial income (expense)	(50.6)
Net income, Group share	326.4
Net income per share	3.0
EPRA Net income[2]	166.3
EPRA Net income per share[2,3]	1.5
Recurring earnings[4]	176.6

[1] For the definition of EBITDA (excluding fair value adjustments) and a reconciliation to the most comparable IFRS measure, see Section 10.6 "Performance measures" and note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2 *"Financial information concerning the assets, financial position and results of the Company – Unaudited consolidated pro forma financial information"* of Appendix II to this document.

[2] For the definition of "EPRA Net income," see Section 10.6, "Performance Measures" and note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2 *"Financial information concerning the assets, financial position and results of the Company – Unaudited consolidated pro forma financial information"* of Appendix II to this document.

[3] End of period on a diluted basis, on the basis of 109,014,868 shares pro forma as of December 31, 2016.

[4] Recurring earnings is equal to EPRA Net income excluding certain non-recurring items. See Note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2 *"Financial information concerning the assets, financial position and results of the Company – Unaudited consolidated pro forma financial information"* of Appendix II to this document.

Selected unaudited pro forma consolidated balance sheet data of the New Carmila Group

(in € millions)	**As of December 31, 2016**
Investment properties (gross asset value excluding transfer taxes)	4,979.9
Cash and cash equivalents	73.6
Financial debt (current and non-current)	2,230.0
Shareholders' equity (group share)[1]	2,687.7

[1] Net of the balance of dividends remaining to be paid for fiscal year 2016.

Selected unaudited pro forma financial information by sector of the New Carmila Group

(in € millions)	**Fiscal year ended December 31, 2016**	**%**
Gross rental income	282.2	
France	*207.7*	73.6%
Spain	*55.3*	19.6%
Italy	*19.2*	6.8%

Investment properties (gross asset value excluding transfer taxes)[1]	4,979.9	
France	*3,711.6*	74.5%
Spain	*980.0*	19.7%
Italy	*288.3*	5.8%

[1] Excluding investments in equity-accounted companies and other non-current assets.

Selected unaudited pro forma financial information relating to key pro forma indicators and ratios of the New Carmila Group on a pro forma basis

(in € millions, except for ratios and per-share amounts)	**As of, or for fiscal year ended, December 31, 2016**
EBITDA (excluding fair value adjustments)[1]	218.9
Investments	481.0
Acquisitions	*355.5*
Renovations	*22.1*
Expansions	*76.8*
Restructurings[2]	*20.3*
Maintenance	*6.2*
Other	*0.1*
Net financial debt	2,156.3
Gross financial debt	2,230.0
Loan-to-Value Ratio (LTV)[3]	40.5%
Interest Coverage Ratio (ICR)[4]	4.4x
Cost ratio (EPRA)[5]	16.6%
Net asset value (EPRA), excluding transfer taxes[6]	2,817.9
Net asset value (EPRA), excluding transfer taxes, per share[7]	25.85
Appraised value (including transfer taxes, excluding works in progress)	5,226.3
Gross asset value (including transfer taxes, including works in progress)	5,320.9

[1] For the definition of EBITDA (excluding fair value adjustments) and a reconciliation to the most comparable IFRS measure, see Section 10.6, "Performance Measures" and Note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2 *"Financial information concerning the assets, financial position and results of the Company – Unaudited consolidated pro forma financial information"* of Appendix II to this document.
[2] Includes technical plant, machinery and equipment for an amount of €1.5 million.
[3] LTV including transfer taxes and including works in progress: ratio between the value of the investment properties, including transfer taxes and works in progress, and net financial debt.
[4] Ratio of EBITDA (excluding fair value adjustments) to net financial costs.
[5] Cost ratio (EPRA) corresponds to the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administrative expenses as a percentage of gross rental income.
[6] Net of the balance of dividends remaining to be paid for fiscal year 2016.
[7] End of period on a diluted basis, on the basis of 109,014,868 shares pro forma as of December 31, 2016.

6. INDICATIVE TIMETABLE OF THE TRANSACTION

March 2, 2017	Approval of the memorandum of understanding relating to the Merger by the respective

	Boards of directors of Cardety and Carmila
March 2, 2017	Announcement of the signing of the memorandum of understanding relating to the Merger
March 21, 2017	Appointment of the independent merger appraisers
March 31, 2017	Approval of the proposed merger agreement by the respective Boards of directors of Cardety and Carmila
April 4, 2017	Signing of the merger agreement
May 3, 2017	Independent merger appraisers' reports
June 12, 2017	Cardety and Carmila's respective general shareholders' meetings called to approve the Merger

1 Persons responsible for the document and the audit of the financial statements

1.1 For Cardety

1.1.1 Person responsible for the document

Thomas Hainez
CEO of Cardety

1.1.2 Certification by the person responsible for the document

"*I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this document that relates to Cardety is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its meaning.*

I have obtained a completion letter from Cardety's statutory auditors affirming that they have verified the information concerning Cardety's financial position and financial statements provided in this document, and have read all of the information contained in this document.

Cardety's statutory auditors have prepared a report on Cardety's pro forma financial information as of December 31, 2016, reflecting in particular the merger of Carmila and included in this document. Such report is provided in Section 20.2 of Appendix II to this document."

Thomas Hainez, CEO of Cardety

1.1.3 Persons responsible for the audit of the financial statements

- **Principal statutory auditors:**

  Deloitte & Associés, 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine

  KPMG S.A., 2, avenue Gambetta (Tour Eqho), 92066 Paris La Défense Cedex

- **Substitute statutory auditors:**

  BEAS, 7-9, villa Houssay, 92200 Neuilly-sur-Seine

  Salustro Reydel, 2, avenue Gambetta (Tour Eqho), 92066 Paris La Défense Cedex

1.1.4 Person responsible for the information

Thomas Hainez
CEO of Cardety

1.2 For Carmila

1.2.1 Person responsible for the document

Jacques Ehrmann
Chairman of Carmila

1.2.2 Certification by the person responsible for the document

"*I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this document that relates to Carmila (including pro forma financial information relating to Carmila provided in Cardety's pro forma financial information) is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its meaning*

I have obtained a completion letter from Carmila's statutory auditors affirming that they have verified the information concerning Carmila's financial position and financial statements provided in this document, and have read all of the information contained in this document."

Jacques Ehrmann, Chairman of Carmila

1.2.3 Persons responsible for the audit of the financial statements

- **Principal statutory auditors:**

  KPMG Audit ID, 2, avenue Gambetta (Tour Eqho), 92066 Paris La Défense Cedex

  Exco Paris Ace, 5, avenue Franklin Roosevelt, 75008 Paris

- **Substitute statutory auditors:**

  KPMG Audit IS, 2, avenue Gambetta (Tour Eqho), 92066 Paris La Défense Cedex

  Arnaud Dieumegard, 5, avenue Franklin Roosevelt, 75008 Paris

1.2.4 Person responsible for the information

Patrick Armand

Chief Financial Officer of Carmila

2 Information regarding the transaction and its consequences

2.1 Economic aspects of the Merger

2.1.1 Pre-existing ties between the companies

(a) Share capital ties

There are no share capital ties between Carmila and Cardety.

Carrefour is the main shareholder of Cardety and Carmila and holds 43% and 42.42% of their share capital and theoretical voting rights, respectively.

(b) Mutual security interests

None.

(c) Members of the Boards of directors in common

Mr. Francis Mauger and Mr. Jacques Ehrmann are members of the Board of directors of Cardety. Mr. Jacques Ehrmann is Chairman of Carmila; he is also, as well as Mr. Francis Mauger, a member of the statutory Board of directors of Carmila.

(d) Joint subsidiaries and dependency towards the same group

Cardety and Carmila have no joint subsidiaries as of the date of this document.

(e) Main technical or commercial agreements

N/A.

2.1.2 Reasons for and purposes of the transaction

The purpose of the proposed Merger between Cardety and Carmila is to create a major real estate company in the business of managing and enhancing the value of shopping centers and retail parks anchored by the stores of the Carrefour Group, a worldwide leader in retail.

The combined portfolio of the new group will also make it possible to expand Cardety's offering to the retail brands in Carmila's portfolio and vice versa.

As a result of the proposed Merger, Carmila will also have the support of a listed real estate company, which will give it access to new sources of financing to develop business and the common strategy of the New Carmila Group.

2.2 Legal aspects of the transaction

2.2.1 General description of the transaction

The transaction consists of a merger by absorption of Carmila by Cardety.

(a) Date of the proposed merger agreement

The proposed merger agreement was signed on April 4, 2017.

(b) Date of approval of the financial statements used to determine the value of the contributions

The terms and conditions of the Merger were established by Cardety and Carmila on the basis of Cardety and Carmila's financial statements approved as of December 31, 2016, the year-end date of each of the companies' most recent financial year.

Cardety's annual financial statements were approved by its Board of directors and certified by its statutory auditors. They will be submitted to Cardety's general shareholders' meeting for approval on May 18, 2017.

Carmila's annual financial statements were approved by its Chairman and certified by its statutory auditors. They will be submitted to Carmila's general shareholders' meeting for approval on May 4, 2017.

(c) Retroactive date of the transaction, conditions precedent and date of completion of the Merger

Pursuant to the provisions of Article L. 236-4 2° of the French Commercial Code, the Merger will have retroactive effect as of January 1, 2017, such that the results of all transactions carried out by Carmila from January 1, 2017 to the date of completion of the Merger will be exclusively recorded as profits or losses of Cardety since these transactions will be considered to have been carried out by Cardety.

The completion of the Merger is subject to the satisfaction of the following main conditions precedent (unless Cardety and Carmila mutually decide to waive them):

- approval of the Merger by Cardety's general shareholders' meeting;
- approval of the Merger by Carmila's general shareholders' meeting;
- obtaining the requested confirmations from the tax authorities in France (obtained before the date of registration of this document) and Spain;
- obtaining the decision from the AMF granting Carrefour a waiver of the obligation to file a proposed tender offer on Cardety's shares as a result of the Merger, pursuant to the provisions of Articles 234-9 and 234-10 of the AMF General Regulation, should the transactions contemplated in connection with the Merger lead to such an obligation; and
- consultation of Carmila's bondholders.

Under the terms of the merger agreement, the parties' commitments to the Merger no longer apply if the conditions precedent are not met by December 31, 2017.

As of today, it is planned to hold Carmila's general bondholders' meetings (on first notice) on May 24, 2017 and Cardety and Carmila's general shareholders' meetings called to approve the Merger on June 12, 2017.

The Merger and resulting dissolution of Carmila will be completed, from a legal standpoint, on the date on which the last of the above-mentioned conditions precedent is satisfied (or, if applicable, the date on which Carmila and Cardety mutually decide to waive them). However, Cardety's general shareholders' meeting or Board of directors may decide to consider that the completion date falls between the date on which the conditions precedent are satisfied (or, if applicable, the date on which

Carmila and Cardety mutually decide to waive them) and the fifteenth (15th) business day following the date of satisfaction of the conditions precedent..

(d) Meeting dates of Cardety's and Carmila's respective Board of directors having approved the transaction

The proposed Merger agreement was considered and approved by Cardety's Board of directors during its meeting held on March 31, 2017, by Carmila's Board of directors during its meeting held on March 31, 2017 and by the Chairman of Carmila on April 4, 2017.

(e) Date of filing of the proposed merger agreement to the Commercial Court

The proposed merger agreement will be filed with the Nanterre Commercial Court register within the legal deadlines.

2.2.2 Tax regime applicable to the transaction

The Merger will have retroactive accounting and tax effect as of January 1, 2017. Consequently, any taxable profits or losses generated as from that date by Carmila will be included in Cardety's taxable income for the year in progress.

With regard to corporate tax, the Merger falls under the preferential regime set out in Article 210 A of the French Tax Code ("**French Tax Code**"), pursuant to the provisions of Article 208 C bis of such Code, which, under certain conditions, offers the option of applying this preferential regime to transactions involving companies that have opted for the SIIC tax regime set out in Article 208 C II of the French Tax Code.

Pursuant to this preferential regime, Cardety has committed, through the agreement, to comply with all prescriptions as set out in Article 210 A of the French Tax Code, on one hand, and to act in place of Carmila for all distribution requirements set out in the second to fourth paragraphs of the section II of Article 208 C of the French Tax Code, on the other hand.

With regard to registration fees, as the Merger falls within the scope of application of the provisions of Article 816 of the French Tax Code, it will only require the payment of a set fee of €500.

The Merger, as it involves companies subject to the tax regime set out in Article 208 C of the French Tax Code, is subject to the favorable tax regime for merger provided for in Article 210 A of the French Tax Code, by reference to the provisions as set out in Article 208 C bis of the French Tax Code.

Carmila is subject to the SIIC tax regime as the company has opted for the SIIC tax regime in accordance with the provisions of Article 208 C III bis of the French Tax Code, as a company owned at more than 95%, indirectly through non-listed subsidiaries which are also subject to the SIIC tax regime, by SPPICAV.

2.2.3 Control of the transaction

(a) Dates of the general shareholders' meetings called to approve the transaction

Cardety and Carmila's respective shareholders' meetings called to approve the Merger will be held on June 12, 2017.

(b) Independent merger appraisers

The firm Sorgem Evaluation, represented by Mr. Maurice Nussembaum (11 rue Leroux, 75116 Paris), and the firm Fidorg Audit, represented by Mr. Eric Batteur (18 rue Claude Bloch, 14000 Caen) were appointed as independent merger appraisers by order of the Presiding Judge of the Nanterre Commercial Court dated March 21, 2017, at the joint request of Cardety and Carmila.

No incompatibility was identified regarding the appointment of Sorgem Evaluation and Fidorg Audit for their missions as independent merger appraisers.

Their reports on the value of the contributions and the consideration for the contributions dated May 3, 2017 are provided in Appendix I of this document and are made available to the shareholders at Cardety and Carmila's respective registered offices. The report of the independent merger appraisers with regard to the value of contributions will be filed with the Nanterre Commercial Court register within the legal deadlines.

(c) Independent experts appointed by the Commercial Court, if any

None.

(d) Special mandate given to the independent merger appraisers by the AMF

No special assignment has been given to the abovementioned independent merger appraisers by the AMF.

2.2.4 Consideration for the contributions – terms of acquisition of Cardety shares

(a) Cardety capital increase

The exchange ratio proposed to Cardety and Carmila's shareholders is set at one (1) Cardety share per three (3) Carmila shares.

In accordance with this exchange ratio, 104,551,551 new Cardety shares with a par value of six (6) euros each, fully paid up, will be created by Cardety through a €627,309,306 capital increase.

The difference between:

- the fair value of contributed net assets, i.e.:	€2,556,207,649.20
- and the amount of the capital increase, i.e.:	€627,309,306
constitutes a merger premium of:	€**1,928,898,343.20**

The newly created shares will be allocated to the holders of the 313,654,694 shares that will make up the share capital of Carmila on the date of completion of the Merger, who will be paid in proportion to their shareholding. In the event of a fraction of share, the shareholders of Carmila holding an insufficient number of Carmila shares to receive a whole number of Cardety shares will be compensated in cash in proportion to the Carmila shares making up the fraction in question. Beneficiaries of free shares granted by Carmila will not have the right to such compensation in cash for rights making up a fraction.

Following the Merger, the share capital of Cardety will increase from €25,900,068 to €653,209,374. It will be divided into 108,868,229 shares with a par value of six (6) euros each, fully paid up and all of the same class.

(b) Date of entitlement to dividends of the new shares

The shares issued by Cardety in consideration for the contribution-merger of Carmila will carry dividend and voting rights as from the date of completion of the Merger. They will rank *pari passu* with the existing shares immediately upon their issuance, will be subject to all statutory provisions, will bear the same charges and will give the right, in particular, to any distributions of dividends, interim dividends and reserves determined after their issuance.

It should be noted, in addition, that Cardety intends to distribute approximately €1.88 per share before completion of the Merger, including in particular dividends for the year 2016, and that the Cardety shares issued in consideration for the contribution-merger of Carmila will be issued without dividend rights and will therefore not be granted any right to this distribution.

(c) Trading date – Listing date - ISIN code

The new Cardety shares will be admitted to trading upon the final completion of the capital increase of Cardety carried out in consideration for the contribution-merger of Carmila, pursuant to Article L. 228-10 of the French Commercial Code.

A request will be made for their admission to trading on Compartment A of Euronext Paris under the conditions to be set out in a notice issued by Euronext Paris.

The new shares will be traded under the following ISIN code: FR 0010828137.

(d) Unclaimed or unallocated shares corresponding to rights to fractions of shares

In the event of fractions of shares, the shareholders of Carmila holding an insufficient number of Carmila shares to receive a whole number of Cardety shares will be compensated in cash in proportion to the Carmila shares making up the fraction in question. The total amount of the cash compensation paid to all the existing Carmila shareholders concerned should, in principle, amount to €334.15 and will be offset against the merger premium.

Beneficiaries of free shares granted by Carmila will not have the right to such compensation in cash for rights making up a fraction.

2.3 Accounting for the contributions

Pursuant to the provisions of Article 743-1 of Regulation no. 2014-03 of June 5, 2014 of the French Accounting Standards Authority (*l'Autorité des normes comptables*), as the Merger is considered as a transaction between two companies under separate control and does not entail a takeover on the part of the absorbing company, Carmila's assets and liabilities will be contributed through the Merger on the basis of their fair value as at December 31, 2016.

2.3.1 Classification and value of the assets contributed and the liabilities assumed

- Assets transferred

Carmila will contribute all of its assets as at the date of completion of the Merger.

At December 31, 2016, assets transferred include, in particular, but are not limited to, the following elements, whose estimated fair value is provided below.

Assets	Value as at December 31	Fair value adjustment	Fair value for merger
Net carrying amount of other tangible assets	59,006.35		59,006.35
Equity interests	2,121,435,358.00	510,071,697.05	2,631,507,055.05
Other financial assets	1,848,133,613.39		1,848,133,613.39
Fixed assets	**3,969,627,977.74**	**510,071,697.05**	**4,479,699,674.79**
Other receivables	339,503,663.15		339,503,663.15
Provisions for impairments on receivables	(2,482,010.50)		(2,482,010.50)
Investment securities	2,034,449.60		2,034,449.60
Available funds	35,066,338.13		35,066,338.13
Current assets	**374,122,440.38**		**374,122,440.38**
Prepaid expenses	25,000.00		25,000.00
Bond redemption premiums	8,265,875.00		8,265,875.00
Accruals	8,290,875.00	0.00	8,290,875.00
Total Assets	**4,352,041,293.12**	**510,071,697.05**	**4,862,112,990.17**

The portfolio of equity interests has been adjusted to account for the fair value of each asset on the basis of the inventory of investment properties prepared by independent experts as at December 31, 2016. This adjustment amounts to €510,071,697.05.

Consequently, the contribution value of the elements making up Carmila's assets as at December 31, 2016 to be transferred to Cardety in connection with the Merger is €4,862,112,990.17.

- Liabilities transferred

The contribution-merger agreed to by Carmila and accepted by Cardety entails that Cardety will assume all of Carmila's liabilities as at the date of the Merger.

As at December 31, 2016, the liabilities transferred include, in particular, but are not limited to, the following elements, whose estimated fair value is provided below.

Liabilities	Value as at December 31	Fair value adjustment	Distributio provisio	Fair value for merger
Share capital	313,654,694.00			313,654,694.00
Issuance premiums	1,842,671,668.55	464,124,697.05	(62,730,938.80	2,244,065,426.80
Retained earnings	(22,052,999.10)			(22,052,999.10)
Income	20,521,998.80			20,521,998.80
Regulated provisions	18,528.70			18,528.70
Equity	**2,154,813,890.95**	**464,124,697.05**	**(62,730,938.80**	**2,556,207,649.20**
Bond issuances	1,200,000,000.00			1,200,000,000.00
Borrowings from lending institutions	994,354,519.68	45,947,000.00		1,040,301,519.68
Financial debt	**2,194,354,519.68**	**45,947,000.00**		**2,240,301,519.68**
Trade and other accounts receivable	813,887.91			813,887.91
Tax and employee-related payables	1,065,000.00			1,065,000.00
Other payables	993,994.58		62,730,938.8	63,724,933.38
Current Liabilities	**2,872,882.49**		**62,730,938.80**	**65,603,821.29**
Total Liabilities	**4,352,041,293.12**	**510,071,697.05**	**€0.00**	**4,862,112,990.17**

Financial debt has been adjusted at its fair value in order to account for unrealized losses on derivative instruments used to hedge debt for an amount of €22,112,588. In addition, fixed rate bonds expressed at their market value as at December 31, 2016 resulted in depreciations in light of the continual decrease in interest rates over the course of the period. This adjustment represents €23,834,412.

The premium distribution to be carried out in 2017, before the date of completion of the merger, were also taken into account, although it occur in the following year. Accordingly, independently of the completion of the merger, a proposal to distribute €0.20 per share with respect to the 313,654,694 outstanding shares through a withdrawal from the "Merger Premium" item will be submitted to Carmila's general shareholders' meeting called to approve the 2016 financial statements.

In light of these adjustments, Carmila's total liabilities as at December 31, 2016 and to be transferred to Cardety in connection with the Merger, amount to €2,305,905,340.97.

Net assets contributed, equal to the different between:

- the estimated value of assets transferred, i.e.: €4,862,112,990.17
- and the total estimated amount of liabilities transferred, i.e.: €2,305,905,340.97

will be: €2,556,207,649.20

2.3.2 Revaluations and readjustments performed between the contribution value and the carrying amount

Please refer to Section 2.3.1 of this document.

2.3.3 Independent assessment of the value of the contribution

In their report on the value of contributions dated May 3, 2017, the independent merger appraisers concluded that:

"*On the basis of our work and as of the date of this report, we consider that the value of contributions used, which is €2,556,207,649.20, is not overestimated and that, consequently, net contributed assets are at least equal to the amount of the capital increase of the Absorbing Company, with the addition of the merger premium*."

In their report on the consideration for the contributions dated May 3, 2017, the independent merger appraisers concluded that:

"*On the basis of our work and as of the date of this report, we consider that the exchange ratio of 1 CARDETY share for 3 CARMILA shares, approved by the participating companies, is fair.*"

2.3.4 Details of the calculation of the merger premium

The difference between:

- the fair value of net assets contributed, i.e.:	€2,556,207,649.20
- and the amount of the capital increase, i.e.:	€627,309,306
represents a merger premium of:	€**1,928,898,343.20**

This amount will be recorded in the liabilities on Cardety's balance sheet under "Merger Premium", to which all former and new shareholders of Cardety will have rights.

The merger premium may be allocated in any way, provided that it complies with the principles in force as set out by general shareholders' meeting of Cardety. In particular, a proposal will be made to the general shareholders' meeting called to approve the Merger proposal to authorize the Board of directors to carry out any withdrawal from the merger premium to (i) offset all or certain charges, expenses, fees, taxes or other costs incurred as a result of the Merger and (ii) restore allocations to the legal reserve, if necessary.

2.4 Consideration for the contributions

Consideration for the contributions and the exchange ratio were mutually agreed upon by the two companies. The exchange ratio is the number of Carmila shares equivalent to one Cardety share.

2.4.1 Description of the assessment criteria used to compare the companies

The value of Cardety and Carmila was determined using a multi-criteria approach integrating the following assessment methods, which are typically used to assess the value of real estate companies.

(a) Methods used on a primary basis

(i) Adjusted historical net asset method

The Adjusted Net Asset method (NAV), which schematically represents the gross asset value of equity, taking into account the value of the company's assets, as estimated by independent real estate experts, constitutes a central reference for the assessment of real estate companies. Carmila and Cardety both communicate NAV on a biannual basis, in accordance with EPRA (European Public Real Estate Association) recommendations:

- EPRA NAV enables an assessment of the company's fair value in the context of the continued development of its real estate property;

- triple net EPRA NAV represents the immediate net asset value of the company. This NAV, in addition to the market value of assets (excluding transfer taxes and fees), also includes the market value of (i) financial instruments, (ii) debt and (iii) deferred taxes.

The external assessment of Cardety's properties is conducted bi-annually on the basis of studies carried out by two independent experts: CB Richard Ellis and Jones Lang Lasalle. The external assessment of Carmila's assets also occurs bi-annually and is conducted by Catella and DTZ in France, Catella and Cushman & Wakefield in Spain and Cushman & Wakefield in Italy.

The historical NAVs communicated by the companies have been adjusted based on the two following elements:

- Cardety employs a fair value accounting method for investment properties under construction (*i.e.*, including the development margins on these construction projects). For

Carmila, the fair value of the property (and therefore the associated margin) is only recognized upon completion and delivery of the project. As a result, there is a time difference in the recognition of margins by Cardety and Carmila. In the interest of consistency, the NAV communicated by Carmila was therefore adjusted to reflect the margin associated with projects under construction, i.e. €46.9 million as at December 31, 2016;

- The NAVs of the two companies at December 31, 2016 have also been restated to reflect the cash distribution planned for the year 2016 and not yet paid, given that this distribution would occur before the contemplated merger.

Adjustments relating to distributions for the year ended 2016 amount to €62.7 million, or €0.20 per share, in addition to an initial distribution of the same amount in November 2016 for Carmila, and €8.1 million (or a total of €1.88 per share for Cardety).

(ii) Adjusted dynamic net asset method

Carmila and Cardety each have a significant project portfolio with respect to their respective existing asset base. As the adjusted historical net asset value does not reflect the potential for value creation associated with projects in development that are not yet under construction, this value has been adjusted to reflect the future discounted margin to be generated by these projects (margin expected to be granted at the start of construction, estimated for each project based on the difference between the asset value, excluding taxes, upon completion and production costs). Differentiated discount rates were used, according to the risk level of each project. The discount rate range spans from 8% to 15%, depending on the risk level of projects (particularly in terms of obtaining approvals).

(iii) Dividend discount method

The dividend discount method consists of discounting future dividends flows per share. Carmila's cost of equity is estimated at 7.5% for Carmila, on the basis of current market parameters (risk-free rate, risk premium, betas of comparable companies) and a standard Loan to Value ratio of 40%. This ratio has been adjusted with 100 additional basis points for Cardety, in order to account for the higher risk profile of the company (smaller size, high development costs in relation to existing portfolio). The risk premium applied to Cardety's cost of equity in comparison to that of Carmila has undergone a sensitivity test (between 50 and 150 basis points).

Given the significant differences in distribution rates between the two companies, the approach has been broken down into two methods:

- Method 1: using forecasted dividends per share over the 2017-2021 period stated by the two companies in their business plans, followed by the calculation of terminal value in 2022 based on a 90% standard distribution rate on the FFO per share, assuming a perpetuity growth rate of 1.0% per year;

- Method 2: for the 2017-2021 period, applying a 90% standard distribution rate to the FFO per share of the two companies, followed by the calculation of terminal value in 2022 based on a 90% standard distribution rate on the FFO per share, assuming a perpetuity growth rate of 1.0% per year.

(b) Methods used on a secondary basis

(i) Historical and forecasted current cash flows per share method

The method using current cash flows or net recurring results per share enables a reflection of the differences in the two companies' underlying portfolios (in terms of returns, location, vacancy rate, etc.) and financial structures.

This approach is included on a secondary basis, due to the difference:

- in the level of indebtedness of the two real estate companies, particularly in 2016 (Cardety's Loan To Value ratio is considered very low with respect to comparable companies in the sector and is likely to significantly increase);

- in their growth and development profiles (significant growth in Cardety's gross rental income due to upcoming completion and delivery of projects).

(ii) Comparable transactions method

The comparable transactions method consists of applying multiples observed in transactions occurring in the same sector or in a sector with similar business models. This method makes it possible to take market reality into account even in cases where specific and exhaustive information is not available, for confidentiality reasons. The multiple analyzed in this method is the premium/discount on the most recent available EPRA NAV and triple net EPRA NAV. In the present case, the average premium on NAV observed in comparable transactions was applied to Cardety, given the relative weight of the two companies.

In the specific case of this combination, two types of transactions were examined: public exchange offers and mergers. In the absence of recent transactions among French companies active in commercial real estate, the comparable transactions sample was expanded to include other asset classes. Major real estate transactions that have occurred in France in recent years include:

- Eurosic's public exchange offer on Foncière de Paris, filed on March 11, 2016;

- the merger of Foncière de Paris with Foncière des 6ème et 7ème arrondissements de Paris, for which a Document E was filed on April 15, 2015;

- the merger of Foncière de Paris with Foncière Paris France, for which a Document E was filed on October 23, 2013;

- Patrimoine et Commerce's simplified public exchange offer (composed of a primary combined offering and a secondary tender offer) on Foncière Sépric, filed on January 30, 2013 ;

- Icade's public exchange offer on Silic (and tender offer on its ORNANEs), filed on March 12, 2012.

This method is included on a secondary basis due to the lack of transactions that are perfectly comparable to the present transaction. With the exception of the offer on Foncière Sepric, none of the transactions mentioned above involves companies with a portfolio featuring a significant amount of commercial assets. In this regard, it should be noted that the merger between Klepierre and Corio, two major European actors specialized in shopping centers, was not included in the sample of comparable transactions, as the target was a Dutch company with a

strong presence in markets that differ fundamentally from the French market (the Netherlands and Germany).

(iii) Comparable trading multiples method

The trading multiples method consists of applying multiples observed in a sample of comparable listed real estate companies to Carmila and Cardety's financial information.

For real estate companies, the most commonly used multiples are the value in relation to EPRA NAV (historical and forecasted) and current cash flow. In the present case, current cash flow multiples on the 2016-2017 period are irrelevant, as Cardety is expecting significant growth in these aggregates. Therefore, only 2018 multiples were used.

Trading multiples were calculated based on a sample of listed companies under the SIIC tax regime that specialize in commercial real estate and have significant exposure to the French market. The sample of comparable companies used was then divided into three sub-categories:

- A "large cap" group composed of Unibail-Rodamco and Klepierre;
- A "mid cap" group composed of Altarea-Cogedim, EuroCommercial Properties and Mercialys;
- A "small cap" group composed of Frey and Patrimoine et Commerce.

Given the respective sizes of the absorbed and absorbing companies, the "large and mid cap" subgroups were used as a sample comparable to Carmila and the "mid and small cap" sub-groups were used for Cardety.

This method is presented on a secondary basis due to the lack of companies that are perfectly comparable to Carmila and Cardety.

(c) Methods eliminated

(i) Net book asset value (NBV)

This method was not used, due to the different accounting practices of the two companies and the irrelevance of this information.

The net book asset value is considered to be close to the adjusted net asset value (and consequently redundant with this method), as the companies have opted for a fair value accounting method for their investment properties.

(ii) Historical and future distribution of dividends

The ratio resulting from the distribution of dividends per share (historical and future) has been eliminated, due to the fact that, despite SIIC regime requirements, it is highly dependent on the distribution policy of real estate companies. In addition, there is a significant difference in Carmila and Cardety's distribution rates (Cardety's distribution rate is over 200% for 2016 and 2017).

This method is also redundant with the dividend discount method used on a primary basis.

(iii) Discounted cash flows ("DCF")

This method consists of determining the value of a company's economic assets by discounting future cash flows to be generated by these assets and subtracting the market value of its net financial indebtedness. This approach was eliminated as it was considered redundant with the work carried out by the independent real estate experts, who use in particular a discounted cash flows approach in their valuation of real estate assets.

(iv) *Historical closing prices*

This reference is inapplicable due to the very low liquidity of Cardety shares and the fact that Carmila is not a listed company.

(v) *Research analysts' target prices*

This reference is inapplicable due to the fact that shares of Cardety and Carmila are not tracked by the research departments of financial institutions.

2.4.2 Summary of the ratios

METHODS USED	RESULTING RATIOS *(in Carmila shares per 1 Cardety share)*	PREMIUM/(DISCOUNT) FOR THE CARDETY SHAREHOLDERS *(premium resulting from the 3 Carmila shares per 1 Cardety share ratio used in relation to the ratios resulting from the valuation methods used)*
ON A PRIMARY BASIS		
Historical NAV		
EPRA NAV as at 31/12/2016 – Adjusted Triple net EPRA NAV as at 31/12/2016 – Adjusted	2.84 2.97	**+5.7%** **+1.0%**
"Dynamic" NAV		
On the basis of EPRA NAV as at 31/12/2016 adjusted	2.75	**+9.2%**
Dividend discount method		
Method 1: 2017-2021 companies projections Method 2: standard distribution rate over the 2017-2021 period	2.96-3.38 2.67-3.08	**+1.4% / -11.2%** **+12.4% / -2.7%**
ON A SECONDARY BASIS		
Current cash flows		
2018-2021 data	2.62-3.53	**+14.5% / -15.0%**
Comparable transactions		
Premium on most recent EPRA NAV Premium on most recent triple net EPRA NAV	2.85 3.01	**+5.4%** **-0.4%**
Comparable trading multiples		
Premiums on EPRA NAV Current cash flow multiples	2.57-2.90 2.28	**+16.7% / +3.4%** **+31.3%**

2.4.3 Exchange ratio

The exchange ratio used entails the issuance of 104,551,551 new ordinary Cardety shares for 313,654,694 Carmila shares, resulting in an exchange ratio of 3 Carmila shares per 1 Cardety share.

In light of the foregoing, the exchange ratio used is within the range of ratios derived from a multi-criteria approach.

2.4.4 Reminder of the valuation methods used by each company for recent transactions (tender offers, acquisitions of controlling stakes, mergers, asset contributions, etc.)

N/A.

2.5 Consequences of the transaction

2.5.1 Consequences for Cardety and its shareholders

(a) Impact of the transaction on Cardety's equity

Table showing the changes in equity of the absorbing company

	Number of shares	Share capital (in euros)	Merger Premium (in euros)
Situation before the transaction	4,316,678	25,900,068	0
Impact of total number of shares created	104,551,551	627,309,306	1,928,898,343.20
Impact of financial instruments cancelled by confusion ("*par confusion*")	-	-	-
Situation after the transaction[1]	108,868,229	653,209,374	1,928,898,343.20

(b) Impact on the distribution of Cardety's share capital and voting rights

After the final completion of the Merger, Cardety's share capital will be organized as follows:

Shareholders	Number of shares	Percentage of share capital and voting rights
CRFP 13 (Carrefour) (1)	46,209,234	42.45%
Colkart(2)	13,880,606	12.75%
CAA Kart 2(3)	12,168,946	11.18%
C Commerce 2(4)	11,671,852	10.72%
SAS Sogecar 2(5)	6,333,020	5.82%
LVS II France II SAS(6)	6,333,020	5.82%
SAS Kart-One(7)	5,835,926	5.36%
Kart SBS SAS 2(8)	2,192,984	2.01%
Kartam Associée(9)	1,688,422	1.55%
Primonial (10)	1,016,798	0.93%
Swiss Life(11)	918,025	0.84%
Treasury shares	8,900	0.01%
Managers and employees	93,708	0.09%
Free float	516,788	0.47%
TOTAL	108,868,229	100.00%

(1) Following the simplification of the shareholding structure at the time of the merger, this interest will be held through CRFP 13 SAS, a company controlled by Carrefour.
(2) Colkart is controlled by Colony.
(3) CAA Kart 2 is controlled by Predica.
(4) C Commerce 2 is controlled by Cardif.
(5) SAS Sogecar 2 is controlled by Sogecap.
(6) LVS II France II SAS is controlled by Pimco.
(7) SAS Kart-One is controlled by Axa.
(8) Kart SBS SAS 2 is controlled by Blue Sky Group.
(9) Kartam Associée is controlled by Amundi.
(10) Interest held by Charles de Gaulle Neuilly and CapImmo, who have declared that they are acting in concert.
(11) Interest held by Delta Immo and SwissLife Dynapierre, who have declared that they are acting in concert.

[1] On a non-diluted basis, i.e. excluding Carmila's dilutive instruments (AGA) (Cardety does not have dilutive instruments).

(c) Planned changes in the composition of corporate and management bodies

See Chapter 14 of Appendix II to this document.

(d) Planned change of corporate name

After the final completion of the Merger, Cardety's corporate name will be changed to "Carmila".

(e) Impact on the market capitalization of Cardety

The value of Cardety's shares was 24 euros at the close of trading on March 2, 2017 before the announcement of the proposed merger by absorption of Carmila by Cardety. Cardety's market capitalization was therefore 103,600,272 euros at that date.

On the date of completion of the Merger, the number of ordinary shares of Cardety will be 108,868,229, compared to 4,316,678 shares as of the date of this document.

In accordance with regulations, it should be noted, based on the above, that Cardety's market capitalization would be 2,612,837,496 euros after the Merger.[2]

(f) Impact on the calculation of earnings per share

The table below shows the impact of the Merger on Cardety's earnings per share, on the basis of the annual consolidated financial statements for the year ended December 31, 2016 of Cardety prepared in accordance with IFRS standards:

	Number of ordinary shares	Net profit (in thousands of euros)	Net profit per share
Situation before the Merger	4,316,678	29,188	6.76 euros
Situation after the Merger[(1)]	109,014,868	326,366	2.994 euros

[(1)] Taking into account the 439,877 free shares granted in 2016 by Carmila..

(g) Planned new strategic focuses

See Section 6.3 of Appendix II to this document.

(h) Short- and medium-term forecasts related to the business, restructuring operations, results and dividend policy

See Chapters 12 and 13 of Appendix II to this document.

2.5.2 Intention of the shareholders that will hold more than 10% of the share capital of New Carmila

The shareholders that will hold more than 10% of the share capital of New Carmila (directly or through other entities of their group, i.e. CRFP 13 (controlled by Carrefour), Colkart Investment S.C.S (controlled by Colony), Cardif Assurances Vie and Predica) have made commitments in favor of Cardety and Carmila, which will be in favor of New Carmila if the Merger is completed.

When the proposed merger was announced, Cardety and Carmila announced their intention to carry out a capital increase of the merged entity for an amount of €500 to €600 million, which may entail an offering (the "**Offering**") in 2017, provided that market conditions are favorable.

[2] Or 108,868,229 shares at the closing price of Cardety's shares on March 2 2017 (24 euros).

Under the terms of the abovementioned commitments, the shareholders that made these commitments have in particular committed, with regard to the issuer and until the Offering occurs, (i) not to act in concert (except with affiliates), (ii) to retain their shares, subject to certain exceptions, and (iii) not to participate in the planned €500 to €600 million capital increase and to sell for one euro to the banks in charge of the Offering any share subscription warrants that would be allocated to them in connection with this Offering (with the exception of Carrefour, which may maintain an equity interest of up to 39.99% and only for its prorata share in the amount of this capital increase (share premium included) that would be over €500 million). They have also committed to make the usual commitments with regard to retaining their New Carmila shares post-Offering.

Similar commitments have been made by other shareholders of New Carmila.

3 Presentation of the absorbing company

Detailed information regarding Cardety's legal situation, business, consolidated financial statements and related statutory auditors' reports, special statutory auditors' reports, recent developments and future outlook are provided in the 2016 Cardety Reference Document.

These documents are available on the website of the AMF (www.amf-france.org) and on request in writing, by telephone or in person at Cardety's registered office or on its website (www.cardety.com).

3.1 Risk factors related to the transaction

The risk factors stated below and other information contained in this document must be considered in addition to the risk factors described (i) in paragraph 5 of the management report of Cardety's Board of directors provided in Chapter 9.2 and Chapter 4 of the 2016 Cardety Reference Document and (ii) in Chapter 4 of Appendix II to this document (including, in particular, the risk factors inherent to the SIIC regime).

All of the significant risks identified by Cardety and Carmila as of the date of this document are described in the documents mentioned above, as completed by the information provided below. However, shareholders should note that the list of risks provided below and in the documents listed above is not exhaustive and that other risks and uncertainties of which Cardety and Carmila are not aware as of the date of this document or that they deem to be insignificant may also have a negative impact on the business of the new entity resulting from the Merger. If one of these risks, one the risks listed below or one of the risks described in the documents mentioned above were to occur, the business, financial condition, results or outlook of Cardety or the new entity resulting from the Merger could be materially affected.

The issuance of new shares in connection with the Merger will dilute the holdings of Cardety's existing shareholders. This dilution may be increased for Cardety shareholders that decide not to subscribe to New Carmila's €500 to €600 million capital increase, to be potentially launched later in 2017.

The issuance of new Cardety shares in connection with the Merger entails the issuance of 104,551,551 shares, while Cardety's share capital at March 31, 2017 was composed of 4,316,678 shares. A shareholder holding 1% of Cardety's share capital before the Merger will hold 0.03965% of New Carmila's share capital after the Merger.

In addition, Cardety and Carmila have announced their intention to launch a €500 to €600 million capital increase (premium included), which may entail a public offering later in 2017, provided that market conditions are favorable. This capital increase is expected to reserve the rights of New Carmila shareholders to subscribe to new shares. New Carmila shareholders that decide not to exercise this right will be diluted, which will increase the dilution resulting from the Merger.

The number of new Cardety shares issued in connection with the Merger will not vary based on the evolution of Cardety's share price.

As of the date of the completion of the Merger, one (1) Cardety share will be exchanged for three (3) Carmila shares. Cardety's share price may decrease or increase between the date on which the Merger proposal and this exchange ratio were established and the date of completion of the Merger. However, the number of Cardety shares issued in connection with the Merger will not be adjusted, in principle.

Shareholders may wish to sell new shares issued in connection with the Merger.

Shareholders that receive Cardety shares in connection with the Merger and that are not bound by a commitment to retain their Cardety shares may decide to sell some or all of their Cardety shares on or off-market, which could have a material adverse effect on the price of Cardety shares.

Any delay in the completion of the Merger may reduce its expected benefits.

The completion of the Merger is subject to a number of conditions precedent over which Cardety or Carmila have no control. These conditions could prevent, delay or affect the completion of the Merger. Any delay in the completion of the Merger could diminish the synergies and benefits that Cardety and Carmila are expecting based on the Merger's completion within the expected deadlines and the successful integration of their respective businesses.

Certain agreements may be terminated as a result of the Merger.

In the normal course of business, Cardety has entered into agreements containing change of control or contract transfer clauses that require the approval of the counterparty. The Merger may result in certain amounts becoming immediately payable by Cardety or may authorize its counterparty to terminate the agreement.

Carmila, in the normal course of its business, has also entered into agreements containing change of control or contract transfer clauses that require the approval of the counterparty. The Merger may result in certain amounts becoming immediately payable by Carmila or may authorize the counterparty to terminate the agreement.

Although Cardety and Carmila have obtained the consent of their lending institutions for the Merger, Cardety and Carmila may not obtain the consent of other counterparties or may be obligated to renegotiate the terms previously agreed upon and agree to less favorable terms in order to obtain such consent. In this case, pursuant to the law and the terms of the bonds issued by Carmila, the Merger would be submitted to Carmila's general bondholders' meetings for approval, which, should they decline their approval, and in the event of a decision by the company to override this decision, may appeal to the representatives of the bondholder group ("*masse*") to oppose the Merger (this opposition, if any, would not impede the completion of the Merger). In addition, certain amounts becoming immediately payable could have a negative impact on Cardety's results and financial condition.

New Carmila's revenues and financial condition may be materially different from those presented in the unaudited pro forma consolidated financial information relating to Carmila's integration.

Cardety's pro forma consolidated financial information presented in Section 20.2 of Appendix II to this document is provided for illustrative purposes only and, due to its nature, describes a hypothetical situation. Consequently, it does not reflect what the revenues or financial condition of the entity resulting from the Merger would have been if Cardety and Carmila's businesses had been combined during the given period. In addition, it does not reflect the financial results or future financial condition of the entity resulting from the Merger. The pro forma consolidated financial information does not take into account non-current elements such as expenses associated with a change of control or integration costs that may result from the Merger with Carmila. Consequently, the revenues and financial condition of the combined entity may be materially different from those presented in the unaudited pro forma consolidated financial information relating to Carmila's integration, provided in this document.

The completion of the Merger may affect Cardety's share price.

The completion of the Merger may have an adverse or positive effect on Cardety's share price.

3.2 Core information

3.2.1 Statement on net working capital

Cardety certifies that, in its opinion, Cardety's net working capital is sufficient to meet its current requirements over a period of twelve months from the date on which this document is filed with the AMF.

Cardety certifies that, in its opinion, the net working capital of the New Carmila Group after the Merger is sufficient to meet its current requirements over a period of twelve months from the date on which this document is filed with the AMF.

3.2.2 Capitalization and indebtedness

Pursuant to the recommendations of the ESMA (European Securities and Markets Authority) (ESMA/2013/319/paragraph 127), the following table provides information relating to capitalization and net indebtedness of Cardety at March 31, 2017.

(Data established in accordance with IFRS standards, in thousands of euros)	**March 31, 2017**
1. CAPITALIZATION AND INDEBTEDNESS	
Total current debt	**-**
Guaranteed	-
Secured	-
Unguaranteed / Unsecured	-
Total non-current debt	**16,089**
Guaranteed	16,089
Secured	-
Unguaranteed / Unsecured	-
Total equity	**117,830**
Share capital	25,900
Treasury shares	168
Statutory reserves and issuance premium	38,455
Other reserves (Including the result for the period)	53,307
2. NET FINANCIAL DEBT	
A – Cash	4,714
B – Cash equivalents	-
C – Trading securities	-
D – Liquidities (A+B+C)	**4,714**
E – Current financial receivable	**-**
F – Current bank debt	-
G – Current portion of non-current debt	-
H – Other current financial debt	-
I – Current financial debt (F+G+H)	**-**
J – Net current financial indebtedness (I-E-D)	**4,714**
K – Non-current bank loans	16,089

L – Bonds issued	-
M – Other non-current loans	-
N – Non current financial indebtedness (K+L+M) [1]	**16,089**
O – Net financial debt (J+N)	**11,375**

[1] The evolution of the total current financial debt as of March 31, 2017 compared to the amount as of December 31, 2016 corresponds to drawings intended to finance investments over the period.

3.2.3 Interests of natural persons and legal entities involved in the issuance

None.

3.3 Expenses related to the transaction

The total amount of expenses related to the Merger is estimated at approximately 2 million euros.

3.4 Dilution

3.4.1 Impact of the transaction on the share of equity for the holder of one Cardety share prior to the transaction

(in euros)	Share of equity (as at December 31, 2016)
Before the Merger[1]	26.8 euros
After the Merger[2]	24.69 euros

[1] After the distribution of a premium amounting to 1.88 euro per share submitted to Cardety's general shareholders' meeting convened on May 18, 2017.
[2] Taking into account the 439,877 free shares granted in 2016 by Carmila.

3.4.2 Impact of the transaction on the interest of a shareholder holding 1% of Cardety's share capital prior to the transaction

(in euros)	Shareholder's interest in %
Before the Merger[1]	1
After the Merger[2]	0.04

[1] After the distribution of a premium amounting to 1.88 euro per share submitted to Cardety's general shareholders' meeting convened on May 18, 2017.
[2] Taking into account the 439,877 free shares granted in 2016 by Carmila.

3.5 Additional information

The reports of the independent merger appraisers on the value and consideration for the contribution are provided in Appendix I to this document.

4 Pro forma financial information and statutory auditors' report

Refer to Section 20.2 of Appendix II to this Document E.

5 Presentation of the absorbed company

5.1 General information about Carmila

5.1.1 Corporate name and registered office

The corporate name of the absorbed company is Carmila and its registered office is located at 58, avenue Émile Zola, 92100 Boulogne-Billancourt.

5.1.2 Date of incorporation and term

Carmila was incorporated in December 2013 for a term of 99 years from the date of its registration with the Nanterre Trade and Companies Register, expiring on December 4, 2112, except in the event of early winding-up or extension.

5.1.3 Legislation and corporate form

Carmila is a French *société par actions simplifiée*; it is governed by the provisions of the French Commercial Code and its bylaws.

5.1.4 Corporate purpose

The Company's main purpose is to acquire or construct commercial or industrial buildings or groups of buildings for leasing or rental purposes, to directly or indirectly hold interests in legal entities whose purpose is to acquire or construct buildings or groups of commercial buildings for leasing or rental purposes, and, more generally, to hold and operate sites, commercial or industrial buildings or groups of buildings for leasing or rental purposes, particularly shopping centers located in France and abroad.

And, for this purpose:

(i) to acquire by any means (including through exchange or contribution or any other type of transfer) and/or construct any sites, buildings, assets and property rights for leasing or rental purposes; to manage, administrate, rent, lease and develop any sites, assets and property rights; to furnish and equip all building complexes for rent; and any other activities associated with or related to the abovementioned business, directly or indirectly, acting alone or through an association, joint venture, group or company with any other persons or companies;

(ii) to engage, by any means, in transactions relating to its purpose by way of acquisition of interests or shareholdings, by any means and in any form, in any French or foreign real estate, industrial, financial or commercial company, in particular by way of acquisition, creation of new companies, subscription or purchase of securities or corporate rights, contributions, mergers, alliances, joint ventures, economic interest groups or otherwise, as well as to administer, manage and control these interests or shareholdings;

(iii) on an exceptional basis: to exchange or dispose of securities held or assets or real estate acquired or built for leasing or rental purposes in accordance with new the Company's main purpose by way of sale, contribution or otherwise; and

(iv) generally, all commercial, financial and industrial transactions and all transactions in movable or real property relating directly or indirectly to the purpose of the Company and any similar or connected purpose likely to facilitate the completion thereof or promoting its extension or development (including, in particular, concerning buildings or groups of buildings for leasing or rental purposes, other than for commercial purposes).

5.1.5 Trade and Companies Register – APE Code

Carmila is registered with the Nanterre Trade and Companies Register under the number 798 904 025. Its APE code is 6820B.

5.1.6 Management

- **Names and functions of main managers:**

See Chapter 14 of Appendix II to this document.

- **Compensation and non-cash benefits granted to members of corporate and management bodies by all companies of the group:**

See Chapter 15 of Appendix II to this document.

5.1.7 Statutory auditors

See paragraph 1.2.3 above.

5.1.8 Related-party agreements

See Chapter 19 of Appendix II to this document.

5.1.9 Place at which the documents and information relating to the company are available for consultation

All documents and information relating to Carmila are available for consultation at the company's registered office.

5.2 General information concerning Carmila's share capital

5.2.1 Issued capital, number and class of financial instruments therein, and mention of their main characteristics

See Chapter 21 of Appendix II to this document.

5.2.2 Characteristics of financial instruments granting access to capital

N/A.

5.2.3 Allocation of shares and voting rights

The table below shows the distribution of Carmila's share capital and voting rights as at March 31, 2017:

Shareholders	Number of shares	Percentage of share capital and voting rights
CRFP 15 (Carrefour)[1]	133,059,201	42.42%
Colkart[2]	41,641,819	13.28%
CAA Kart 2[3]	36,506,840	11.64%
C Commerce 2[4]	35,015,557	11.16%
SAS Sogecar 2[5]	18,999,061	6.06%
LVS II France II SAS[6]	18,999,061	6.06%
SAS Kart-One[7]	17,507,778	5.58%
Kart SBS SAS 2[8]	6,578,954	2.10%
Kartam Associée[9]	5,065,266	1.61%
Managers and employees[10]	281,157	0.09%
TOTAL	**313,654,694**	**100%**

[1] CRFP 15 is controlled by Carrefour.
[2] Colkart is controlled by Colony.
[3] CAA Kart 2 is controlled by Predica.
[4] C Commerce 2 is controlled by Cardif.
[5] SAS Sogecar 2 is controlled by Sogecap.

(6) LVS II France II SAS is controlled by Pimco.
(7) SAS Kart-One is controlled by Axa.
(8) Kart SBS SAS 2 is controlled by Blue Sky Group.
(9) Kartam Associée is controlled by Amundi.
(10) These shares were subscribed by certain senior executives and employees of the Carmila Group in connection with a capital increase reserved for employees.

5.3 Information regarding Carmila's business

See Chapters 6, 17 and 20.5 of Appendix II to this document.

5.4 Financial information regarding Carmila

See Annex B of Appendix II to this document.

The statutory auditors' special reports on regulated agreements for the years ended December 31, 2016, 2015 and 2014 are provided below.

Carmila S.A.S.

Statutory Auditors' report on regulated agreements and commitments

This is a free translation into English of the Statutory Auditors' Report on regulated agreements and commitments that is issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

Carmila S.A.S.

Registered office: 58, avenue Emile Zola - 92100 Boulogne-Billancourt, France
Share Capital : €.313 654 694

Statutory Auditors' report on regulated agreements and commitments

Year ended December 31, 2016

To the Shareholders,

In our capacity as Statutory Auditor of your Company, we hereby present to you our report on the regulated agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us or those that we could have found in the course of our engagement. We are not required to comment as to whether they are beneficial or appropriate neither to ascertain whether any other agreements exist. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

In addition, we are required, if applicable, in accordance with article 3.4.1 of the Company statutes, to inform you of the agreements, which were approved during previous years and which were applicable during the period.

We performed the procedures we considered necessary in accordance with French professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors), relating to this engagement. Our work consisted in verifying that the information provided to us is in agreement with the underlying documentation from which it was extracted.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE SHAREHOLDER'S MEETING

Year ended 31, 2016
Carmila S.A.S
58, avenue Emile Zola - 92100 Boulogne-Billancourt, France
The report contains 4 pages

We inform you that we have not been advised of any agreements entered in the year ended 31 December 2016 that would require Shareholders' meeting approval, under the terms of article L.227-10 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDER'S MEETING

Agreements approved during previous years which continued to apply during the financial year

In accordance with the Company statutes, we have been informed of the following agreement, which was already approved by the Shareholders' meetings in previous years and continued to apply during the financial year.

Agreements related to renovations and developments

CRFP 15 (company indirectly controlled by Carrefour), partner holding more than 10% of your company's voting shares.

- *Terms and conditions :*

Carrefour and Carmila (acting on their behalf and in the name of and on behalf of their subsidiaries) wishing to implement a strategy aimed at promoting attractiveness of shopping malls and maximization of its value, concluded on April 16, 2014 an agreement related to renovations and developments.

In this context, Immobilière Carrefour and Carmila France have signed on December 22, 2015 a bilateral sale agreement in which Immobilière Carrefour commits to sell and Carmila France commits to acquire, under suspensive conditions, the extension of Bourges' shopping mall, with an estimated value of € 20.4 million.

The extension work has started on April 13, 2015 and both parties agreed to the acquisition of the extension by Carmila once this work is complete and the new premises are freely accessible.

On December 30, 2016, Immobilière Carrefour and Carmila also signed a bilateral sale agreement in which Immobilière Carrefour commits to sell and Carmila France commits to acquire, under suspensive conditions, a new building in Evreux for a commercial purpose. The assets is estimated at € 62.2 million. This sale agreement expires on June 30th, 2017.

Furthermore, Carmila Holding ltalia has created with Carrefour Property ltalia two joint ventures aimed to achieve promotion projects in Italy : the Italian company Galleria Commerciale Nichelino supporting the extension project and the retail park of Nichelino's commercial mall ; and the company Carmila Thiene supporting the extension project of Thiene's commercial mall.

Services agreement

CRFP 15 (company indirectly controlled by Carrefour company), partner holding more than 10% of your company's voting shares.

- *Nature and purpose :*

Carrefour and Carmila concluded on April 16, 2014 a services agreement with a five years contract term, in which Carrefour provisions Carmila with skills and necessary means in order to assist in accounting, consolidation, tax and legal.

The amount of the expense registered for your company for the year ended on December 31, 2015 amounted to 62 000 €.

The Statutory Auditors

Paris La Défense, April 20, 2017	Paris, April 20, 2017
KPMG Audit ID	Exco Paris ACE
Eric Ropert *Partner*	Emmanuel Charrier *Partner*

Carmila S.A.S.

Statutory Auditor's report on regulated agreements

Year ended December 31, 2015
Carmila S.A.S.
58, avenue Emile Zola - 92100 Boulogne-Billancourt, France
This report contains 4 pages

Carmila S.A.S.

Registered office: 58, avenue Emile Zola - 92100 Boulogne-Billancourt, France

Share capital: €.303 913 919

Statutory Auditor's report on regulated agreements and commitments

Year ended 31 December 2015

To the Shareholders,

In our capacity as Statutory Auditor of your Company, we hereby present to you our report on the regulated agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us or those that we could have found in the course of our engagement. We are not required to comment as to whether they are beneficial or appropriate neither to ascertain whether any other agreements exist. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

In addition, we are required, if applicable, in accordance with article 3.4.1 of the Company statutes, to inform you of the agreements, which were approved during previous years and which were applicable during the period.

We performed the procedures we considered necessary in accordance with French professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors), relating to this engagement. Our work consisted in verifying that the information provided to us is in agreement with the underlying documentation from which it was extracted.

AGREEMENTS AND COMMITMENTS TO BE APPROVED BY THE SHAREHOLDERS' MEETING

We inform you that we have not been advised of any agreements entered in the year ended 31 December 2015 that would require Shareholders' meeting approval, under the terms of article L.227-10 of the French Commercial Code.

Agreements and commitments already approved by the shareholders'meeting

Agreements approved during previous years which continued to apply during the financial year

In accordance with the Company statutes, we have been informed of the following agreements which were already approved by the Shareholders' meetings in previous years, and which were applicable during the year.

Agreements related to renovations and developments

CRFP 15 (company indirectly controlled by Carrefour), partner holding more than 10% of your company's voting shares.

- *Terms and conditions :*

Carrefour and Carmila (acting on their behalf and in the name of and on behalf of their subsidiaries) wishing to implement a strategy aimed at promoting attractiveness of shopping malls and maximization of its value, concluded on April 16, 2014 an agreement related to renovations and developments.

In this context, Immobilière Carrefour and Carmila France have signed on December 22, 2015 a bilateral sale agreement in which Immobilière Carrefour commits to sell and Carmila France commits to acquire, under suspensive conditions, the extension of Bourges' shopping mall, with an estimated value of € 20.4 million.

The extension work has started on April 13, 2015 and both parties agreed to the acquisition of the extension by Carmila once this work is complete and the new premises are freely accessible.

On December 22, 2015, Immobilière Carrefour and Carmila also signed a bilateral sale agreement in which Immobilière Carrefour commits to sell and Carmila France commits to acquire, under suspensive conditions, a new building in Nevers Marzy for a commercial purpose. Carmila will own and have possession of the property on the day of signing the deed of sale that shall occur no later than June 30, 2016. The assets is estimated at € 3.5 million.

Services agreement

CRFP 15 (company indirectly controlled by Carrefour), partner holding more than 10% of your company's voting shares.

- *Terms and conditions :*

Carrefour and Carmila concluded on April 16, 2014 a services agreement with a five years contract term, in which Carrefour provisions Carmila with skills and necessary means in order to assist in accounting, consolidation, tax and legal.

The amount of the expense registered for your company for the year ended on December 31, 2015 amounted to 62 000 €.

The Statutory Auditors

Paris La Défense, March 31, 2016	Paris, March 31, 2016
KPMG Audit ID	Exco Paris ACE
Eric Ropert	Emmanuel Charrier
Partner	*Partner*

Carmila S.A.S.

Statutory Auditor's report on regulated agreements

7 months-period ended on December 31, 2014.
Carmila S.A.S.
58, avenue Emile Zola - 92100 Boulogne-Billancourt, France
The report contains 4 pages

Carmila S.A.S.

Registered office : 58, avenue Emile Zola - 92100 Boulogne-Billancourt, France

Share capital : €.303 913 919

Statutory Auditor's report on regulated agreements

7 months-period ended on December 31, 2014.

To the Shareholders,

In our capacity as Statutory Auditor of your Company, we hereby present to you our report on the regulated agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us or those that we could have found in the course of our engagement. We are not required to comment as to whether they are beneficial or appropriate neither to ascertain whether any other agreements exist. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

In addition, we are required, if applicable, in accordance with article 3.4.1 of the Company statutes, to inform you of the agreements, which were approved during previous years and which were applicable during the period.

We performed the procedures we considered necessary in accordance with French professional guidance issued by the "Compagnie Nationale des Commissaires aux Comptes" (National Association of Statutory Auditors), relating to this engagement. Our work consisted in verifying that the information provided to us is in agreement with the underlying documentation from which it was extracted.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS

In accordance with article 3.4.1 of the Company statutes, we have been informed of the following agreements referred to in article L.227-10 of the French Commercial Code which entered into in the year ended in 2014.

Investment protocol in the context of the Kart II operation

CRFP 15 (company indirectly controlled by Carrefour), Colkart, CAA Kart 2 and C Commerce 2, partner holding more than 10% of your company's voting shares.

- *Terms and conditions :*

Carmila concluded, on September 16th,2014, with Carrefour, Amundi Group, Kartam 1, SCI Vendôme Commerces, Cardif Assurance Vie, Colkart Investment SCS, LVS II Lux VII, Predica, Sogecap et Stichting Blue Sky Active Private Real Estate Europe II Fund an investment protocol, modified by an additional contract on November 25th, (the « Investment Protocol »), which has for goal to define the investment modalities of the partnerships of Carmila.

It will come before the realization of asset acquisition operations from the firm Unibail-Rodamco in France and the firm Carrefour in Spain (operation Kart II).

The Kart II operation had been done on December 28th, 2014 and was partly financed by a capital growth subscribe by some partnership taking into account the Kart II conditions.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS

Agreements and commitments authorized during the financial year

In accordance with your the Company statutes, we have been informed of the following agreements which were already approved by the Shareholders' meetings in previous years, and which were applicable during the year.

Agreements related to renovations and developments

CRFP 15 (company indirectly controlled by Carrefour), partner holding more than 10% of your company's voting shares.

- *Terms and conditions :*

Carrefour and Carmila (acting on their behalf and in the name of and on behalf of their subsidiaries) wishing to implement a strategy aimed at promoting attractiveness of shopping malls and maximization of its value, concluded on April 16, 2014 an agreement related to renewals and developments.

This convention did not impact the results for the year ended on December 31, 2014.

Services agreement

CRFP 15 (company indirectly controlled by Carrefour), partner holding more than 10% of your company's voting shares.

- *Terms and conditions :*

Carrefour and Carmila concluded on April 16, 2014 a services agreement with a five years contract term, in which Carrefour provisions Carmila with skills and necessary means in order to assist in accounting, consolidation, tax and legal.

The amount of the expense registered for your company for the year ended on December 31, 2014 amounted to 43 917 €.

Paris La Défense, April 2, 2015	Paris, April 2, 2015
KPMG Audit ID	ACE Auditeurs et Conseils d'Entreprise
Eric Ropert	Emmanuel Charrier
Partner	*Partner*

5.5 Information concerning recent changes to Carmila

See Chapter 20.6 of Appendix II to this document.

Appendices

Appendix I: Reports from the French independent merger appraisers on the value and on the consideration for the contributions – *Included in French version only*

Appendix II: Appendix to Document E

Appendix II

NEW CARMILA INFORMATION DOCUMENT
(APPENDIX TO MERGER INFORMATION DOCUMENT ("DOCUMENT E") FILED WITH THE FRENCH *AUTORITÉ DES MARCHÉS FINANCIERS* ("AMF")
under registration n° E.17-040)

GENERAL

Definitions

The term "Cardety" as used herein refers to Cardety, a French *société anonyme* with total registered share capital of €25,900,068, with its head offices located at 58 avenue Emile Zola in Boulogne-Billancourt (92100), France and registered with the Nanterre Trade & Companies Register under number 381 844 471.

The terms "Company" and "Carmila" as used herein refer to Carmila, a limited liability company (*société par actions simplifiée*) with total registered share capital of €313,654,694, with its head offices located at 58 avenue Emile Zola in Boulogne-Billancourt (92100), France and registered with the Nanterre Trade & Companies Register under number 798 904 025. The term "Carmila Group" means Carmila, its consolidated subsidiaries and holdings as a whole as of the date of this document.

The term "New Carmila" as used herein refers to Cardety following the merger of Cardety and Carmila. The terms "New Carmila Group" and "Group" mean New Carmila, its consolidated subsidiaries and holdings as a whole.

The term "Carrefour" as used herein refers to Carrefour, a French *société anonyme* with total registered share capital of €1,890,587,885, with its head offices located at 33 avenue Emile Zola in Boulogne-Billancourt (92100), France and registered with the Nanterre Trade & Companies Register under number 652 014 051. The term "Carrefour Group" means Carrefour, its consolidated subsidiaries, branches and holdings as a whole at the date of this document.

Except as otherwise indicated, the term "New Carmila Group" also refers to the Carmila Group.

Forward-looking information

This document includes forward-looking statements regarding the Group's prospects and future development. Forward-looking statements appear in various sections of this document and may contain information on the Group's intentions, estimates and objectives, including the Group's market, strategy, growth, earnings, financial position and cash position. Forward-looking statements can be identified by their use of the future, conditional or forward-looking terms such as "considers", "contemplates", "thinks", "aims", "believes", "should", "targets", "predicts", "anticipates", "plans", "estimates", "expects" or the negative form of such terms or similar expressions. These statements relate to matters that are not historical facts. Forward-looking statements are not guarantees of future performance or of outcomes or results expressed or implied by such forward-looking statements. While they are based on data, assumptions and estimates considered reasonable by the Group, they are subject to risk and to change due to uncertainties related to the Group's economic, financial, competitive and regulatory environment, and in particular due to the risks described in Chapter 4, "Risk Factors".

The Group operates in a constantly changing and competitive environment and may not be in a position to anticipate all of the risks, uncertainties or other factors that may affect its business, its potential impact on its business or the extent to which the materialization of a risk or a combination of risks cause the Group's results to differ materially from those expressed in or implied by any forward-looking statements. The forward-looking statements contained in this document speak only as of the

date of this document. Except as required by law or rules and regulations, the Group undertakes no obligation to publicly update any forward-looking statements contained in this document to reflect any change in its objectives or the events, conditions or circumstances on which the forward-looking statements contained in this document are based.

Market and competition information

This document contains, including in Chapter 6 “Business Description”, information relating to the markets in which the Group operates and its competitive position. Certain information contained in this document is publicly available information that the Group considers to be reliable, but which has not been verified by an independent expert. The Group can give no assurance that a third party using different methods to collect, analyze or calculate data on the Group's markets would obtain the same results. The Group makes no representation or warranty as to the accuracy of such information. The Group's business may change or evolve from the business as described in this document in material ways. The Group makes no commitment to publish updates of this information, except as required by applicable law or rules and regulations.

Risk factors

Investors should carefully read the risk factors set forth in Chapter 4, “Risk Factors”. The materialization of any or all of such risks could have a material adverse effect on the Group's business, results, financial condition or prospects. In addition, new risks to New Carmila and the Group that have not yet identified or that New Carmila and the Group consider immaterial as of the date of this document could also have a material adverse effect on the Group’s business, results, financial condition or prospects.

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1. INDIVIDUALS RESPONSIBLE FOR THIS APPENDIX TO THE MERGER INFORMATION DOCUMENT

1.1 FIRST AND LAST NAMES OF THE INDIVIDUALS RESPONSIBLE FOR THIS APPENDIX TO THE MERGER INFORMATION DOCUMENT

Please refer to Sections 1.1.1 and 1.2.1 of Document E filed with the *Autorité des marchés financiers* (the "**AMF**") under registration n° E.17-040 (the "**Merger Information Document**").

1.2 CERTIFICATION OF THE INDIVIDUALS RESPONSIBLE FOR THIS APPENDIX TO THE MERGER INFORMATION DOCUMENT

Please refer to Section 1.1.2 and 1.2.2 of the Merger Information Document.

2. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.4 STATUTORY AUDITORS

Please refer to Sections 1.1.3 and 1.2.3 of the Merger Information Document.

2.5 ALTERNATE STATUTORY AUDITORS

Please refer to Sections 1.1.3 and 1.2.3 of the Merger Information Document.

3. SELECTED FINANCIAL INFORMATION

The following tables present selected financial information and other data as of the dates indicated below and for the periods then ended.

The information in this section should be read together with the rest of this document, in particular the consolidated financial statements of the Carmila Group included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016", the unaudited pro forma consolidated financial information of the New Carmila Group included in Section 20.2, "Pro Forma Financial Information" (the "Pro Forma Financial Information"), the discussion of the Carmila Group's results in Chapter 9, "Operating and Financial Review" and the discussion of the Carmila Group's liquidity and capital resources in Chapter 10, "Liquidity and Capital Resources".

3.1 SELECTED UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE NEW CARMILA GROUP

For the purposes of the Pro Forma Financial Information Cardety is considered the acquiring entity in the context of the Merger under IFRS 3.

The Pro Forma Financial Information was prepared for the fiscal year ended December 31, 2016 in order to illustrate the impact that the Merger of Carmila and Cardety would have had (i) on the consolidated income statement of the New Carmila Group if the Merger been completed on January 1, 2016 and (ii) on the consolidated balance sheet of the New Carmila Group if the Merger had been completed on December 31, 2016.

The Pro Forma Financial Information is included in Section 20.2, "Pro Forma Financial Information". By its nature, the Pro Forma Financial Information, which was prepared for informational purposes only, relates to a hypothetical situation and therefore does not purport to represent the New Carmila Group's financial condition or results of operations. It should not in any way be considered an indication of future results or financial condition. The statutory auditors of the New Carmila Group have issued a report on the Pro Forma Financial Information, which is included in Section 20.2, "Pro Forma Financial Information".

Selected unaudited pro forma income statement data

(in € millions except per share data)	**Fiscal year ended December 31, 2016**
Gross rental income	282.2
Net rental income	258.5
Operating income (before change in fair value and share of net income of equity-accounted companies)	217.2
EBITDA (excluding fair value adjustments) [1]	218.9
Balance of fair value adjustments on investment properties	183.3
Operating income	406.6
Net financial income (expense)	(50.6)
Net income, Group share	326.4
Net income per share	3.0
EPRA Net income[2]	166.3
EPRA Net income per share[2] [3]	1.5
Recurring earnings[4]	176.6

[1] For the definition of EBITDA (excluding fair value adjustments) and a reconciliation to the most comparable IFRS measure, see Section 10.6, "Performance Measures" and Note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2, "Pro Forma Financial Information".
[2] For the definition of EPRA Net income, see Section 10.6, "Performance Measures" and Note 1 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2, "Pro Forma Financial Information".
[3] End of period on a diluted basis, on the basis of 109,014,868 shares pro forma as of December 31, 2016.
[4] Recurring earnings is equal to EPRA Net income excluding certain non-recurring items. See Note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2, "Pro Forma Financial Information".

Selected unaudited pro forma consolidated balance sheet data

(in € millions)	**As of December 31, 2016**
Investment properties (appraisal value, excluding transfer taxes)	4,979.9
Cash and cash equivalents	73.6
Financial debt (current and non-current)	2,230.0
Shareholders' equity - Group share[1]	2,687.7

[1] Net of the balance of dividends remaining to be paid for fiscal year 2016.

Selected unaudited pro forma financial information by sector

(in € millions)	**Fiscal year ended December 31, 2016**	**%**
Gross rental income	282.2	
France	*207.7*	73.6%
Spain	*55.3*	19.6%
Italy	*19.2*	6.8%
Investment properties (appraisal value, excluding transfer taxes)[1]	4,979.9	
France	*3,711.6*	74.5%
Spain	*980.0*	19.7%
Italy	*288.3*	5.8%

[1] Excluding investments in equity-accounted companies and other non-current assets.

Key pro forma indicators and ratios of the New Carmila Group

(in € millions, except for ratios and per-share amounts)	**As of, or for fiscal year ended, December 31, 2016**
EBITDA (excluding fair value adjustments)[1]	218.9
Investments	481.0
Acquisitions	*355.5*
Renovations	*22.1*
Expansions	*76.8*
Restructurings[2]	*20.3*
Maintenance	*6.2*
Other	*0.1*
Net financial debt	2,156.3
Gross financial debt	2,230.0
Loan-to-Value Ratio (LTV)[3]	40.5%
Interest Coverage Ratio (ICR)[4]	4.4x
Cost ratio (EPRA)[5]	16.6%
Net asset value (EPRA), excluding transfer taxes[6]	2,817.9
Net asset value (EPRA), excluding transfer taxes, per share[7]	25.85
Appraised value (including transfer taxes, excluding works in progress)	5,226.3
Gross asset value (including transfer taxes, including works in progress)	5,320.9

[1] For the definition of EBITDA (excluding fair value adjustments) and a reconciliation to the most comparable IFRS measure, see Section 10.6, "Performance Measures" and Note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2, "Pro Forma Financial Information".
[2] Includes technical plant, machinery and equipment for an amount of €1.5 million.
[3] LTV including transfer taxes and including works in progress: ratio between the value of the investment properties, including transfer taxes and works in progress, and net financial debt.
[4] Ratio of EBITDA (excluding fair value adjustments) to net financial costs.
[5] Cost ratio (EPRA) corresponds to the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administrative expenses as a percentage of gross rental income.
[6] Net of the balance of dividends remaining to be paid for fiscal year 2016.
[7] End of period on a diluted basis, on the basis of 109,014,868 shares pro forma as of December 31, 2016.

3.2 SELECTED FINANCIAL INFORMATION OF THE CARMILA GROUP

The selected financial information of the Carmila Group has been derived from the Carmila Group's consolidated financial statements, prepared in accordance with IFRS as adopted by the European Union. The statutory auditors' report on these consolidated financial statements is included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016".

The consolidated financial statements of the Carmila Group prepared for each of the fiscal years ended December 31, 2015 and 2016 cover a period of 12 months. The fiscal year ended December 31, 2014 covers the period from June 1 through December 31, 2014 (seven months), since Carmila ended its previous fiscal year early on May 31, 2014 in order to opt into the SIIC tax regime.

Selected consolidated income statement data of the Carmila Group

(in € millions except per share data)	Fiscal year ended December 31,		
	2016 (12 months)	**2015 (12 months)**	**2014 (7 months)**
Gross rental income	**275.7**	**260.3**	**110.4**
Real estate expenses	(3.9)	(1.7)	(1.0)
Unrecovered rental expenses	(8.3)	(8.8)	(0.7)
Property expenses (landlord)	(11.0)	(6.0)	(8.6)
Net rental income	**252.5**	**243.9**	**100.2**
Operating expenses	(41.6)	(32.8)	(15.5)
Other operating income	1.9	-	-
Allowances for depreciation of fixed assets, amortization of intangible fixed assets and provisions	(0.5)	(3.0)	(4.4)
Other current operating income and expenses	(0.3)	(0.02)	(0.4)
Income from the sale of investment properties	0.4	(1.2)	-
Balance of fair value adjustments on investment properties	157.7	179.5	(198.6)
Share of net income of equity-accounted companies	6.1	11.0	0.05
Operating income	**376.3**	**397.5**	**(118.8)**
Net financial income (expense)	(52.3)	(40.6)	(15.4)
Income before taxes	324.0	356.8	(134.2)
Income tax	(28.4)	(31.5)	(3.7)
Consolidated net income	**295.6**	**325.3**	**(137.9)**
Group share	**294.5**	**324.8**	**(134.9)**

Selected consolidated balance sheet data of the Carmila Group

(in € millions)	As of December 31,		
	2016 (12 months)	**2015 (12 months)**	**2014 (7 months)**
Non-current assets	4,915.7	4,350.6	3,685.6
Of which investment properties (appraisal value, excluding transfer taxes)	*4,850.4*	*4,277.7*	*3,622.7*
Current assets	289.4	284.6	242.2
Of which other current assets	*116.3*	*61.1*	*33.0*
Of which trade receivables	*98.2*	*93.9*	*82.1*
Of which cash and cash equivalents	*71.2*	*128.0*	*127.1*
Total Assets	**5,205.1**	**4,635.3**	**3,927.9**
Shareholders' equity - Group share	2,642.8	2,415.3	2,153.2
Non-controlling interests	8.4	40.2	4.7
Shareholders' equity	**2,651.2**	**2,455.5**	**2,157.9**
Non-current liabilities	2,199.8	1,983.0	1,632.3
Of which non-current financial debt	*2,051.0*	*1,862.2*	*1,555.3*
Current liabilities	354.0	196.8	137.6
Of which current financial debt	*167.5*	*15.5*	*7.9*
Of which other current liabilities	*122.7*	*105.2*	*82.9*
Total Liabilities and Shareholders' Equity	**5,205.1**	**4,635.3**	**3,927.9**

Selected financial information by sector of the Carmila Group

(in € millions)	Fiscal year ended December 31,		
	2016 (12 months)	**2015 (12 months)**	**2014 (7 months)**
Gross rental income	**275.7**	**260.3**	**110.4**
France	*201.2*	*192.4*	*78.5*
Spain	*55.3*	*51.0*	*22.4*
Italy	*19.2*	*16.9*	*9.5*
Operating income (Unadjusted)	**212.7**	**208.1**	**80.2**
France	*153.7*	*155.3*	*60.9*
Spain	*41.3*	*38.9*	*16.6*
Italy	*17.7*	*13.9*	*2.7*
Operating income	**376.3**	**397.5**	**(118.8)**
France	*206.0*	*234.6*	*(146.5)*
Spain	*142.4*	*143.3*	*28.5*
Italy	*27.9*	*19.6*	*(0.8)*
Investment properties (appraisal value, excluding transfer taxes)[1]	**4,850.4**	**4,277.7**	**3,622.7**
France	*3,402.0*	*3,159.1*	*2,006.8*
Spain	*735.0*	*628.3*	*438.5* [3]
Italy	*288.3*	*234.8*	*218.8*
Investment properties valued at cost and works in progress [2]	*425.2*	*255.5*	*958.6*

[1] Does not include share of net income from equity-accounted companies and other non-current assets.
[2] The most recent acquisitions, which have not yet been appraised, are carried at cost, as are assets under construction, in each case in the portfolio in operation, excluding equity-accounted companies.
[3] Appraisal value for Spain in 2014 does not reflect a net positive fair value adjustment in Spain (equal to the write-downs calculated for the period) equal to €65.4 million.

Selected consolidated statement of cash flow data of the Carmila Group

(in € millions)	Fiscal year ended December 31,		
	2016 (12 months)	**2015 (12 months)**	**2014 (7 months)**
Cash flows from operating activities	177.7	214.2	67.7
Of which change in working capital requirement	*(29.2)*	*13.6*	*(14.3)*
Cash flows from investing activities	(437.1)	(414.9)	(1,190.3)
Cash flows from financing activities	195.1	199.6	1,116.9
Change in net cash position	**(64.3)**	**(1.1)**	**(5.8)**
Opening cash position	119.4	120.6	**126.3**
Closing cash position	55.1[1]	119.4	120.6

[1] Gross cash position of €71.2 million less bank overdrafts of €16.1 million for a net closing cash position of €55.1 million.

EPRA performance measures of the Carmila Group

Recurring earnings for the year ended December 31, 2016

(in € millions)	**For the fiscal year ended December 31, 2016**
Consolidated net income	**295.6**
Balance of fair value adjustments less deferred tax liability resulting from fair value adjustments	(136.0)
Other adjustments	2.5
EPRA Earnings	**162.2**
Adjustment for debt issuance costs	6.8
Adjustment for development margin[1]	(1.9)
Exceptional charge related to Thionville	1.9
Non-recurring charges from employee share plans	3.0
Other adjustments	0.4
Recurring earnings	**172.3**

[1] Other non-recurring operating income and expenses or development margins (see Note 8.3 to the Carmila Group's consolidated financial statements included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016").

Net asset value per share (EPRA NAV)

	For the fiscal year ended December 31, 2016	
	in € millions	*€/diluted share*
Shareholders' equity (Group share)	2,642.8	
Elimination of the fair value recognition of hedging instruments	22.1	
Other adjustments	108.2	
EPRA NAV (excluding transfer taxes)	**2,773.1**	**8.83**
Triple net asset value (NNNAV EPRA)	**2,669.2**	**8.50**
Fully diluted number of shares at year end	*314,094,571*	

4. RISK FACTORS

Investors should consider all of the information set forth in this document, including the following risk factors. The discussion below identifies, as of the date of this document, those risks that the New Carmila Group believes, should they materialize, could have a material adverse effect on the New Carmila Group, its business, financial condition, results of operations or future prospects. The risks set forth below are not the only risks facing the New Carmila Group. Other risks that are either not known as of the date hereof or that the New Carmila Group currently does not consider likely to have a material adverse effect on the New Carmila Group, its business, financial condition, results of operations or future prospects may exist or could occur.

4.1 RISKS RELATING TO THE GROUP'S INDUSTRY

4.1.1 The New Carmila Group is subject to risks relating to unfavorable changes in macroeconomic conditions in the countries in which it operates.

As of the date of this document, the New Carmila Group's properties comprise 205 shopping centers and retail parks anchored by Carrefour Group stores in France, Spain and Italy. For a description of the New Carmila Group's real estate assets, see Section 6.6, "Description of the Assets and Activities of the New Carmila Group".

The New Carmila Group's business development and asset valuations could be significantly affected by a changing political environment or by unfavorable changes in the principal macroeconomic factors in the countries where it operates, including the following:

- employment and growth rates;
- inflation, purchasing power and consumer spending;
- decreases in the indices used as the basis for rent adjustments (in particular, the French commercial lease index (*indice des loyers commerciaux*, or "**ILC**"));
- increased interest rates and access to financing by potential real estate buyers; and
- rates and changes in real estate taxation.

Unfavorable changes in the foregoing economic factors may have the following negative impacts:

- an unfavorable impact on rental income generated by the properties that the New Carmila Group owns or may own in the future, since (i) a decline or slower growth in the ILC index could have a negative effect on rents tied to that index, and (ii) a decrease in consumer spending could have a negative effect on rents under variable-rent leases indexed to tenants' revenues;
- a substantial drop in occupancy rates, which would depress rental income due both to the decrease in rent and the increase in charges that would no longer be passed on;
- a substantial impact on tenants' ability to pay their rent and thus on the New Carmila Group's rent collection rates and charges related to distressed tenants, particularly during difficult economic periods;
- a decrease in the value of the real estate assets that the New Carmila Group owns or may own in the future, which depends on many factors, such as market supply and demand, which themselves depend on general economic conditions;

- an unfavorable impact on the New Carmila Group's ability to increase or maintain rent levels when it renews leases, which depends on its tenants' current and expected revenues, changes in supply and demand and changes in the market (which themselves depend on general economic conditions) and changes in regulations governing commercial leases;

- reduced demand for new commercial space and a resulting reduced need to revitalize and expand the New Carmila Group's shopping centers; and

- a reduction in the New Carmila Group's capacity to finance potential real estate acquisitions or new development projects that it may wish to carry out in the future, in particular in the event of higher interest rates or difficulty in obtaining financing from financial institutions or the capital markets.

4.1.2 A downturn in the commercial real estate market could have a negative impact on the valuation of the New Carmila Group's real estate assets and rental income.

The value of the New Carmila Group's commercial properties and its lease agreements are vulnerable to unfavorable changes in the real estate market:

- unfavorable market conditions could lead to a decrease in the appraised value of the New Carmila Group's real estate assets, since appraisals take into account, among other factors, the values of comparable real estate transactions. A generalized decrease in market prices paid in such transactions would affect the appraised value of the New Carmila Group's real estate assets; and

- unfavorable market conditions could lead to a decrease in rents, which would negatively affect rent levels in the New Carmila Group's new and renewed leases and would also make it more difficult to obtain the maximum legal rent increases from its existing tenants on the basis of movements in the ILC if the rent payable under continuing leases is greater than that of new or renewed leases.

In addition, an extended downturn in the commercial real estate market could reduce liquidity and make potential asset disposals difficult. The New Carmila Group might be unable to meet its obligations under the terms of its indebtedness or to dispose of its commercial properties on satisfactory financial terms and sufficiently quickly, if such disposals became necessary. In particular, there can be no assurance that the New Carmila Group will be able to dispose of its commercial properties on terms that are at least as favorable as those on which it acquired them.

4.1.3 The New Carmila Group's real estate assets are concentrated in France, Spain and Italy.

As of December 31, 2016, approximately 74% of the New Carmila Group's real estate assets by appraised value were located in France. The concentration of the New Carmila Group's assets in France means that a significant deterioration in economic conditions in France would have a larger impact on the New Carmila Group's results and financial condition than on those of a real estate company whose assets are more widely distributed in Europe or internationally. In particular, a decrease in market rents in France would lead to a significant decrease in the New Carmila Group's rental revenues.

The New Carmila Group also owns and operates shopping centers in two other countries in continental Europe, Spain and Italy (in particular, northern Italy), in addition to its principal market in France. These two countries may have different risk profiles from those of the French market, in particular in terms of their respective economic conditions and regulatory frameworks. Suboptimal

management of such risks could have an adverse effect on the New Carmila Group's strategy, results of operations, financial condition and future prospects.

As of the date of this document, growth remains limited in France and Italy, and the International Monetary Fund's growth forecasts for these countries are modest (1.3% for France and 0.7% for Italy for the 2017-2018 period)[1]. While projected growth in Spain is more favorable (3.2% over the same two years), there can be no assurance that these forecasts will be correct and/or will hold over the entire two-year period. The unfavorable consequences of a deteriorating economic situation in France, Spain and/or Italy, in particular a decrease in purchasing power and in consumer confidence, could cause consumers to delay or reduce their spending on the products and services offered in the shopping centers operated by the New Carmila Group. This could lead to a decrease in the variable portion of the rent collected by the New Carmila Group, limited recruitment of new retailers and an increase in unpaid rent.

4.1.4 The New Carmila Group is subject to interest rate risk, particularly rising interest rates.

An increase in interest rates, which are currently at historically low levels, could have a negative impact on the New Carmila Group's financial condition, results or outlook for several reasons:

- an increase in interest rates could lead to a decrease in the appraised value of the New Carmila Group's assets by affecting the discount rates applied to rents for purposes of determining the present value of rental income, which is based on the difference between the appraisal value and market value, including transfer taxes. Appraisal procedures and methodologies are described in Section 9.4, "Appraisal of the Property Portfolio";

- if interest rates increase or borrowing terms become less favorable, when its existing loans and hedge agreements expire (see Section 10.4, "Indebtedness") the New Carmila Group could be forced to enter into new loans or hedge agreements with higher financial costs than its current ones; and

- an increase in interest rates could have an impact on the New Carmila Group's growth strategy, since higher financing costs would reduce the New Carmila Group's capacity to finance acquisitions or development projects and implement its strategy.

Conversely, a decrease in interest rates could lead to an increase in real estate prices and increase property acquisition costs, which could have an unfavorable effect on the New Carmila Group's results of operations, financial condition, investment strategy and future prospects.

4.1.5 The Group operates in a highly competitive environment.

In its real estate investment activity and its leasing operations, the New Carmila Group competes in France, Italy and Spain with numerous other companies. Its real estate investment competitors include listed and unlisted real estate companies, including both French competitors (such as Unibail-Rodamco, Klépierre and Altarea) and European competitors (such as Eurocommercial Properties, Wereldhave, IGD and Hammerson); large institutional investors, such as banks and insurance companies; real estate entities of retail groups (such as Immochan, Galimmo, Mercialys and Immo Mousquetaires); and independent operators.

The New Carmila Group's leasing operations are subject to significant competitive pressures. Competition may come from other shopping centers, business parks or other commercial spaces operated by competitors and located in catchment areas that may overlap with those of the New Carmila Group's shopping centers; from e-commerce; or from the attractiveness of store brands

[1]Source: IMF, World Economic Outlook, January 16, 2017.

located in competing shopping centers. The development of competing shopping centers near the New Carmila Group's existing shopping centers, or renovations or expansions of competing shopping centers located in the same catchment area, could have an adverse effect on the New Carmila Group's ability to lease commercial space on favorable terms, and therefore on rent and expected results of operations. Moreover, the development of e-commerce could lead to a decrease in footfall at shopping centers and in tenants' revenues, and could have a resulting adverse effect on the New Carmila Group's results of operations, financial condition and future prospects, as well as on the value of its asset portfolio. In addition, competitive pressure could threaten certain expansion projects, as the New Carmila Group could be unable to pre-rent new lots on favorable terms, thus negatively affecting the profitability and viability of these projects.

Finally, the New Carmila Group's tenants are subject to strong competitive pressures in their respective sectors. A deterioration in their business or financial condition due to competition could affect their ability to pay rent, the amount of rent collected by the New Carmila Group under leases indexing rent to the tenant's revenue and the tenant's decision to renew a lease at the end of its term.

Given the competition in the commercial real estate market, the New Carmila Group could be unable to complete the acquisition projects that it would like to undertake, which could slow its growth and the implementation of its strategy, and could have an adverse effect on its business, potential growth and future results.

All of these factors could have a material adverse effect on the revenues of the New Carmila Group's shopping centers, their development prospects and their results of operations, as well as on rental income and the results that it generates for the New Carmila Group and, as a consequence, on the New Carmila Group's financial condition and future prospects.

4.1.6 The New Carmila Group could be unable to anticipate, identify and keep up with changes in the commercial real estate market, or to invest with commercial success in new services and technologies.

The commercial real estate sector is evolving structurally and facing potentially significant changes, including technological advances and the resulting changes in consumer preferences and behavior. The development of the Internet, and digital technology generally, creates new opportunities but also carries risks (see Section 6.4, "Overview of the Commercial Real Estate and Shopping Center Markets"), since the New Carmila Group could prove unable to adapt quickly enough to meet tenant and consumer expectations, and therefore might fail to seize opportunities in this rapidly evolving market.

In order to keep up with these changes, the New Carmila Group allocates a portion of its investments to services and technologies that it believes will have strong added value or will be well received by its tenants and by consumers (see Section 6.3, "Strategy"). However, due to the rapid evolution of these technologies and tenant and consumer expectations, the New Carmila Group cannot guarantee that it will anticipate and identify services and products that meet such expectations or successfully adapt its offerings to new technologies and trends. Moreover, the New Carmila Group could incur significant costs to update and digitalize its service offerings but still fail to achieve expected commercial benefits from those efforts. As a result, the New Carmila Group could fail to differentiate itself from its competitors, which in the long term could have a material adverse effect on the New Carmila Group's business, results of operations, financial condition and future prospects.

4.2 RISKS RELATING TO THE NEW CARMILA GROUP'S BUSINESS

4.2.1 The New Carmila Group's investment policy and the success of its development strategy rely on its partnership with the Carrefour Group.

The New Carmila Group's development strategy relies on its strategic partnership with the Carrefour Group. Since inception, the Carmila Group has conducted a significant renovation and expansion program in coordination with Carrefour Property entities, which are subsidiaries of the Carrefour Group that own Carrefour hypermarket and supermarket buildings in France, Spain and Italy, as well as, in most cases, the parking lots for these buildings. The Carmila Group entered into a renovation and development partnership agreement (the "Renovation and Development Agreement") with the Carrefour Group, the purpose of which is to implement a strategy to reinforce the attractiveness and optimize the value of the commercial sites that are co-owned by the Carrefour Group (hypermarkets and parking lots) and the Carmila Group (shopping centers). The Renovation and Development Agreement provides for joint approval and financing by the Carmila Group and the Carrefour Group of projects to renovate and expand the New Carmila Group's shopping centers. See Sections 6.6.2.2, "A major expansion and restructuring program," 6.7, "Operational Organization and Relationship with the Carrefour Group," and 19, "Related Party Transactions".

If the Carrefour Group were to decide (following a strategic disagreement or otherwise) not to finance all or some of the contemplated shopping center renovation and development projects, or if the Renovation and Development Agreement were terminated or not renewed, the New Carmila Group might be unable on its own to finance and carry out projects necessary to maintain the value and attractiveness of its shopping centers, or to continue to implement its growth strategy in a market in which opportunities for acquiring new shopping centers are currently relatively limited. This could have a material adverse effect on the New Carmila Group's business, results of operations, financial condition and growth prospects.

4.2.2 Customer traffic at the New Carmila Group's shopping centers relies on the presence and attractiveness of the Carrefour Group's hypermarkets.

As a real estate company dedicated to managing and increasing the value of shopping centers and retail parks anchored by the Carrefour Group's stores, the New Carmila Group benefits from the presence and image of the Carrefour Group's hypermarkets adjacent to the shopping centers that it operates. The presence of these hypermarkets under the Carrefour Group brand is a major factor in the attractiveness of the adjoining shopping centers and contributes significantly to their footfall, which benefits all of the New Carmila Group tenant retailers.

A loss of brand strength on the part of the Carrefour Group's hypermarkets or the closing of one or more of such hypermarkets would likely have a material adverse effect on footfall at the New Carmila Group's shopping centers and on the business of its tenant retailers and, in turn, on the total rental income from certain shopping centers and on the New Carmila Group's business, results of operations, financial condition and growth prospects.

4.2.3 The New Carmila Group is subject to the risk of a decrease in the number of visitors to its shopping centers.

The New Carmila Group depends on visitor traffic to its tenant retailers' stores in its shopping centers. Visitor traffic, in turn, is affected by both the operational quality of these sites and events outside the control of the New Carmila Group.

While the New Carmila Group intends to continue to offer a high-quality experience and clean sites to satisfy tenant and customer expectations, this requires regular expenditures and investments. A prolonged and significant lack of satisfaction on the part of customers could affect the New Carmila

Group's reputation and attractiveness to the brands currently present in its shopping centers or lead to lower footfall and, as a result, have a material adverse effect on the New Carmila Group's business, financial condition, results of operations and future prospects.

The New Carmila Group's properties in France, Spain and Italy, which receive a significant number of visitors, are exposed to the risk of a terrorist attack, which could lead to a decrease in shopping center traffic, increased costs associated with strengthening security at the New Carmila Group's sites and cause potential damage to the New Carmila Group's image. Furthermore, even an attack or an attempted attack at a shopping center that does not belong to the New Carmila Group could have a material adverse effect on the New Carmila Group's business, results of operations and financial condition. The shopping centers could also be affected by natural disasters such as floods and fires, which could render sites inaccessible or require significant reconstruction. Such events could have a material adverse effect on the New Carmila Group's business, results of operations, financial condition and future prospects, especially if the New Carmila Group's insurance policies prove insufficient to cover all of the related damages.

4.2.4 The New Carmila Group is subject to risks in carrying out renovation, restructuring and expansion projects at its shopping centers.

In connection with its strategy to develop and increase the value of its real estate assets, the New Carmila Group conducts renovation, restructuring and expansion projects at its shopping centers. (See Section 6.6.2.2, "A major expansion and restructuring program".)

These projects are subject to a number of risks, including the following:

- the administrative authorizations requested by the New Carmila Group or its partners that are required for renovations and expansions may be delayed or refused altogether;

- the New Carmila Group could be unable to obtain financing for its projects on satisfactory terms;

- the New Carmila Group's projects could require third-party consents, such as from other property owners, anchor retailers, creditors or its development partners, and these consents might not be granted;

- initial project costs, such as the cost of conducting studies, generally cannot be deferred or cancelled in the event of a delay or cancellation of projects;

- rental income may be lower than initially budgeted or expected. Pre-marketing leases signed with retailers might not be honored on the initial terms, or the New Carmila Group could encounter difficulties in marketing retail space that is not leased in the pre-marketing phase; and

- the cost of renovating assets could turn out to be greater than initially estimated, either because the renovation takes longer than planned or because of technical difficulties or delays on complex projects.

These risks could lead to delays or cancellations of investments or their completion at a higher cost than initially budgeted, or lower profitability than initially hoped (or losses). Any or all of these events could slow the New Carmila Group's growth and the implementation of its strategy and could have a material adverse effect on its results of operations, business, financial condition and future prospects.

4.2.5 The New Carmila Group is subject to risks relating to the acquisition of shopping centers.

The New Carmila Group intends to pursue a policy of targeted acquisitions of shopping centers anchored by the Carrefour Group's hypermarkets in France, Spain and Italy. This policy carries risks, including the following:

- the New Carmila Group could overestimate the potential return on acquired assets and acquire them at too high a price given the financing required or could be unable to acquire them on satisfactory terms, in particular in connection with competitive bid processes or during periods of high economic volatility or uncertainty;

- the New Carmila Group could discover undisclosed issues with respect to the acquired assets, such as subleases, tenant violations of applicable regulations (in particular environmental regulations) or non-compliance with construction plans that are not covered by the warranties included in the relevant acquisition agreement;

- to the extent that an acquisition is financed by sales of other assets, unfavorable market conditions or timing could delay or compromise the New Carmila Group's ability to complete the acquisition. As a result, the actual benefit of the relevant acquisition could be less than anticipated, or could occur later than estimated in the business plan at the time of the relevant acquisition; and

- the profitability of such acquisitions could depend on the completion of restructuring and/or expansion projects following such acquisitions, which could be blocked or delayed for various reasons (see Section 4.2.4, "The New Carmila Group is subject to risks in carrying out renovation, restructuring and expansion projects at its shopping centers").

More generally, the New Carmila Group cannot guarantee that opportunities to acquire such assets on satisfactory terms will arise. Moreover, the cost of such acquisitions could require significant financial resources, in particular external financing that the New Carmila Group cannot guarantee it will be able to obtain on satisfactory terms. This could slow the rate at which the New Carmila Group acquires new assets on the market, as well as their integration into the New Carmila Group, and more generally, could diminish benefits expected at the operational level and adversely impact the New Carmila Group's portfolio development strategy.

Finally, the New Carmila Group has not ruled out investments in new geographical markets in Europe where it is currently not directly present, and in which the Carrefour Group operates, which could present risks that are different in nature than those of the markets in which the New Carmila Group currently operates.

In the event that anticipated synergies and value creation are not achieved, or are achieved later than expected, there could be a material adverse effect on the New Carmila Group's business, results of operations, financial condition and future prospects.

4.2.6 The New Carmila Group is subject to the risk of decreased occupancy rates at its shopping centers.

The New Carmila Group defines its financial occupancy rate as the ratio between the amount of rent invoiced during a given period and the amount of rent that the New Carmila Group would collect if its entire portfolio were leased, with the assumed rent for vacant lots determined on the basis of rental values used in determining the appraised values. The financial occupancy rate of the New Carmila Group's shopping centers was 96.1% as of December 31, 2016.

The New Carmila Group's occupancy rate could decline, causing a material adverse effect on its results of operations and future prospects, for a number of reasons, including the following:

- if market conditions deteriorate, particularly in France (see Section 4.1.3, "The New Carmila Group's real estate assets are concentrated in France, Spain and Italy");

- if the New Carmila Group were to become less effective at marketing its vacant lots due to an inability to keep up with the rapidly changing environment in the commercial real estate market and changing demand from clients;

- in the event of non-renewals of expiring leases, if the New Carmila Group were unable to re-let its assets rapidly (resulting in a loss of revenue from the vacant lots in addition to the related fixed charges that would be paid by the New Carmila Group) or were unable to re-let them on satisfactory terms;

- at the time of lease renewals, if the New Carmila Group were faced with an unfavorable market for lessors or with regulatory changes imposing new restrictions or constraints with respect to the redetermination of rents; and

- in connection with projects to expand or to acquire new assets, if the pre-marketing agreements signed with retailers were not honored on the terms and within the time periods that were initially agreed.

4.2.7 Appraisals of the Group's portfolio may not reflect the actual amount that the New Carmila Group would receive if it sold the properties, and the valuation of its assets may vary from one period to the next.

In accordance with IAS 40, the New Carmila Group has opted to record its real estate assets at fair value. This accounting method was adopted by the New Carmila Group for the purposes of its consolidated financial statements included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016". The change in fair value of these real estate assets is recorded in the New Carmila Group's income statement.

The New Carmila Group's real estate portfolio is valued by independent appraisers. The appraisal procedure is described in Section 9.4.1, "Methods of valuing the property portfolio".

The valuations determined by the independent appraisers rely on several assumptions that may not prove to be correct and may vary significantly, in particular in the event of poor performance by the shopping centers. These valuations depend on changes in the commercial real estate market, interest rates and the economic environment, including supply and demand. As a result, the valuation of the New Carmila Group's assets might not be the same as the valuation that could be obtained in a sale. The valuation may vary depending on increases or decreases in certain criteria assessed by independent appraisers, as further described in note 6 to the financial statements for 2014, 2015 and 2016 included in Annex B of this document.

4.2.8 The New Carmila Group could be unable to maintain its relationships with major retailers or to establish new relationships with other large retailers on satisfactory terms.

The commercial real estate assets owned by the New Carmila Group are intended to be leased to local, national and international retailers.

The New Carmila Group's shopping centers are often supported by one or more anchor retailers with strong potential to attract customers (such as H&M, Primark, Orange or Sephora). The presence of large anchor retailers with strong potential to attract customers may have a significant impact on

traffic and footfall at the shopping centers and therefore on the results of operations of all of the tenants at those sites, due to the sales-generating role played by these large retailers in certain shopping centers. A decrease in the attractiveness of these retailers, or a slowdown or cessation of their activity (especially in an unfavorable economic environment), the non-renewal or termination of their leases, a delay in re-letting their premises, or the failure of the shopping centers to adapt to changes in the industry could result in decreased traffic at the shopping centers. This decrease in traffic could lead to a decrease in sales by the other retailers and thus have a material adverse effect on the total rental return on certain centers and, therefore, on the asset valuation, business, results of operations and future prospects of the New Carmila Group.

The commercial real estate industry in which the New Carmila Group operates is characterized, moreover, by a rapid evolution in its environment and by changing demand from consumers, requiring New Carmila Group to adapt its shopping center design and its choice of tenant retailers based on consumer expectations and, more generally, to anticipate and react effectively to changes in the commercial real estate market. The New Carmila Group could have difficulty finding tenant retailers who are attractive in terms of the amount or structure of the rent they will pay, in particular when the New Carmila Group is marketing new real estate assets. This could have a material adverse effect on the New Carmila Group's business, financial condition, results and future prospects.

4.2.9 The New Carmila Group's marketing and leasing initiatives could be unsuccessful or unprofitable.

The success of the Carmila Group's strategy relies in part on its proprietary "Smart Mall" concept, which uses location-based digital marketing solutions. The Carmila Group has also developed an innovative approach to leasing, in particular through the use of teams specialized in short-term rentals, partnerships with promising new retailers, and the creation of original concepts in collaboration with the Carrefour Group's hypermarkets (see Section 6.3, "Strategy").

If the New Carmila Group's marketing and leasing efforts do not succeed in attracting retailers and consumers at a reasonable cost, this could have a material adverse effect on the New Carmila Group's business, financial condition, results of operations and future prospects.

4.2.10 The New Carmila Group's profitability is subject to the risk of tenant insolvency.

The New Carmila Group's ability to collect rent depends on the solvency of its tenants. While a tenant's ability to pay is taken into account before entering into a lease, tenants may nevertheless fail to pay their rent on time or may cease to make payments, in particular during difficult economic periods, which could have a material adverse effect on the New Carmila Group's business, results of operations, financial condition and future prospects.

4.2.11 The Carmila Group relies on the Carrefour Group for necessary support functions, which are provided under agreements with Carrefour Group entities.

The Carmila Group relies on Carrefour Group entities for several necessary support functions, in particular for property management, legal and IT services. In addition, Messrs. Jacques Ehrmann, Chairman and Chief Executive Officer, and Yves Cadélano, Deputy CEO, continue to perform their operational functions for the Carrefour Group, and have been made available by the Carrefour Group to perform their operational functions for the Carmila Group. For a description of the principal service agreements between Carmila and its subsidiaries, on the one hand, and Carrefour Group entities, on the other hand, see Section 6.7, "Operational Organization and Relationship with the Carrefour Group" and Chapter 19, "Related Party Transactions".

These agreements and the New Carmila Group's resulting dependency on the Carrefour Group give rise to a number of risks, including the following:

- the expiration or termination of one or more of these agreements could disrupt the New Carmila Group's operations or generate potential disruptions related to difficulties in obtaining substitute services, if it is not able to perform these functions internally, or could require it to incur costs for replacement (and potentially more expensive) service providers or to create these services internally;

- the renegotiation of financial terms when these agreements expire could prove unfavorable to the New Carmila Group; and

- the services provided by the Carrefour Group are performed by its own employees, who do not work exclusively for the New Carmila Group.

4.2.12 The New Carmila Group is subject to risks relating to information systems.

The Carmila Group uses a number of information tools and communications and information systems that play an essential role in the conduct of its business, such as for the invoicing of rent and for financial and accounting management. Any failure, interruption or compromise of these information systems, or any loss of data, could lead to failures or interruptions in the New Carmila Group's activities, and could result in significant costs relating to the recovery and verification of the information, as well as to a potential loss of business.

The New Carmila Group's information systems could also be subject to cyber-criminal attacks resulting in the theft or embezzlement of confidential data, the extortion of funds or a temporary interruption in the New Carmila Group's activities (such as a denial of service). The consequences could be financial (termination of negotiations, penalties, etc.), reputational (disclosure of operational data or non-public financial data) or legal (liability to the legal entities or individuals with respect to whom the Carmila Group holds confidential or identifying information).

Any failure, interruption or compromise of the New Carmila Group's information systems could have a material adverse effect on its image, reputation, business, results of operations, financial condition or future prospects.

4.2.13 The New Carmila Group may be unable to retain the members of its management team or to attract and retain qualified employees.

The New Carmila Group depends on the involvement and expertise of its management. The New Carmila Group's management is composed of experienced executives and employees chosen for their proven skills and their expertise in managing shopping centers. The New Carmila Group's management team has significant experience in its industry, and the New Carmila Group's success depends in part on the contributions of this team. The loss of one or more members of the New Carmila Group's management could adversely affect its ability to prepare and implement an effective business plan, and the New Carmila Group could be unable to find satisfactory new employees to replace those who have departed. The loss of key employees of the New Carmila Group could also lead to a loss in technical or specific skills, which could slow or alter certain businesses or projects. In the event of a loss of such employees, the New Carmila Group would need to recruit new qualified employees in order to develop its business and may need to train them in order to familiarize them with the issues and constraints that are specific to the New Carmila Group. Any inability on the part of the New Carmila Group to retain highly qualified staff or to attract new employees and to train them adequately could reduce the efficiency of its organization and its capacity to execute its business plan and its growth strategy.

4.3 RISKS RELATING TO THE FINANCIAL CONDITION AND FINANCING POLICY OF THE NEW CARMILA GROUP

4.3.1 The New Carmila Group's significant indebtedness could affect its ability to pay its debts and conduct its business.

The Carmila Group currently has a significant amount of debt. As of December 31, 2016, the Carmila Group's gross debt totaled €2,218.4 million (see Section 10.4, "Indebtedness" for a description of its principal financing arrangements). As of the same date, the Carmila Group had total cash of €71.2 million, for net debt of €2,147.2 million.

The Carmila Group's significant indebtedness could have the following consequences:

- increased difficulty in satisfying its obligations with respect to its indebtedness and other liabilities;
- the allocation of a substantial portion of its cash flow from operational activities to repay its debt, which reduces available cash for financing growth and investment, as well as other needs;
- greater vulnerability to a slowdown in its business, in the economy or in industry conditions;
- a competitive disadvantage as compared with competitors carrying less debt;
- limited flexibility in planning and adapting to changes in its business and industry;
- limited capacity to carry out strategic acquisitions or expansion projects; and
- limitations on, among other things, its ability and the ability of its subsidiaries to borrow additional funds or to raise equity in the future and an increase in costs relating to these additional financings.

The New Carmila Group's ability to repay its debt will depend on its future performance, which will be affected by economic conditions and financial, commercial, regulatory and other factors. Some of those factors are outside the New Carmila Group's control. If the New Carmila Group were unable to repay its debt and to comply with its other obligations and commitments, it could be forced to refinance its debt or to sell certain assets in order to obtain the necessary funds. The New Carmila Group cannot guarantee that such refinancings or asset disposals would be completed in a timely fashion or on satisfactory terms, that it would succeed in completing them at all, or that such refinancings or asset disposals would be permitted under the terms of its financing arrangements.

4.3.2 The Carmila Group is subject to restrictive covenants under its financing agreements, which could impair its ability to conduct its business.

The Carmila Group is subject to restrictive covenants under its financing agreements, which could impair its ability to conduct its business. These covenants will apply to the New Carmila Group following the Merger. If the New Carmila Group were to fail to comply with these covenants, including as a result of events outside its control such as prevailing economic conditions or financial, commercial, regulatory or other factors, this could lead to an event of default, which could have a material adverse effect on its financial condition and results of operations. A breach by the New Carmila Group of one of its covenants or restrictions could lead to an event of default under its financing agreements.

The Carmila Group's Credit Agreements (as such term is defined in Section 10.4, "Indebtedness") include negative covenants that will restrict, in particular, the New Carmila Group's ability to:

- conduct mergers, spinoffs or reorganizations that involve terminating the New Carmila Group's existence;

- substantially modify the general nature of its business;

- grant sureties or guarantees;

- carry out certain asset disposals; and

- incur additional indebtedness.

Moreover, the Credit Agreements contain the following financial covenants:

- *Interest Coverage*: the ratio of EBITDA (excluding fair value adjustments) to net cost of financial indebtedness must be greater than 2.00 on any calculation date (December 31 and June 30 of each year, tested by reference to the Carmila Group's most recent year-end or half-year consolidated financial statements, as the case may be). As of December 31, 2016, this ratio was 4.3.

- *Loan-to-Value*: the ratio of consolidated net financial debt to fair value of investment assets must not exceed 55% on any calculation date (December 31 and June 30 of each year, tested by reference to the Carmila Group's most recent year-end or half-year consolidated financial statements, as the case may be). This threshold is calculated with a denominator equal to the fair value of investment properties including transfer taxes (and including the New Carmila Group's share of equity-accounted companies) for one of the Credit Agreements, and excluding transfer taxes for the other Credit Agreement. As of December 31, 2016, this ratio was 41.4% with a denominator that includes transfer taxes, and 43.7% with a denominator that excludes transfer taxes.

The Credit Agreements also provide for a maximum threshold of secured debt as compared with the total amount of the fair value of the Carmila Group's investment properties, which must at all times equal a minimum amount of €1 billion throughout the term of the loan. Moreover, the Credit Agreements provide that the debt will be accelerated (i) if the Carrefour Group reduces its direct and indirect stake in the Carmila Group's share capital and voting rights to less than 20%, or (ii) if a third party (other than the Carrefour Group) comes to hold, directly or indirectly, more than 40% of the share capital and/or voting rights of the Carmila Group and the Carrefour Group holds less than 33.33%.

The agreements relating to the issuance of the Notes (as such term is defined in Section 10.4, "Indebtedness") contain provisions restricting the Carmila Group's ability to incur additional indebtedness and to grant security interests. The holders of the Notes may also accelerate the debt if (i) a third party other than the Carrefour Group comes to hold, directly or indirectly, more than 50% of the share capital and/or voting rights of the Carmila Group, and (ii) such change of control causes the Carmila Group's debt to be downgraded to non-investment grade (BB+ or below) and the Carmila Group is unable to obtain an investment grade rating (BBB- or above) within 180 days following the downgrade.

The restrictions imposed in the Credit Agreements and in the agreements relating to the Notes could affect the New Carmila Group's ability to conduct its business and limit its ability to adapt to market conditions or to seize new potential opportunities that arise in its sector. For example, these restrictions could significantly limit its ability to finance its transactions or its working capital needs, to carry out strategic acquisitions or investments, or to restructure its corporate organization. In addition, its ability to comply with these covenants and restrictions could be affected by events outside its control.

If an event of default were to occur under one of its financing agreements and is not cured, or the condition is not waived, the lending banks under the Credit Agreements or the holders of the Notes could terminate their commitments under the agreements and accelerate the outstanding debt. This could in turn lead to cross-defaults under other financing arrangements, which could ultimately result in the New Carmila Group's failure or commencement of liquidation proceedings.

4.3.3 The Group is subject to risks relating to a downgrade in its debt ratings.

The Carmila Group's debt is periodically rated by Standard & Poor's and could be rated by other rating agencies. As of the date of this document, and since May 2015, the Carmila Group's long-term debt has been rated "BBB" with a stable outlook by Standard & Poor's. This rating is based on the Carmila Group's capacity for repayment, its liquidity, certain financial ratios, its operational profile and its financial condition, as well as other factors that are considered significant for its industry and, more generally, for its economic outlook.

Any downgrading of the Carmila Group's debt and, following the Merger, of the New Carmila Group's debt, could increase the cost of refinancing its existing financing agreements and could have a negative effect on the New Carmila Group's capacity to finance acquisitions or to develop projects on acceptable terms. Any increase in finance costs could negatively impact the New Carmila Group's operational results and the return on its development projects. To the extent that financing becomes unavailable on satisfactory terms, the New Carmila Group's capacity to grow its business through acquisitions and development would be reduced.

4.3.4 The New Carmila Group's ability to raise funds could be limited.

In the future, the New Carmila Group may need to raise additional capital through public, private or other sources of financing in order to finance its growth strategy, its acquisitions or other needs. Moreover, the New Carmila Group is required to distribute a significant portion of its profits to its shareholders to qualify for the SIIC regime in France. See Section 4.4.7, "The New Carmila Group will be subject to risks in France relating to restrictions under the tax regime applicable to Listed Real Estate Investment Companies (*Sociétés d'Investissement Immobilier Cotées*, or "SIIC"), to a potential change in the rules under that regime, or to the loss of its status under the regime". As a result, the New Carmila Group relies to a large extent on indebtedness to finance its growth. This means of financing may not be available on satisfactory terms, in particular in the event of a crisis in the capital markets or debt markets, events affecting the real estate industry, an increase in interest rates, a downgrading of the New Carmila Group's debt rating, restrictions imposed by covenants in its financing agreements, or any changes in the New Carmila Group's business, financial condition or shareholder structure that could have an effect on investors' or lenders' perception of its creditworthiness or the attractiveness of an investment in the debt or shares of the New Carmila Group. Any inability to raise necessary capital could limit the New Carmila Group's ability to acquire new assets and to finance renovation and expansion of its shopping centers—key components of its strategy—or to react to competitive pressures, and could thus have a material adverse effect on its activity, its financial condition, its results of operations and its future prospects.

4.4 REGULATORY, LEGAL AND TAX RISKS

4.4.1 The New Carmila Group's business is subject to numerous regulations that could change in the future.

As an owner and manager of commercial real estate assets, the New Carmila Group must comply with multiple regulatory schemes in effect in the countries in which it operates, including urban planning and zoning rules, rules on the granting of construction and operating permits, health and safety rules applicable to properties that are open to the public, environmental regulations, the laws governing commercial leases, workplace regulations, corporate laws and tax laws (see Section 6.10, "Regulation").

Changes in the regulatory or legislative framework or the loss of benefits related to a status or authorization could force the New Carmila Group to adapt or to downsize its business, its assets or its strategy, and could lead to additional constraints or costs that could have a material adverse effect on the value of its real estate portfolio, on its business and on its results of operations, either through an increase in its expenses or by a slowdown or stoppage in the development of certain investments or leasing activities.

In addition, if one or more tenants in one of the New Carmila Group's shopping centers does not comply with applicable regulations, the New Carmila Group could also be penalized by the closure of a store, leading to a loss in rent or by the loss of a site's commercial attractiveness, among other things.

In addition, the New Carmila Group cannot guarantee, in particular with respect to its recently acquired shopping centers, that all its tenants comply with all regulations applicable to them, including with respect to public health, the environment, safety, urban planning and authorizations for commercial operations. The consequences of their failure to comply with such regulations could include penalties for the New Carmila Group as owner of the relevant shopping center in which they operate, which could have a material adverse effect on its image, results of operations, financial condition and future prospects.

4.4.2 The New Carmila Group is subject to regulations on commercial leases in conducting its business.

The New Carmila Group is subject to regulations on commercial leases in conducting its business. In France, contractual provisions on the length of the lease, termination, invalidity, renewal and rent indexation may be considered matters of public policy. In particular, certain legal provisions in France limit the conditions under which property owners may increase rent to align it with market rates or to maximize rental income. Moreover, in France, rent under certain types of leases may be revised only every three years, evictions for non-payment of rent may be subject to significant delays, and the validity of leases that include floors on indexation may be challenged. French Law No. 2014-626 of June 18, 2014 on artisanal businesses, commerce and very small enterprises (known as the "**Pinel Law**") and Decree No. 2014-1317 of November 3, 2014 modified certain rules applicable to commercial leases (see Section 6.10, "Regulation"). The Carmila Group is also subject to regulations on commercial leases in Spain and in Italy. In Italy, certain leases entered into by the Carmila Group are subject to the real estate leasing regime, which provides, in particular, that adjustments under a lease's annual indexation clause may not exceed 75% of the variation in the quarterly consumer price index known as ISTAT.

Any change in regulations applicable to commercial leases, particularly with respect to their duration, indexation or caps on rent or on the calculation of indemnification owed to evicted tenants could have a material adverse effect on the value of the New Carmila Group's asset portfolio, its operating results, financial condition and future prospects.

4.4.3 The New Carmila Group is subject to regulations on urban planning, safety and shopping center operation.

The New Carmila Group's business is subject to urban planning rules, in particular the regime on authorizations for commercial operation. In addition to administrative sanctions (which may include formal notice by the relevant authorities instructing the recipient to bring the premises into compliance with the authorization and a decision by such authorities to close retail space that is being operated illegally, with monetary penalties until compliance or closure, as the case may be, is carried out) criminal penalties may also be ordered. The New Carmila Group is also subject to applicable urban planning rules in Spain and in Italy for its real estate assets in those countries.

In addition, as establishments that are open to the public, the Carmila Group's shopping centers are subject to fire safety regulations. An authorization to open an establishment may be granted only with

the approval of a safety commission following a site inspection. In addition, the relevant safety commissions may conduct regular inspections to verify compliance with security standards, resulting in a formal report. If there are violations, the site may be closed by national or local authorities. The Carmila Group's shopping centers are regularly inspected. If an anomaly is noted, a grace period is generally granted to enable compliance with legal and regulatory requirements; however, if the violation continues, the relevant authorities may close the shopping center.

Any changes in urban planning regulations or in the safety requirements imposed on establishments that are open to the public that lead to an increase in restrictions or constraints on the development of these shopping centers could limit the New Carmila Group's options and harm its future prospects. Conversely, any deregulation in the commercial urban planning sector, such as a wider grant of authorizations for commercial operation or a reduction in safety requirements, could reduce the value of the New Carmila Group's real estate assets.

In connection with its expansion projects, the Carmila Group is also subject to regulations relating to construction permits and safety standards. Stricter standards for construction, safety, the issuance of construction permits or the issuance of commercial operation authorizations could also have a negative impact on the New Carmila Group's results of operations and future prospects, by increasing operating, maintenance and improvement costs, as well as the administrative costs faced by all shopping centers.

4.4.4 The New Carmila Group is subject to environmental and public health regulations and is subject to related liability risk.

As an owner and manager of shopping centers, the Carmila Group must comply with local environmental and health regulations in all countries where it operates. Failure to comply with these local environmental and health regulations, or the need to comply with new regulations in these areas, could give rise to fines or increased expenses or impede the development of the New Carmila Group's business, and could have repercussions on the New Carmila Group's results of operations and financial condition or subject it to civil liability.

Moreover, all of the New Carmila Group's properties are potentially exposed to natural disasters, such as floods, climate change, health or ecological crises, which may not be fully or partially covered by its insurance policies, and which therefore could have a material adverse effect on its real estate assets and financial condition.

4.4.5 The New Carmila Group is subject to regulations relating to the security and use of personal data.

The Carmila Group collects and uses personal data concerning the customers of the shopping centers under its management as well as of the Carrefour Group's customers, in particular those holding the PASS loyalty card, who consent to the processing of their personal data by the Carmila Group and the Carrefour Group by means of a joint "opt in" form. Such data is subject to EU and French regulations on personal data, in particular an obligation to provide undertakings to or obtain authorization from the French National Commission on Information Technology and Freedom (*Commission Nationale Informatique et Libertés*, or "**CNIL**"). The New Carmila Group cannot guarantee that the relevant authorities or a customer will not seek to challenge the terms for processing personal data. Furthermore, the New Carmila Group cannot guarantee that there will not be a failure in its security system, which could lead to fraudulent use of consumers' personal data or of confidential information concerning its tenants.

The New Carmila Group cannot guarantee that it will not be held liable for actions committed by subcontractors managing a portion of the processing of personal data or in connection with the sharing of personal data by the New Carmila Group with its partners (tenants or the Carrefour Group) or with

the use of the shared data by its partners, in accordance with applicable regulations, in particular for purposes of commercial solicitation.

The occurrence of such events could lead to liability for the New Carmila Group and thus have an adverse effect on the New Carmila Group's reputation, business, results of operations or financial condition.

In addition, if for regulatory reasons the New Carmila Group were no longer able to use the personal data of its shopping center customers or of the Carrefour Group's customers, such restrictions could slow and/or limit the development of its "Smart Mall" strategy, which is designed to address consumer needs and is part of its business strategy. The occurrence of such an event could have a material adverse effect on the New Carmila Group's business, results of operations, financial condition and future prospects.

4.4.6 The New Carmila Group could be unable to protect the intellectual property necessary to conduct its business.

The Carmila Group relies on intellectual property laws (in particular with respect to trade names, trademarks, databases and copyrights) as well as on laws relating to business secrets and unfair competition, to protect its rights to its products and services. However, trademark applications do not always result in registration, and registered trademarks may be ineffective in responding to competition or may be invalidated in the event of a later objection. Moreover, the measures that the Carmila Group takes to protect its intellectual property rights could prove inadequate, which could lead to violations and infringements of its intellectual property rights with respect to its products and services. The New Carmila Group's business secrets could be made known to its competitors, and the New Carmila Group could be unable to effectively protect its rights to its confidential information. Furthermore, other companies could assert rights to the New Carmila Group's intellectual property or could contest the New Carmila Group's claim to those rights.

The Carmila Group has invested significant resources to raise employee awareness of the need to comply with the New Carmila Group's trademarks and other intellectual property rights, as well as to protect its business secrets. However, third parties could object to the New Carmila Group's use of copyrights, trademarks or other intellectual property rights that are significant for its business. The resolution or settlement of a dispute to enforce its rights against third-party claims, whether well founded or not, could prove costly and require resources intended for other uses. The New Carmila Group could lose such disputes or could be forced to settle them due to the technical complexity of the issues involved, the inherent uncertainties in intellectual property cases and the significant costs associated with defending such claims.

Such events could have a material adverse effect on the New Carmila Group's business, by limiting its ability to provide its products and services or by causing the New Carmila Group to incur significant expense to defend its rights.

4.4.7 The New Carmila Group will be subject to risks in France relating to restrictions under the tax regime applicable to Listed Real Estate Investment Companies (*Sociétés d'Investissement Immobilier Cotées*, or "SIIC"), to a potential change in the rules under that regime, or to the loss of its status under the regime.

Cardety qualifies for the SIIC tax regime provided for in Article 208 C of the French General Tax Code and, in that regard, is exempt from corporate income tax on its profits from leasing property or subletting certain properties, on certain capital gains and on dividends received from its subsidiaries that are also subject to the SIIC regime. Following the Merger, this regime will extend to the results of operations of the New Carmila Group's French subsidiaries opting for this regime.

The benefits of the SIIC regime are subject to compliance with certain obligations and conditions, including (i) the obligation to redistribute a significant portion of the company's profits (95% of profits from rental income, 60% of capital gains, and 100% of dividends from subsidiaries subject to the SIIC regime (up to a limit of the SIIC result and of distributable profits)) and (ii) that one or more shareholders, individually or acting in concert, cannot hold 60% or more of the share capital or voting rights of Cardety (and New Carmila following completion of the Merger). As a result of the Merger, Carmila's distribution obligations (deferred obligations to distribute a total of approximately €50.7 million) will pass to New Carmila to the extent that future distributable profits so permit.

In the event of a failure to comply with the obligations and conditions imposed by the SIIC regime, Cardety and, by extension, the New Carmila Group could lose their benefits under the regime, which would have the consequence, in particular, of the relevant entities becoming subject to the regular corporate income tax for the relevant fiscal years. In addition, an obligation would be imposed to add back into their taxable income, for the fiscal year in which they exit the regime, the share of distributable profits existing as of the close of the fiscal year in which they exit the regime and arising from amounts previously exempted. Moreover, they would be required to pay certain specific additional taxes in the event of an exit from the SIIC regime within 10 years of opting into the regime.

In addition, New Carmila could face additional income tax expense (20% of the amount distributed) if it pays exempt dividends to a shareholder (other than an individual) holding, directly or indirectly, at least 10% of New Carmila's dividend rights at the time of the payment and not subject to corporate income tax or an equivalent tax. New Carmila's bylaws expressly provide that the shareholder in question will bear the burden of those taxes, but New Carmila could potentially encounter difficulties in recovering the amount due, especially from an insolvent shareholder, if withholding at the source is not possible when the dividend is paid.

Substantial modifications to the SIIC tax regime applicable to the New Carmila Group in France, or the loss of the benefits of that regime, could have a material adverse effect on the New Carmila Group's business, results of operations, financial condition and future prospects.

4.5 MARKET RISKS

4.5.1 Interest rate risk

The Carmila Group is subject to the risk of changes in interest rates on its variable-rate debt. As of December 31, 2016, the Carmila Group's consolidated gross financial debt was €2,218.4 million, of which €308.4 million was variable-rate and €1,910.0 million was fixed-rate or capped following hedging transactions. Consolidated net debt was €2,147.2 million as of the same date.

The Carmila Group maintains a hedging policy involving the use of derivative instruments (swaps and caps). For more information, see Note 7.2.6 to the consolidated financial statements included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016," and Section 10.4.2, "Interest rate hedging".

4.5.2 Liquidity risk

As of December 31, 2016, the Carmila Group's consolidated gross financial debt was €2,218.4 million, and its consolidated net debt was €2,147.2 million. The Carmila Group also has two credit lines that have not been drawn in an aggregate amount of €746.5 million and a commercial paper program in a maximum amount of €600 million. The payment schedule for the Carmila Group's debt is included in Note 7.2.5 to the Carmila Group's consolidated financial statements included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016". The New Carmila Group's principal debt maturities relate to the repayment of its Notes, which total €1.2 billion in aggregate principal amount and include €600 million principal amount of Notes due in September 2023 and a €600 million principal of Notes amount due in September 2024.

The Carmila Group's Credit Agreements contain restrictive covenants, including change of control and financial ratio covenants, in particular a requirement to maintain a ratio of EBITDA (excluding fair value adjustments) to net cost of financial indebtedness of at least 2.00 on any calculation date (December 31 and June 30 of each year, tested by reference to the Carmila Group's most recent year-end or half-year consolidated financial statements, as the case may be). These covenants are described in Section 10.4.1, "Gross financial indebtedness of the Carmila Group". Failure to comply with these covenants or ratios could enable the Carmila Group's creditors to accelerate the amounts due under the Credit Agreements. In that event, the New Carmila Group could be unable to repay those amounts or could be forced to resort to refinancing solutions on less favorable terms. Moreover, such a situation would make it difficult to raise new financing or could lead to a significant increase in the cost of new financing, which would be an obstacle to the New Carmila Group's growth strategy and to financing its investments. For more information, see Note 7 to the consolidated financial statements included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016," and Section 10.4.1, "Gross financial indebtedness of the Carmila Group".

4.6 INSURANCE AND RISK MANAGEMENT

4.6.1 Insurance

The New Carmila Group's insurance policy is implemented via the Carrefour Group, and involves identifying insurable risks through a regular review of existing and emerging risks. The Carmila Group's entities are covered by insurance policies obtained by the Carrefour Group, covering their respective liabilities at the customary levels of coverage for this type of business. The overall policy includes "Property Damage and Operating Losses," "Civil Liability," and "Construction" policies. Following completion of the Merger, the New Carmila Group will continue to benefit from this insurance as the New Carmila Group's entities will be specifically covered by the policies.

The insurance programs maintained by the Carrefour Group and from which the Carmila Group benefits are negotiated centrally, with a renewal on January 1 of each year, with the exception of certain policies, such as the "Property Damage and Operating Losses" policy, which is renewed every two years and expires on January 1, 2019.

The "Property Damage and Operating Losses" policy is intended to protect the Carmila Group's assets through an "all risks except" policy on the basis of the coverage and capacities available on the insurance market. It covers the traditional risks for this type of coverage: fire, explosion, lightning, theft, natural events, natural disaster and political violence, as well as operating losses. The limits and deductibles for the Property Damage and Operating Losses coverage are in line with what is typical for an international company and adapted to the size of the Carmila Group's sites.

The "Civil Liability" policy covers the Carmila Group in connection with the conduct of its business in the event of bodily injury and/or physical or non-physical property damage caused to third parties due to misconduct, an error or an omission in the Carmila Group's services or in the course of conducting its business. The Carmila Group is also covered in the event of harm to the environment, such as accidental pollution.

In connection with its construction, expansion and renovation projects, the Carmila Group typically benefits from construction policies of the "Construction All Risk" and/or "Building Defect" types, in order to cover its work sites both during construction and after delivery.

Other policies cover the Carmila Group's other insurable risks in appropriate amounts for the size and likelihood of the Carmila Group's risks. As soon as it completes an acquisition, the Carmila Group requests coverage for the acquisition under these insurance policies and benefits from transversal protections or, if applicable, DIC/DIL (Difference in Conditions/Difference in Limits) protections provided for by the relevant insurance policy, ensuring that the new risks are properly covered by the existing insurance.

The New Carmila Group's insurance policy involves monitoring risk-prevention measures in cooperation with the insurance companies, the implementation of which is carried out by the New Carmila Group's teams.

4.6.2 Risk Management

The New Carmila Group will benefit from a risk management system that relies on the identification, analysis and management of the major risks likely to affect the New Carmila Group's employees, assets, environment and prospects or its reputation.

The New Carmila Group's approach consists of integrating risk management into the daily conduct of the New Carmila Group's business, through regular updating of the risk map showing the risks to which it is subject.

Within the New Carmila Group, risk management will be the responsibility of senior management, with the mission of identifying the specific risks that exist at the level of New Carmila's business and analyzing the degree of risk to enable the balancing of appropriate risk management with achievement of the New Carmila Group's objectives.

To that end, senior management:

- monitors changes in regulations and takes their impact into account;
- implements appropriate preventive and protective procedures and measures in order to avoid the occurrence of risks and to limit the impact of risks that do materialize; and
- manages incidents.

Personal and property security is one of the elements taken into account in the risk-management plan, in order to:

- ensure appropriate protection of customers, employees, service providers and the New Carmila Group's sites;
- ensure sites' compliance with applicable laws and regulations; and
- protect and improve the value of the business's image and reputation.

The New Carmila Group benefits from insurance services enabling it to conduct monitoring and regular review of its existing and emerging risks.

5. INFORMATION ABOUT THE ISSUER

5.1 HISTORY AND DEVELOPMENT

Please refer to Section 6.5, *"*History and Development of the Carmila Group*"* in this document.

5.2 INVESTMENTS

5.2.1 Investments made during the past three financial years

Please refer to Chapter 6, "Business Description" in this document.

5.2.2 Current and future investments

Please refer to Chapter 6, "Business Description" in this document.

6. BUSINESS DESCRIPTION

6.1 OVERVIEW

New Carmila, the company that will be created following the Merger of Carmila and Cardety, will be a real estate company in the business of managing and enhancing the value of shopping centers and retail parks anchored by the stores of the Carrefour Group, a worldwide leader in retail. With a portfolio of 205 shopping centers and retail parks in France, Spain and Italy valued at more than €5.3 billion (in terms of gross asset value, as defined below), including 139 "leader" or "co-leader" (each as defined below) sites in their respective catchment areas (representing 84% of the New Carmila Group's portfolio in terms of appraised value (including transfer taxes) as of December 31, 2016), the New Carmila Group will be the leader in continental Europe in terms of the number of shopping centers anchored by supermarkets and the third largest listed commercial real estate company by gross asset value (calculated as of December 31, 2016)[2].

The Carmila Group was created in April 2014 by Carrefour and a group of institutional and financial investors in order to acquire, and revitalize and enhance the value of, shopping centers adjacent to Carrefour's hypermarkets in France, Spain and Italy. The Carmila Group supports the leadership of each of its shopping centers at the local level through a long-term strategic partnership with the Carrefour Group, which owns the land and parking lots for its hypermarkets and supermarkets. This enables the Carmila Group to implement a coordinated strategy for the renovation, revitalization and expansion of its shopping centers for the benefit of its tenant retailers and consumers at its shopping centers. Carmila is positioning itself as the leading "smart shopping center company" by deploying a differentiating "B-to-B-to-C" strategy to help its tenant retailers grow their revenues by providing them with digital marketing tools and targeted services at the local level.

Cardety is a real estate company specialized in developing and managing retail parks in France anchored by the Carrefour Group's stores and shopping centers adjacent to the Carrefour Group's smaller hypermarkets or larger supermarkets, as well as various lots in shopping centers not controlled by the Carmila Group. Cardety is subject to the tax regime for listed real estate investment companies (*sociétés d'investissement immobiliers cotées*, or "**SIIC**") since January 1, 2015.

The planned merger of the two companies is intended to create a major real estate company dedicated to developing and enhancing the value of "leading" (as defined below) shopping centers in France, Spain and Italy, leveraging a strategic partnership with the Carrefour Group.

[2]Source: The New Carmila Group's analysis of data published by other market participants.

The table below sets forth the key performance indicators for the New Carmila Group's real estate portfolio as of December 31, 2016:

Indicator	As of December 31, 2016
Number of properties	205
Gross leasable area (in m^2)	1,266,481
Fair value of the property (including taxes and works in progress, in millions of €)[1]	5,320.9
Appraised rental value of the property (including transfer taxes, in millions of €)	5,226.3
Leader[2] and co-leader[3] shopping centers (% of appraised value, including transfer taxes)	84.2%
Contractual rent on an annualized basis[4] (in millions of €)	297.8
Average yield of the portfolio in operation[5]	5.9%
Financial occupancy rate[6]	96.0%

[1] Gross asset value, or "GAV," corresponds to the appraised rental value of the portfolio operated by the New Carmila Group and equity interests in companies accounted for by the equity method, including transfer taxes, plus (i) the Carmila Group's capitalized works in progress that are not included in the appraisals and (ii) investment properties under construction by Cardety.
[2] A shopping center is defined as a "leader" if (i) it is the leader in its commercial area by number of commercial units in its local urban area (*agglomération)*, as defined by INSEE (Source: Codata database, 2016) or (ii) it includes, for shopping centers in France, more than 80 stores or, for shopping centers in Spain or Italy, more than 60 stores.
[3] A shopping center is defined as a "co-leader" if (i) it is not a "leader" and (ii) (x) it includes the leading hypermarket in its commercial area (for France and Italy) in terms of revenues or (for Spain) in terms of surface area (Source: Nielsen database, 2016) or (y) the annual revenue of the hypermarket adjoining it is over €100 million for hypermarkets in France or €60 million for hypermarkets in Spain or Italy.
[4] Annualized contractual rents correspond to the sum of (i) minimum guaranteed rents for leases where such a minimum guaranteed rent is included and (ii) invoiced rents for the most recent year where payment under the lease is fully variable (or, for tenants in their first year of occupancy, expected rents according to the business plan).
[5] Average yield of the portfolio in operation corresponds to net annualized rents, plus net assumed rent for vacant lots, divided by the appraisal value of the portfolio in operation (including transfer taxes).
[6] Excluding strategic vacancy due to renovation, expansion, or restructuring projects. The financial occupancy rate corresponds to the ratio between the amount of rent invoiced during a given period and the amount of rent that the New Carmila Group would collect if its entire rental portfolio were leased, with the assumed rent for vacant lots determined on the basis of rental values used in determining the appraised values.

The New Carmila Group's assets are located in the three principal European countries where the Carrefour Group operates, with 127 properties in France, 70 properties in Spain and eight properties in northern Italy, representing, respectively, 74.0%, 20.4% and 5.6% of its portfolio in terms of appraised value (including transfer taxes) as of December 31, 2016.

New Carmila has developed key areas of expertise needed to develop and enhance the value of its portfolio: asset management, marketing and specialty leasing, cross-channel marketing and communications, shopping center management, and investment (renovation, restructuring, expansion and acquisition). The following are some of the significant projects that the Carmila Group has completed over the past three years:

- the renovation of 89% of its shopping center portfolio by number of centers as of December 31, 2016, with renovation of the remainder of its portfolio expected by the end of 2017;
- the deployment of a cross-channel local marketing strategy relying on Carmila's retail DNA and the possibilities offered by its targeted multi-channel marketing approach;
- a dynamic shopping center re-marketing policy to reduce vacant lots;
- the launch of a major expansion project for shopping centers with strong development potential;

- targeted shopping center acquisitions; and
- disciplined financial policy.

Since inception, the Carmila Group has carried out a major shopping center renovation and expansion program in its three markets in coordination with Carrefour Property entities, which are subsidiaries of the Carrefour Group that own Carrefour hypermarket and supermarket buildings in France, Spain and Italy, as well as, in most cases, the parking lots for these buildings. Carmila has entered into a Renovation and Development Agreement with Carrefour in order to create a dynamic and innovative hypermarket-shopping center ecosystem (including, where applicable, a retail park) on each site for the benefit of the shopping center's tenant retailers and their end customers. To reinforce the two groups' common interests, the Renovation and Development Agreement provides for co-development, including splitting the development margin equally (50% each) between Carmila and Carrefour Property on each development project. Following the Merger of Carmila and Cardety, New Carmila will be Carrefour's partner under the Renovation and Development Agreement. For more information on the Renovation and Development Agreement, see Section 6.6.2.2, "A major expansion and restructuring program," Section 6.7.2.1, "Renovation and Development Agreement" and Chapter 19, "Related Party Transactions".

New Carmila will pursue a strategy that is unique in its sector, supporting its tenant retailers in growing their revenues. In collaboration with the Carrefour Group, the Carmila Group has deployed innovative marketing solutions at the local level to improve the attractiveness of its tenant retailers in terms of customer recruitment, customer loyalty and customer relations, by taking advantage of digital technology and its targeted multi-channel marketing initiative, as well as leveraging the detailed knowledge about its customer base and the local environment that the Carrefour Group has developed over an extended period of time. With 5,812 leases under management as of December 31, 2016, the New Carmila Group will have a solid and diversified base of tenant retailers, with rent from the Carrefour Group representing less than 1% of net rental income in 2016.

6.2 COMPETITIVE ADVANTAGES

6.2.1 A leader in the Continental European shopping center real estate sector

With total properties worth more than €5.3 billion (including transfer taxes and works in progress) and 205 shopping centers and retail parks in France, Spain and Italy, the New Carmila Group will be positioned in continental Europe as the largest listed company with shopping centers anchored by a large food retailer, and the third largest listed company in commercial real estate by gross asset value (calculated as of December 31, 2016)[3]. The fundamental aim to consolidate or strengthen the local leadership of each of its shopping centers is at the heart of the New Carmila Group's approach.

The New Carmila Group will have a large portfolio of assets benefiting from solid local leadership in their respective catchment areas. Thanks to the quality and positioning of its shopping centers, reinforced by a large-scale renovation plan based on the "*Air de Famille*" ("Family Atmosphere") concept implemented by the Carmila Group between 2014 and 2017 (usually simultaneously with a modernization by the Carrefour Group of the adjoining hypermarkets that it owns) New Carmila offers its tenant retailers revitalized shopping centers anchored by hypermarkets designed to respond to the needs and expectations of end consumers. In addition, the New Carmila Group has a diverse range of types of shopping centers, giving major national and international retailers several formats to work with while providing local independent tenant retailers and innovative concept retailers with the benefit of attractive display windows.

The large majority of the New Carmila Group's shopping centers are leaders or co-leaders in their respective catchment areas. As of December 31, 2016, the New Carmila Group had 139 leader or co-

[3] Source: New Carmila's analysis of data published by other market players.

leader shopping centers, representing 84% of the appraised value (including transfer taxes) of its portfolio. Leader or co-leader leader status in a catchment area provides a competitive advantage in facilitating the marketing of retail space to brands seeking significant and sustainable footfall in a dynamic, high-quality commercial environment.

6.2.2 A strategic partnership with the Carrefour Group

The strategic partnership with the Carrefour Group is a major competitive advantage for New Carmila. It will enable New Carmila to develop its strategy thanks to a privileged relationship with the Carrefour Group, one of the world's leading retailers, which has the advantage of local historical roots as well as unique knowledge and tools for targeting customers at the local level.

6.2.2.1 The Carrefour Group

The Carmila Group owns shopping centers adjacent to Carrefour Group hypermarkets in France, Spain and Italy. The Carrefour Group, a renowned food retail group, is present in more than 30 countries, with close to 12,000 stores in addition to its e-commerce sites. The Carrefour Group has more than 384,000 employees worldwide and had revenues under its brand name of €103.7 billion in 2016. Each day, the Carrefour Group welcomes 13 million customers throughout the world and is committed to quality and corporate responsibility.

The Carrefour Group has a large network ranging from hypermarkets (1,462 stores as of the end of 2016) to local grocery stores and e-commerce solutions, to meet a vast range of needs. It combines the advantages of a multi-format physical network with the agility of digital technology, while promoting the development of efficient logistics and real estate systems, helping to create attractive spaces for shopping and living.

Carrefour hypermarkets are designed for the large shopping expeditions of all types of customers. Hypermarket customers have access to between 20,000 and 80,000 food products (such as fresh products, packaged products and local products) and non-food products (such as clothing, electronics, home decor and entertainment). Carrefour's hypermarkets offer quality products worldwide at low prices throughout the year. Carrefour also boosts customer satisfaction through promotional sales and events that introduce new products, price reductions and the various services the stores offer. Carrefour continues to work to provide its customers with quality products, leveraging its unique know-how in fresh products, the development of different production channels, organic foods and strong exclusive brands. In 2016, food represented 83% of sales under the Carrefour brand.

Innovation has been an integral part of the Carrefour Group's strategy for over 50 years. It opened the first hypermarket in France in 1963, introduced the first loyalty program by a large food retailer in 1981 and launched the Carrefour house brand in 1988. To enable customers to choose where, when and how to do their shopping, Carrefour offers them a range of solutions to enhance customer convenience by, on the one hand, adopting a local strategy that varies by country and, on the other hand, adopting a multi-channel approach in which stores and online solutions interact in a complementary fashion, increasing the opportunities for customer contact. For example, the Carrefour Group is deploying Drive, a "click and collect" service through which customers can order products on line and then pick them up rapidly at the store; is creating mobile apps and in-store digital services; and continues to develop its e-commerce food offerings (Ooshop and carrefour.fr) and non-food offerings, including through its January 2016 acquisition of the French company Rue du Commerce.

In 2016, the Carrefour Group's hypermarkets accounted for 51% of worldwide sales (including taxes) under its brand. As of December 31, 2016, the Carrefour Group had 475 hypermarkets under its brand in the three countries where the New Carmila Group operates, including 243 hypermarkets in France, 175 in Spain and 57 in Italy. The New Carmila Group owned approximately 45% (by number as of December 31, 2016) of the shopping centers adjacent to Carrefour hypermarkets in these three countries.

6.2.2.2 A partnership that generates significant synergies for New Carmila

The Carmila Group was created in April 2014 to revitalize the retail ecosystem formed by the hypermarkets and their adjoining shopping centers. Its goal was to promote the revitalization of the sites through the coordinated renovation, optimization and expansion of the hypermarkets and shopping centers, as an extension of the hypermarket renovation program launched by the Carrefour Group in 2012. New Carmila was formed as the logical next step in this process, creating a single entity dedicated to enhancing the value of the commercial properties anchored by Carrefour stores in France, Spain and Italy.

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

- The aim of both groups to form a consistent commercial ecosystem at each site makes it possible to accelerate the revitalization and expansion of the shopping centers to cement their local leadership.

- Through the creation of a joint opt-in form used by the Carrefour Group hypermarkets and the New Carmila Group's shopping centers (through which customers agree to the use of their data by both groups), the New Carmila Group will have the benefit of high-quality and continually updated customer databases, enabling it to offer its tenant retailers a refined targeting tool to attract customers and create customer loyalty.

- The implementation of coordinated marketing activities between the Carrefour Group and the New Carmila Group will promote the development of cross-channel marketing solutions at optimized cost to increase footfall at the New Carmila Group's shopping centers.

- Coordinated shopping center renovation and hypermarket modernization optimizes the site's increased attractiveness while limiting temporary impacts of construction.

- The New Carmila Group will be able to implement expansion projects relatively quickly by coordinating its actions with the Carrefour Group and having control over land reserves, since the Carrefour Group generally owns parking lots or land adjoining the New Carmila Group's shopping centers.

- The New Carmila Group will benefit from the Carrefour Group's network and knowledge of its catchment areas in identifying off-market acquisition opportunities that will create value.

- The New Carmila Group will benefit from an efficient operational organization relying on the Carrefour Group's services under several agreements (see Section 6.7.2, "Principal Agreements with Carrefour Group Entities"). This operational model promotes cost optimization and the sharing of skills required to manage and enhance the value of the New Carmila Group's shopping centers.

6.2.3 A differentiated approach as a "smart shopping center company"

Since inception, Carmila has implemented an innovative and unique strategy as a "smart shopping center company," working to support its tenant retailers in their efforts to increase their revenues. In particular, the approach consists of Carmila's deployment of an innovative marketing initiative called "Smart Mall" and supporting the retailers in their efforts with respect to customer recruitment, customer loyalty and customer relations by providing them with customized digital tools for targeted marketing at the local level to complement their brands' national marketing activities. This approach, which takes advantage of databases containing information for approximately 703,000 Carmila Group

clients in 2016 (a 75% increase as compared with 2015), in addition to benefiting from the Carrefour Group's local roots and historical expertise, has helped to reinforce the attractiveness of the Carmila Group's shopping centers for its existing tenant retailers, prospective tenant retailers and end customers. This "smart shopping center company" strategy has already demonstrated significant potential in terms of impact on customer satisfaction and footfall and tenant retailers' revenues. The benefits of this strategy are anticipated to grow as related tools and services are developed and deployed on a large scale at all of the New Carmila Group's shopping centers, with significant economies of scale that may be achieved.

6.2.4 A portfolio with strong value-creation potential

As shopping centers were gradually acquired by the Carmila Group, they were enhanced through a major renovation plan and continuous improvements to their operational efficiency and rental mix, offering tenant retailers and customers a solid commercial setup.

Since inception and in partnership with the Carrefour Group, the Carmila Group has carried out a strategy to renovate all of its shopping centers based on the "Air de Famille" concept, usually alongside the Carrefour Group's modernization of its adjoining hypermarkets. Over the course of the 2014–2016 period, the Carmila Group renovated 89% (96% in Spain, 86% in Italy and 85% in France) of its shopping center portfolio (by number as of December 31, 2016). Total site renovation investments were €295.7 million, of which €75.5 million represented the share of the Carmila Group. This renovation program is expected to be completed in 2017.

These renovations make the shopping centers more attractive and pull in national and international brands (such as H&M, Sephora and Yves Rocher), as well as local specialist franchisees (such as Philippe Commault in Brittany (Quaterback, Scott), Baptiste Simeon in the Southwest (Superdry), or Richard Desmoulins in Rhône-Alpes (Passion Beauté)) who are seeking high-quality locations in attractive and dynamic shopping centers. The renovation of the shopping centers also encourages retailers to renovate their stores, generating a ripple effect that reinforces the overall attractiveness of the shopping centers for the benefit of the New Carmila Group and all of its tenant retailers. Moreover, the renovations contribute to improving the satisfaction of both tenant retailers and end consumers and to generating traffic at the shopping centers and the adjoining Carrefour hypermarkets. Finally, the renovations can improve gross asset value in an amount exceeding the amounts invested.

In addition, the Carmila Group has optimized the marketing of its existing portfolio, with more than 2,000 leases signed during the 2014–2016 period (of which 833 were signed in 2016) and a consolidated financial occupancy rate of 96.0% as of December 31, 2016, as compared with 86.1% as of April 16, 2014. Over the same period, the Carmila Group's financial occupancy rate progressed from 91.9% to 96.1% in France, from 68.4% to 94.8% in Spain and from 92% to 99.1% in Italy. Between its creation in April 2014 and the end of 2016, the Carmila Group's annualized contractual rent increased by an average of 9.0% per year. In connection with its initiative to optimize its marketing, Carmila worked to attract strong brands and concepts in order to reinforce the attractiveness of its shopping centers. The opening of temporary stores and the development of specialty leasing at certain of its sites helps reinforce the leadership of its shopping centers by diversifying offerings to satisfy consumers seeking new products. In 2016, approximately €8 million in rent was generated by short-term leasing activities (specialty leasing and temporary stores), an increase of 15.3% as compared with 2015.

6.2.5 A disciplined expansion pipeline and acquisition strategy

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

In 2014 the Carmila Group initiated a detailed review of all of its sites in order to launch a large expansion program for its shopping centers. The first project completions took place in 2016 with the expansions of Bourges, Nevers and the first phase of BAB2 (Biarritz), representing total site investments of €117.3 million. For the 2017-2022 period, the New Carmila Group has already identified 70 additional potential expansion projects in partnership with Carrefour Property, of which the Carmila Group has already launched 37 (34 in France and 3 in Italy), representing a total expected investment of approximately €1.5 billion. In connection with these projects, 26 commercial authorizations to operate retail facilities (CDAC) and 21 construction permits have been obtained as of the date of this document.

Developed jointly with Carrefour Property, these expansion projects should enable the New Carmila Group to reinforce the attractiveness of its shopping centers to retailers, by adapting to their needs and to the needs of their customers, and to increase footfall at its shopping centers. Finally, the shopping center expansion programs create a platform for deploying the Group's strategy to support tenant retailers in partnership with the Carrefour Group, in particular by facilitating the inclusion of medium-sized retail spaces in the New Carmila Group's shopping centers to serve as additional selling points beyond the Carrefour Group hypermarkets, helping to create additional traffic and reinforce the appeal of these shopping centers.

In addition, between 2014 and 2016, the Carmila Group acquired 24 shopping centers anchored by Carrefour Group hypermarkets in France, Spain and Italy and also acquired several lots in shopping centers that it already owned, for a total of €1.78 billion, almost all of which was carried out through off-market transactions. These acquisitions had an average net entry yield[4] of 6.0%. As December 31, 2016, value creation from acquisitions of new shopping centers since April 2014 was €118.2 million, including €55 million in France. These acquisitions are concentrated exclusively on properties adjoining Carrefour Group hypermarkets with strong value-enhancing potential that the Carmila Group realizes through its strategy of renovation, repositioning and/or expansion.

In order to implement this expansion and acquisition policy, the Carmila Group takes advantage of its partnership with the Carmila Group to carry out off-market acquisitions and exploit growth or targeted value-creating investments with managed risks.

New Carmila's goal is to continue to actively manage its portfolio in order to combine stable yields and sustainable value creation. See Sections 6.3.4, "Develop the portfolio of commercial properties through a major expansion program at sites with strong growth potential" and 6.3.5, "Pursue a policy of targeted acquisitions."

6.2.6 Robust financial performance and a solid balance sheet

Through active management of its portfolio, the Carmila Group recorded a particularly solid and resilient financial performance during the 2014-2016 period, despite a less favorable market environment in France in terms of retailer revenues and shopping center footfall (see Section 6.4, "Overview of the Commercial Real Estate and Shopping Center Markets"). Boosted in particular through targeted external growth transactions and the success of its marketing efforts, the Carmila Group recorded a significant increase in annualized contractual rents over the last three fiscal years (9% cumulative annual growth rate since December 2014) and in its recurring earnings[5], which increased 145% between fiscal 2014 and fiscal 2016. Moreover, since its creation in April 2014, the Carmila Group's net asset value, calculated using the EPRA method, increased by 16.2% per share[6] (or 24% of reinvested dividends), in particular due to the effect of (i) multiple strategic asset management initiatives (renovations, restructurings, improvements in rental mix and in financial occupancy rates and marketing activities) carried out at its properties; (ii) carrying out value-creating

[4] Corresponds to net annualized rents as of the acquisition date (excluding vacant lots) divided by the acquisition price (including transfer taxes).
[5] EPRA earnings, adjusted to eliminate non-recurring items and non-cash effects relating to the amortization of debt issuance costs.
[6] NAV excluding transfer taxes (EPRA NAV) as of December 31, 2016 compared to initial NAV, including transfer taxes.

off-market acquisitions; (iii) improved capitalization rates due to the implementation of the renovation program; and (iv) improvements of capitalization rates in the real estate market generally.

The New Carmila Group benefits from a solid financial structure relying on diversified sources of financing, including bank debt and bond issuances. The Carmila Group had an attractive average interest rate on its debt of 2.13%[7] in 2016 and has had a "BBB" long-term rating with stable outlook from Standard & Poor's since September 2015.

6.2.7 Experienced teams

In implementing its strategy, the New Carmila Group will also be able to rely on the experience and know-how of its 153 experienced employees specialized in commercial real estate as of December 31, 2016. Each member of its senior management, consisting of Jacques Ehrmann, Yves Cadelano and Géry Robert-Ambroix, has between 20 and 30 years of experience in commercial real estate, including with listed real estate companies. Since the creation of Carmila and in their previous positions, New Carmila's senior management team has demonstrated its capacity to actively manage the asset portfolio to combine secure yields, growth and value creation by optimizing rental yields, in particular through its in-depth knowledge of local markets and the needs of tenant retailers and end customers.

6.3 STRATEGY

New Carmila intends to benefit fully from its strategic partnership with the Carrefour Group, which enables it to generate significant synergies and to pursue the development of attractive commercial ecosystems and unique services to benefit its tenant retailers and their customers.

With a nearly completed renovation program and a proven marketing strategy, New Carmila will offer retailers space in renovated, leading shopping centers combined with a wide range of targeted digital tools to support them in developing their businesses.

New Carmila's approach is guided by the fundamental aim of achieving or reinforcing the local leadership of each of its shopping centers. With its differentiated positioning as a "smart shopping center company," with a large portfolio of already-renovated shopping centers and the support of its partner, the Carrefour Group, New Carmila intends to pursue growth through the strategic pillars set forth below.

6.3.1 Enhance the value of the New Carmila Group portfolio through renovation of new assets

Since inception and in partnership with the Carrefour Group, the Carmila Group has carried out a strategy to renovate all of its shopping centers based on the "Air de Famille" concept, usually alongside the Carrefour Group's modernization of its adjoining hypermarkets. During the 2014-2016 period, the Carmila Group renovated 89% of its shopping center portfolio by number as of December 31, 2016, with this renovation program expected to be completed in 2017. With a portfolio of attractive and dynamic shopping centers, the New Carmila Group will be ideally positioned to attract new retail brands and to deploy its multi-channel marketing strategy, including digital and mobile solutions.

Renovations are a key element of the New Carmila Group's acquisition strategy, which is to acquire shopping centers adjacent to Carrefour hypermarkets with strong potential for value-enhancement through renovation and expansion projects.

[7] Excluding 0.19 percentage points related to the amortization of debt issuance costs and bond redemption premiums.

6.3.2 Take advantage of growth potential through an active marketing strategy

With a broad portfolio of shopping centers with strong leadership positions at the local level, nearly all of which have been renovated, and benefiting from the attraction of adjoining Carrefour Group hypermarkets, the New Carmila Group intends to continue improving its rental mix and its operational efficiency by relying on five complementary marketing avenues to target a large range of retailers:

- Pursue its marketing efforts directed at **large, recognized brands** to increase the visibility of its shopping centers and to attract high-quality **local specialist franchisees** in order to accelerate its development and reinforce its local roots. In particular, the New Carmila Group intends to take advantage of the strength of its marketing teams at the regional level, which have deep knowledge of local markets and use targeted communications to enhance visibility. For example, the Group has established "franchisee mornings," through which regional tenant retailers and the regional press are invited to shopping centers in order to show them the Carmila Group's advantages and plans. Finally, the New Carmila Group's multi-country presence makes it well-placed to support dynamic, attractive brands in moving into new geographic areas from their current base in the New Carmila Group's shopping centers within only a single country.

- Develop its **specialty leasing** business (short-term leases in the halls of the shopping centers) to generate additional revenue, diversify customer offerings and increase footfall in its shopping centers through a quality-based approach (relationships with stand operators, provision of tailored furniture), marketing that is adapted by center in terms of duration, type, or theme, concept renewal and the use of effective tools (call centers, reservation tools and digitalization of payments). In particular, New Carmila intends to develop thematic marketing, to increase event-based brand activities, to gain visibility on the Internet, to emphasize commercial prospecting at the local level and to further increase the quality of its tenants and the marketing tools made available to them.

- Exploit the appeal of its shopping centers to offer various retailers **temporary stores**, both to enable new, promising brands to test their concepts and gain visibility, and to enable New Carmila to pursue opportunistic marketing of vacant spaces while developing new concepts to attract and create loyalty among new customers.

- Grow its visibility and its development by **offering promising and creative brands human resources and financial support** to reinforce its existing offerings.

- Develop promising **new concepts** in cooperation with the Carrefour Group that align with new marketing trends, such as spaces dedicated to healthcare or diversification of its restaurant offerings.

6.3.3 Deploy a B-to-B-to-C strategy for tenant retailers and end customers through a multi-channel approach and the development of targeted digital local marketing tools

New Carmila intends to pursue the deployment of an innovative and unique strategy through its "Smart Mall" concept, which is based on a new, collaborative landlord-tenant relationship grounded in an approach of supporting tenant retailers in growing their revenues through dedicated service offerings.

Through its close cooperation with the Carrefour Group, New Carmila benefits from in-depth customer knowledge and local expertise, enabling it to respond to the expectations of end customers in its catchment areas. The geographically targeted marketing tools developed internally by the Carmila Group in collaboration with the Carrefour Group enable it to target customers with precision based on their spending patterns, habits and expectations. Thanks to the creation of a joint opt-in form between the Carrefour Group hypermarkets and the New Carmila Group's shopping centers (through

which customers agree to the use of their data by both groups), New Carmila will be able to use high-quality and continually updated customer databases, enabling it to target the right marketing message to the right customer at the right time. As of the date of this document, the database contained information on approximately 703,000 Carmila Group customers, a 75% increase from 2015.

As an example of its targeting marketing approach, in France, the Carrefour PASS Day (promotional offers reserved for Carrefour Group customers with the PASS loyalty card) includes offerings from the Carmila Group's tenant retailers in a given shopping center, while in Spain, the Carrefour Group Club Card offers reductions in the stores of the main retailers in the Carmila Group's shopping centers.

To reinforce this approach, New Carmila will position itself as the equivalent of a local, digital marketing agency in the service of its tenant retailers. As a complement to the marketing plans of its tenant retailers, the Carmila Group supports tenant retailers by setting up "Service Kiosks," a tool managed by the management of each shopping center, to reinforce the attractiveness of the tenant retailers' points of sale and boost the effectiveness of the point of sale in question in improving sales, as well as its reputation and the growth of the average shopping basket size at the point of sale.

The Service Kiosk offers tenant retailers two turn-key services: (i) the "invitation" service, enabling retailers to inform their customers of new offers in a simple, quick and inexpensive manner; and (ii) the "word of mouth" service, enabling retailers to optimize the dissemination of a promotional offer or of an invitation to private sales at the local level. These services rely on extremely precise targeting of customers present in the catchment area, as well as on client relationship management solutions ("**CRM**") and local media and digital solutions that are aided by knowledge of each local environment.

In connection with its Service Kiosk tool, the Carmila Group also offers tenant retailers individually tailored services, such as the "helping hand" ("*coup de pouce*") service, which supports stores that are losing momentum by experimenting with new marketing solutions such as the distribution of coupons. The Service Kiosk, which is constantly being improved, is provided through a digital platform and an evolving catalogue of capabilities, built in cooperation with the tenant retailers and the local-level shopping center directors.

In addition to the Service Kiosk, the Carmila Group has developed a range of innovative services for its tenant retailers, such as the "Boost" program, in which the shopping center directors provide selected tenant retailers with their know-how to support their development over time through a series of targeted marketing measures.

In order to offer more innovative solutions to support its tenant retailers, in 2016 the Carmila Group created "Carmilab," an internal incubator dedicated to innovation and digital technology. Using digital tools (such as social networks, the digital customer experience and databases) developed internally and in collaboration with the Carrefour Group's teams, enabling the Group to better understand customer behavior at the local level, Carmilab has facilitated trials for 50 multi-channel projects in numerous areas: CRM and data, relational, local and cross-channel marketing, new concepts and new businesses.

New Carmila intends to accelerate deployment of its B-to-B-to-C strategy by increasing the number of features of the strategy and by deploying these tools and services on a large scale at all of its shopping centers, which expected to result in significant economies of scale.

6.3.4 Develop the portfolio of commercial properties through a major expansion program at sites with strong growth potential

Thanks to the launch of its shopping center expansion program, New Carmila will be able to offer retailers new, attractive spaces in its expanded centers. The Carmila Group has already demonstrated

its ability to complete major expansion projects, with three projects completed in France in 2016 (in Bourges, Nevers and BAB 2 in Biarritz (Phase 1)). For the 2017-2020 period, the New Carmila Group has identified 70 potential expansion projects in partnership with Carrefour Property, of which 37 have already been launched (34 in France and 3 in Italy), representing a total expected investment of approximately €1.5 billion. As of the date of this document, the Carmila Group has already obtained 26 commercial operation authorizations and 21 construction permits in connection with these projects. In 2017, New Carmila intends to accelerate development of its pipeline of shopping center expansion projects. Among the 37 projects in progress, those opening as early as 2017 include the expansions of BAB2 Phase 2 (Biarritz), I Viali (Turin), Lescar (Pau), Crêches-sur-Saône (Macon) and Langueux (Saint-Brieuc). New Carmila plans to carry out a total of 11 projects in 2017, nine projects in 2018, and 17 projects after 2018. The average target return on investment (annualized net rent divided by the total estimated investment amount) for these expansion projects is approximately 7% to 8%, of which between 6% and 7% will go to New Carmila after equal sharing of the development margin with Carrefour Property. See Section 6.6.2.2, "A major expansion and restructuring program," Section 6.7.2.1, "Renovation and Development Agreement," and Chapter 19, "Related Party Transactions" for more information on the Renovation and Development Agreement. New Carmila estimates that its shopping center expansion program could generate approximately €100 million in additional rental value over a full year, for a targeted average return on investment of approximately 6.5% and a market yield[8] of 5.5%.

Developed jointly with Carrefour Property, the shopping center expansion projects have relatively low execution risks for the following reasons:

- they are performed on existing shopping centers belonging to the New Carmila Group;
- the New Carmila Group has the advantage of a privileged relationship with the Carrefour Group, which generally owns parking lots or land adjoining the land on which the expansions are carried out;
- the marketing of the shopping centers is strengthened by knowledge about the customers and a catchment area in which New Carmila is already present;
- the New Carmila Group's shopping centers are generally well positioned in their catchment areas; and
- New Carmila's pre-renting policy generally enables it to lease 60% of all new spaces, on average, before construction begins.

In the large majority of cases, one or more key tenant retailers participate in designing the expansion project.

6.3.5 Pursue a policy of targeted acquisitions

The New Carmila Group will seek to enhance the value of its portfolio further by targeting new value-creating acquisitions in order to accelerate its growth. New Carmila estimates that the value of the shopping centers anchored by Carrefour hypermarkets and held by third parties in France, Spain, and Italy totals more than €15 billion. Following several major acquisitions by the Carmila Group for a total investment of €1.78 billion over the 2014-2016 period, New Carmila intends to invest about €450 million over the 2017-2020 period on acquisition projects. It will adopt a strategy of acquiring shopping centers and retail parks anchored by Carrefour hypermarkets and with strong potential for value-enhancement through renovations and expansions, while remaining disciplined in analyzing each opportunity. Under this targeted acquisition policy, New Carmila may make additional investments if justified by such acquisitions' strategic and financial interest.

[8] Corresponds to net rental income divided by appraised value of the assets (including transfer taxes).

6.3.6 Maintain a solid and disciplined financial structure

New Carmila intends to pursue its ambitious development strategy while maintaining a healthy financial structure, in particular, while retaining an investment grade rating for its debt. New Carmila will continue to rely on diversified sources of financing, including a mix of bank debt and bond issuances, with a policy of lengthening its average debt maturity and maintaining the fixed rate portion of its financial indebtedness at approximately 70%.

New Carmila intends to pursue this strategy while maintaining a loan-to-value ratio of approximately 40% in order to retain significant financial flexibility that enables it to seize value-creating opportunities that may present themselves (such as acquisitions and expansions), while maintaining diversified financing sources, attractive financing terms, sufficient liquidity and a balanced debt payment schedule.

6.4 OVERVIEW OF THE COMMERCIAL REAL ESTATE AND SHOPPING CENTER MARKETS

6.4.1 The commercial real estate market

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

- business properties, which represent the majority of commercial real estate assets. These properties can be further broken down into four major categories, corresponding to different segments: (i) offices; (ii) retail (including ground-floor retail, shopping centers and retail parks); (iii) industrial activity and logistics properties for the design, production and storage of merchandise (such as warehouses and production units); and (iv) service properties, including hotels, healthcare establishments and recreational establishments;

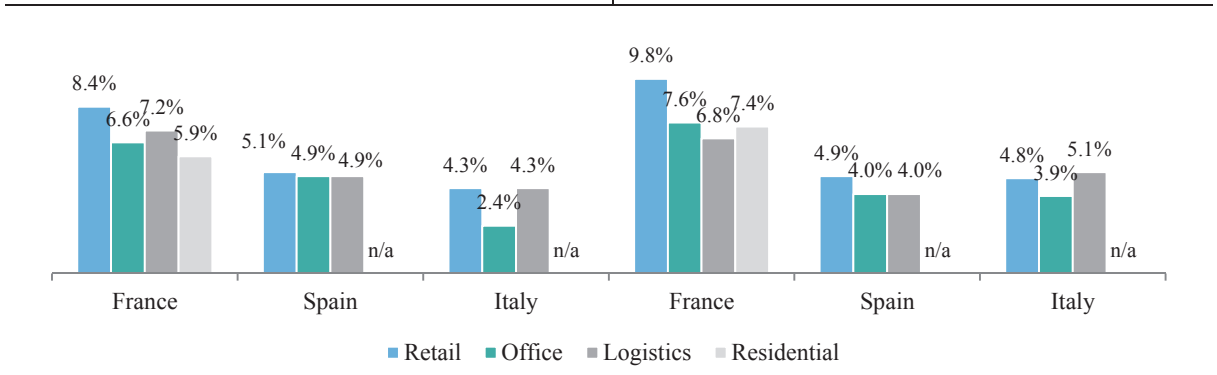
- other non-residential properties, such as parking lots; and

- residential properties (other than those owned public housing entities), including multi-family residential properties.

Retail is the second largest segment in terms of investment after office space, in particular in France, with 18% of investment flow in 2016, according to Cushman & Wakefield. The shopping center segment presents a particularly dynamic and resilient profile, with strong cash-flow visibility supported by a foundation of solid, indexed income; low vacancy rates, in part because of the leasehold concept in France (*droit au bail*), which incentivizes a tenant that wishes to terminate its lease to search for its own successor and in part because of restrictive regulations on new developments (in France, for example, authorization is required from the Departmental Commission on Commercial Development (*Commission Départementale d'Aménagement Commercial*, or "**CDAC**")); and risk-sharing for a large number of sites and leases (see Section 6.10, "Regulation"). The shopping center segment also offers the ability to create value by focusing on merchandising and shopping center management, renewal and leasing negotiations, and by engaging in programs to renovate, restructure, and expand sites to improve their competitiveness.

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

Annualized total return* on real estate investment



Source: MSCI (data at year-end 2015)

Notes and definitions:

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

The commercial real estate market is sensitive to macroeconomic conditions (in particular growth, inflation, employment and consumer spending, which influence factors such as prices, transactional dynamics, vacancy and default rates and the changes in rents) and to arbitrage with other classes of financial assets.

The retail segment is also evolving to adapt to new consumer spending patterns. Over the last few years, the growth of hyper-connectivity has resulted in changes to consumer behavior and in the products offered by shopping centers, including the following:

- Digitalization has expanded with the increased prevalence of smartphones and the emergence of big data technologies for the collection, storage and processing of large volumes of data. Shopping centers now rely on these new technologies, primarily for marketing purposes, in order to learn more about their customers and to attract consumers through targeted measures to encourage purchases.

- For a growing majority of consumers, retail is no longer merely transactional, but rather a genuine leisure activity. In this regard, shopping center offerings are evolving by integrating digital technology into the core of the purchase process while emphasizing the importance of the customer experience. Numerous possibilities are provided to offer customers an interactive shopping experience, in particular through interactive screens, digital loyalty cards, mobile couponing and interactive applications, online contests and content sharing on social media, and the delivery of targeted and personalized promotions to consumers by smartphone, including through social networks.

- Finally, the boundaries between e-commerce and brick-and-mortar commerce are gradually fading in favor of multi-channel strategies using an online distribution channel in synergy with physical stores. E-commerce is no longer solely a competitor, but is instead becoming a complementary growth vector for physical channel retail channels. This new multi-channel model enables shopping centers to offer a full range of services to consumers and to better respond to their expectations in terms of price, availability, diversity of offerings, accessibility and customer experience.

These trends are becoming increasingly important in terms of the attractiveness, traffic generation and revenues of the shopping center's tenant retailers.

6.4.2 The shopping center market in France, Spain, and Italy

6.4.2.1 The shopping center market in France

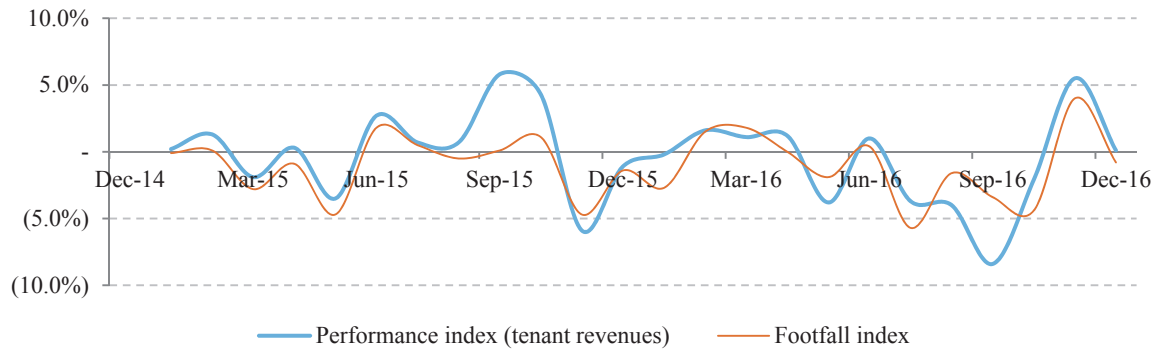
Evolution of rental values

With 67 million residents, France is the second largest consumer market in the European Union after Germany. Consumer spending has increased in recent years, going from relatively stable levels in 2013 to an increase of 1.1% in 2015, according to the World Bank. In addition, France has experienced regular population growth over the last ten years, which is anticipated to continue to support future consumer spending, according to PMA.

Shopping center footfall in France was weakened in the last two years, in particular as a result of terrorist attacks in Paris (in November 2015) and in Nice (July 2016), leading to a slight drop of 1.0% and 1.5% in 2015 and 2016, respectively, according to CNCC. Nevertheless, by reinforcing security measures, continuously updating their product offers and developing dynamic advertising, shopping centers continue to demonstrate the ability to generate high levels of visitor traffic (more than 3 billion visits per year), benefiting retailers and consumers alike. In addition, certain shopping centers have chosen to taken advantage of new legal provisions that permit them to open for a greater number of business hours on Sundays. Overall, the strength of retailer revenue for the 2015-2016 period has been better than the rate of shopping center footfall (an increase of 0.2% in 2015 and decrease of 0.9% in 2016).

In addition, the New Carmila Group's shopping centers have outperformed the market, with a decrease in footfall of 0.7% in 2016 (versus a decrease of 1.2% for the CNCC index), and an increase in retailer revenue of 0.8% in 2016 (versus a decrease of 0.9% in the CNCC index).

Monthly evolution in retailer revenues and footfall in shopping centers in France *(CNCC indices)*



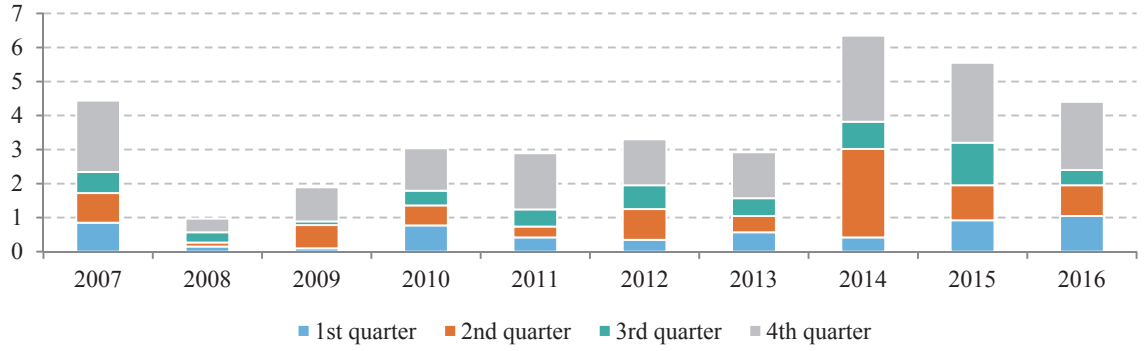
Source: CNCC

According to Cushman & Wakefield, rental values were stable in 2016 in well-performing shopping centers, but showed weaker performance in shopping centers experiencing difficulties, in which occupancy rates are struggling not to lose ground.

Investment market

In 2016, retail investment volume totaled €4.4 billion, a decrease of 21% as compared with 2015, but 32% higher than the ten-year average (for 2007-2016), as shown in the chart below. According to Cushman & Wakefield, this decrease in activity in 2016, which continues the downward trend from 2015, has not diminished the appetite of either French or international investors for the retail sector, but is instead a function of the scarcity of real estate assets available for sale in the French market.

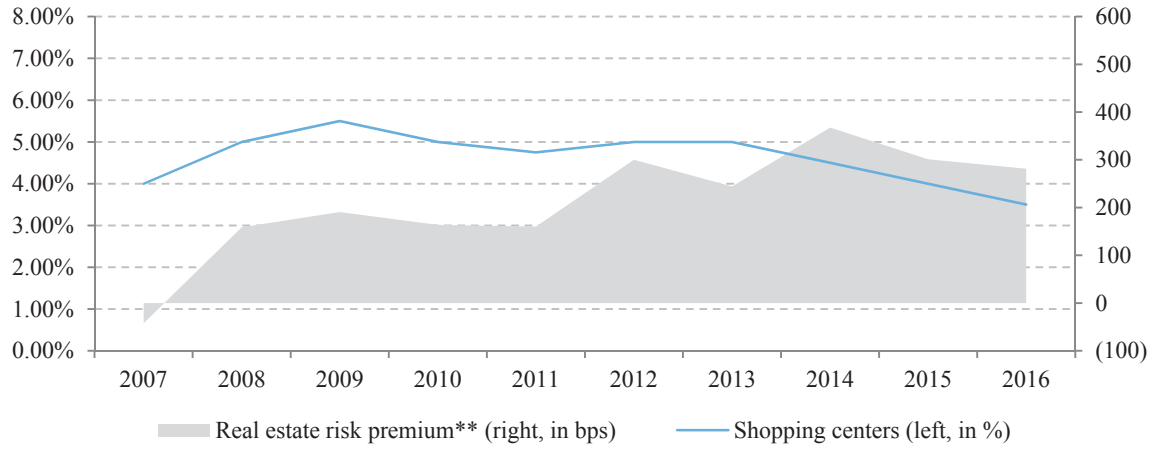
Investments in retail in France *(in billions of euros)*



Source: Cushman & Wakefield

In a general context of rate compression, yields on prime shopping centers have reached historical lows, falling to 3.5% as of the end of 2016, as shown in the chart below. The real estate risk premium has been impacted less, as the decrease in real estate yields was slower than the decrease in yields on government bonds with 10-year maturities; thus, the spread between the two yields was approximately +280 basis points as of the end of December 2016, as shown below.

Prime yield* on real estate in France *(as a %)*



Sources: Cushman & Wakefield (real estate yield), Bloomberg (yield on government bonds with 10-year maturities)

Notes and definitions:

* Prime yield on real estate: the ratio between rent excluding charges and the "deed in hand" acquisition value of the asset. Lowest returns observed during a given period, after elimination of outlying values (fewer than two occurrences).

** Real estate risk premium: the difference between the yield on prime real estate and the yield on a government bond with a 10-year maturity.

6.4.2.2 The shopping center market in Spain

Evolution of rental values

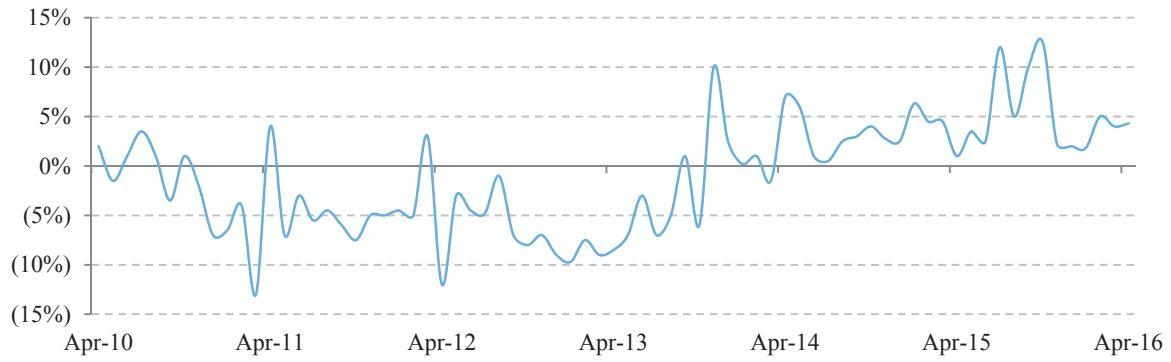
Spain has a population of more than 46 million people, making it one of the largest consumer markets in the European Union. Net consumer spending has improved following the financial crisis in Europe, with a return to growth in 2014 (an increase of 1.9%) and further improving 2.9% in 2015, according to the World Bank.

Since 2013, growth in the revenues of shopping center retailers in Spain has significantly recovered, as shown in the chart below, moving into positive territory in 2014 and recording excellent performances in 2015 and 2016 (5.5%[9] and 3.2%[10], respectively).

According to CBRE, the improvement in shopping center footfall was slightly more moderate than the improvement in retailer revenues, since consumers adjusted their spending during the economic crisis without substantially changing the frequency of their visits to shopping malls.

Overall, the New Carmila Group's shopping centers have outperformed the market with an increase in footfall of 1.6% in 2016 (versus an increase of 0.9% in the national index). According to the New Carmila Group's estimates, the increase in retailer revenue was 3.0% in 2016 (versus an increase of 3.2% in the national index).

Monthly evolution in retailer revenues in the shopping centers in Spain (*CBRE index*[(1)])



Source: CBRE
(1) Includes 34 shopping centers with a total leasable area of 1.67 million m^2.

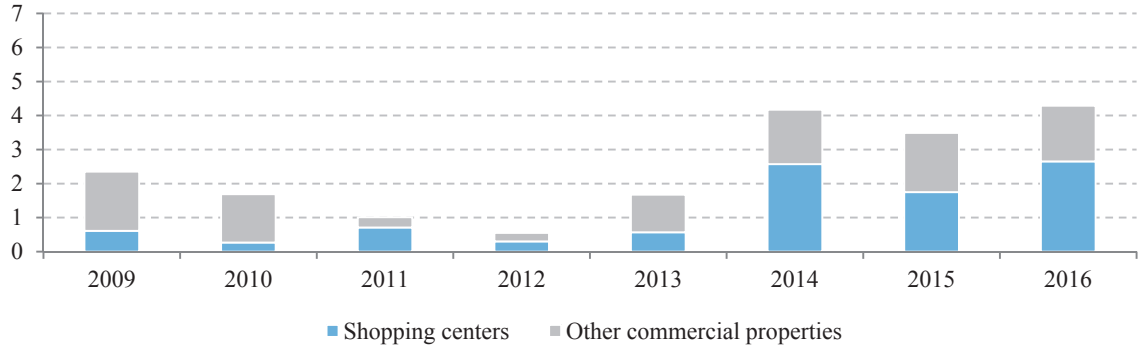
Given this solid performance and the growing demand for commercial space, rents in prime shopping centers increased in 2015 for the first time since the beginning of the economic crisis, between 5% and 10% on average, according to the CBRE. Rents in prime shopping centers have been globally stable, according to Cushman & Wakefield.

Investment market

In this context, investment volumes in Spain in the retail sector have strongly rebounded since 2012, reaching a peak of €4.3 billion in 2016, as shown in the chart below. The years 2014 through 2016 were the best years on record in terms of investment volume. Shopping centers are the flagship segment for retail in Spain, attracting on average more than 50% of the sector's capital flows, according to Cushman & Wakefield.

[9] On the basis of the CBRE index (includes 34 shopping centers with a total leasable area of 1.67 million m^2)
[10] According to the *Instituto Nacional de Estadistica* (November 2016 data).

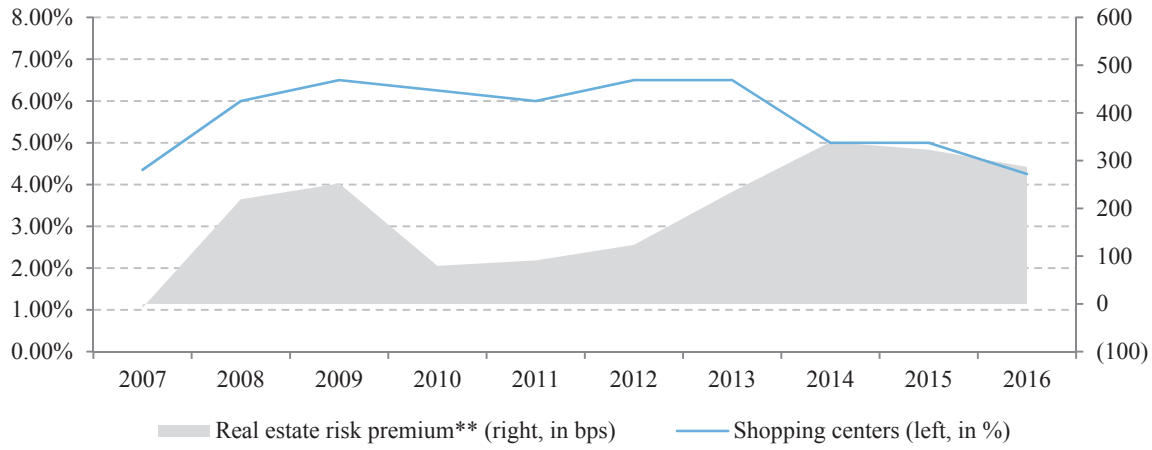
Investments in retail in Spain *(in billions of euros)*



Source: Cushman & Wakefield

The increase in liquidity and the decrease in interest rates were favorable to growth in investment flows towards the Spanish real estate market and an increase in asset values, reflected by the decrease in yields. Yields on retail assets have significantly contracted since 2013, reaching historically low levels in 2016 (4.25% for prime shopping centers, as shown below). As in France, the decrease in real estate yields was less rapid than the decrease in yields on government bonds with 10-year maturities, with a spread between the two yields of approximately +290 basis points as of the end of December 2016, shown below.

Prime yield* on real estate in France *(as a %)*



Sources: Cushman & Wakefield (real estate rate of return), Bloomberg (return on a bond with a maturity of 10 years)

Notes and definitions:

* Prime yield on real estate: the ratio between rent excluding charges and the "deed in hand" acquisition value of the asset. Lowest returns observed during a given period, after elimination of outlying values (fewer than two occurrences).

** Real estate risk premium: the difference between the yield on prime real estate and the yield on a bond with a 10-year maturity.

6.4.2.3 The shopping center market in Italy

Evolution of rental values

Italy is one of the largest countries in the European Union, with a population of 61 million people. Similarly to France and Spain, net consumer spending has improved in recent years, growing 1.6% in 2015, according to the World Bank.

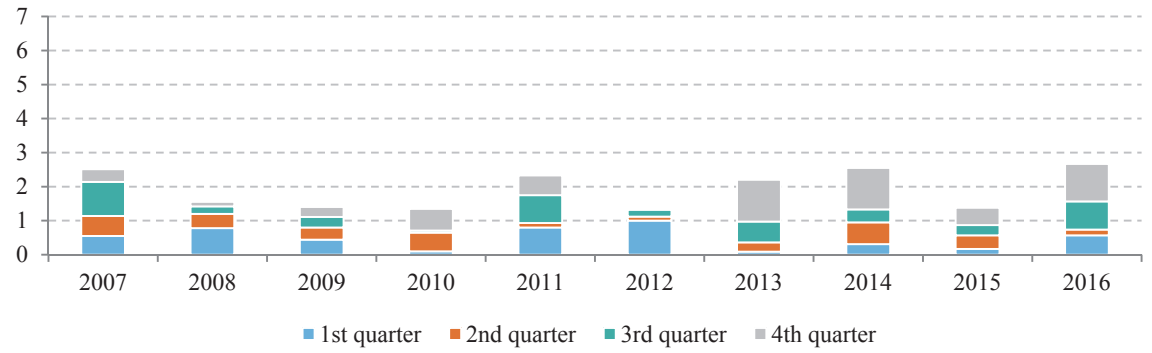
According to Cushman & Wakefield, rental values have generally been stable in Italy, in particular for the shopping centers with the best fundamentals. However, the picture is more mixed for weaker-performing secondary shopping centers, which were more sensitive to the general slowdown in spending by Italian households when economic conditions were less favorable, particularly in 2012.

Overall, the New Carmila Group's shopping centers have outperformed the market with nearly flat footfall in 2016 (a slight decrease of 0.3% versus a decrease of 0.2% in the CNCC index), following strong levels in 2015 (an increase of 3% versus a decrease of 0.2% in the CNCC index) and growth in retailer revenue of 1.0% in 2016 (versus weak growth of 0.1%[11] in the national index).

Investment market

Interest in retail in Italy remained strong in 2016, with €1 billion in investments in the fourth quarter of the year. Total investment in retail reached a historically high level, with €2.6 billion investment during the year, resulting in growth of more than 80% as compared with 2015, as shown in the chart below. According to Cushman & Wakefield, this growth was closely tied to foreign activity on this market, which accounted for approximately 70% of investment volume in the first nine months of 2016. In addition, these investments were principally focused on the northern and central regions of Italy (together, 90% of investment volume in 2016) and on large single assets (approximately 80% of investment volume).[12]

Investments in retail in Italy *(in billions of euros)*



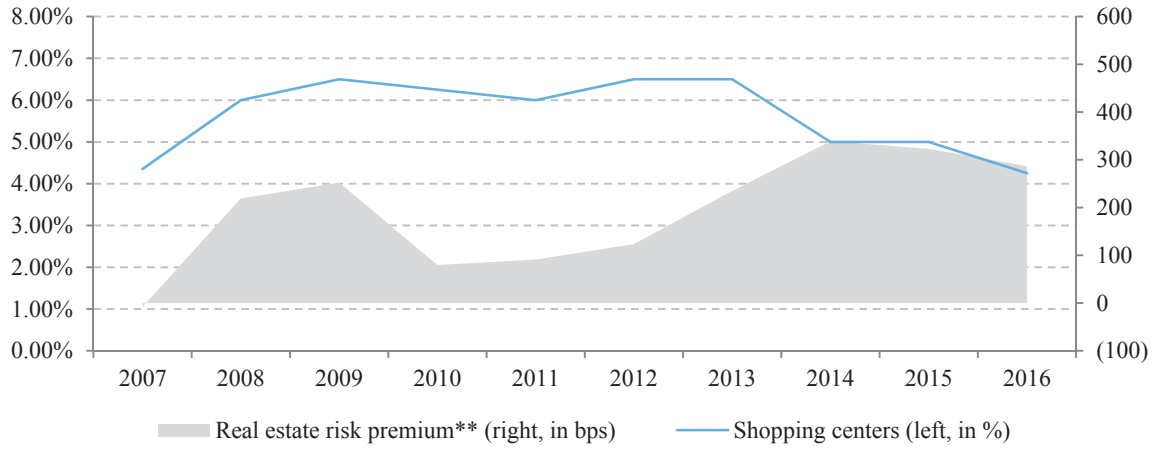
Source: CBRE

The lack of supply and the uptick in interest (in particular from international investors) in the Italian market led to a decrease in real estate yields on prime retail assets in Italy, as shown in the chart below. According to Cushman & Wakefield, this trend continued in 2016, with a decrease of 50 basis points and average yields reaching 5% for prime shopping centers located in Milan and in Rome.

[11] According to the ISTAT Institute (November 2016 data).
[12] According to Cushman & Wakefield (data for the first 9 months of 2016).

As in France and Spain, the spread between real estate yields and yields on government bonds with 10-year maturities has increased significantly since 2011 and was approximately +320 basis points as of the end of December 2016, as shown below.

Prime yield* on real estate in Italy *(as a %)*



Sources: Cushman & Wakefield (real estate yield), Bloomberg (yield on government bonds with 10-year maturities)

Notes and definitions:

* Prime yield on real estate: the ratio between rent excluding charges and the "deed in hand" acquisition value of the asset. Lowest returns observed during a given period, after elimination of outlying values (fewer than two occurrences).

** Real estate risk premium: the difference between the yield on prime real estate and the yield on government bonds with 10-year maturities.

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

6.4.3 New Carmila's competitive environment and positioning

Competition among shopping center companies

New Carmila assesses its competition shopping center by shopping center in a given catchment area, based on the site's attractiveness to consumers and tenant retailers and taking into consideration, where applicable, the presence of other retail formats, such as downtown shopping areas in the same catchment area. A site's attractiveness may also be measured compared to national or international networks, for large retail brands.

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

- institutional investors (insurance companies, pension funds and other asset managers, such as Allianz, APG, and NBIM);
- real estate companies, most of which are SIICs (including listed real estate companies specialized in retail, such as Unibail-Rodamco, Klépierre, Altarea Cogedim, Mercialys and Eurocommercial Properties, and unlisted companies, such as Immochan, as well as real estate companies with more diversified portfolios, such as Merlin Properties);
- funds dedicated to professional investors and retail funds focusing on individual investors (such as Amundi, AXA Real Estate and CBRE Global Investors);

- private equity funds (such as Blackstone and KKR); and

- family funds (funds managed by family offices or family real estate companies).

Competition among the participants in the shopping center market impacts acquisitions of existing shopping centers and the development and creation of new shopping centers. New Carmila benefits from access to a wide range of development and acquisition opportunities due to its privileged relationship with the Carrefour Group.

New Carmila's shopping centers also benefit from the attractiveness of the Carrefour Group's hypermarkets. Carrefour is the largest retailer in Europe, and its stores serve as an engine for the Group's sites in generating strong recurring footfall. These stores earn a level of revenue per square meter that is among the highest in the hypermarket sector, at €10,400/m^2 in France in 2016, according to Planet Retail, for a number 2 ranking alongside Leclerc, behind Auchan (€12,000/m^2) but well ahead of competitors such as Cora (€9,300/m^2) and Casino (€5,800/m^2). The New Carmila Group's shopping centers are adjacent to the largest Carrefour Group hypermarkets, including the five largest hypermarkets in France, with the shopping centers of other real estate companies, such as Unibail-Rodamco and Klépierre, being adjacent to smaller Carrefour Group hypermarkets. In addition, the New Carmila Group's shopping centers are located in Carrefour's three key countries, France, Spain and Italy, which together account for a significant share of its revenues (64%[13] in 2016) and in which Carrefour has a leading position[14].

The hypermarket segment

The hypermarket format is one of the primary formats for retail food distribution, particularly in France, in which it accounted for 53%[15] of sales in the sector as of the second quarter of 2016, according to Kantar Worldpanel. The format has shown strong resilience, in particular in France, with a stable market share over the past five years, according to Kantar Worldpanel, benefiting in particular from:

- solid fundamentals (including strategic locations benefiting from urbanization and urban sprawl, a large-volume and low-price model, and non-discretionary spending, especially for food);

- ongoing adaptation of offerings (including re-focusing on food, as non-food products are exposed to more intense competition); and

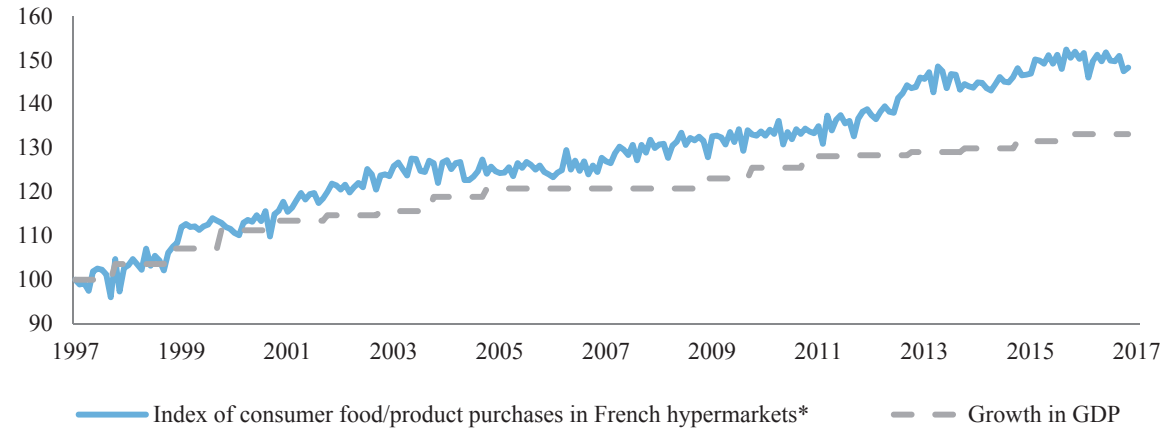
- a greater focus on product quality (such as development of organic products, traceability of products and local sourcing)

The hypermarket format is also supported by an increase in the percentage of spending that the French have allocated to food in recent years, since food represents the majority of hypermarket revenues (83% for Carrefour in 2016). According to Crédoc[16], the average French resident spent 18.8% of his/her budget on food in 2015, an increase of 100 basis points over 2007.

[13] On the basis of the Carrefour Group's revenues, including taxes.
[14] According to Euromonitor, Carrefour was the largest retail food distributor in France and the largest in the hypermarket segment in Spain.
[15] Based on consumer products.
[16] *Centre de recherche pour l'étude et l'observation des conditions de vie* (Research Center for the Study and Observation of Living Conditions).

Over time, the performance of French hypermarkets (in terms of food and personal product sales) has been superior to GDP growth, as shown by the graphic below:

Performance in food sales of hypermarkets in France compared to GDP growth



Source : INSEE

Notes and definitions:

* INSEE monthly index adjusted for seasonality.

6.5 HISTORY AND DEVELOPMENT OF THE CARMILA GROUP

6.5.1 Significant Events in the Development of the Carmila Group's Assets and Business

The Carmila Group was created in April 2014 by the Carrefour Group and a group of institutional and financial investors in order to acquire, and to revitalize and enhance the value of, the shopping centers adjoining the Carrefour Group's hypermarkets in France, Spain and Italy.

New Carmila has developed key areas of expertise needed to develop and enhance the value of its portfolio: asset management, leasing and specialty leasing, cross-channel marketing and communications, shopping center management and investment (renovation, restructuring, expansion and acquisition). Since its creation, it has pursued growth at a sustained rate and implemented a policy of actively managing its portfolio.

Carmila and its French subsidiaries subject to corporate income tax are subject to the SIIC tax regime since June 1, 2014, the date at which the regime was available to them. The Carmila Group's subsidiaries in Spain and Italy are subject to the general tax regime in their respective jurisdictions.

On April 16, 2014, the Carmila Group started its business activities by acquiring a portfolio of 171 shopping centers with a total value of €2,654.6 million, including (i) the acquisition from the Klépierre Group of 126 shopping centers in France, Spain and Italy for €1,983 million and (ii) the contribution or sale by the Carrefour Group to the Carmila Group of 45 shopping centers and reparcelling of sites acquired from the Klépierre Group in a total amount of €648 million.

On the same date, the Carmila Group also entered into a renovation and development agreement with the Carrefour Group with an initial term of 10 years. The purpose of the agreement is to create a partnership between the two groups in order to implement a strategy in France, Spain and Italy of reinforcing the attractiveness and optimizing the value of the commercial sites jointly owned by the Carrefour Group (hypermarkets and parking lots) and the Carmila Group (shopping centers). See Section 6.6.2.2, "A major expansion and restructuring program", Section 6.7.2.1, "Renovation and Development Agreement" and Chapter 19, "Related Party Transactions" for more information about the Renovation and Development Agreement.

In partnership with the Carrefour Group, the Carmila Group launched a major site renovation program, with 66 Carmila Group shopping center sites renovated in 2014 for a total investment of €95.5 million, including €19.2 million invested by the Carmila Group. Also in 2014, the Carmila Group initiated a detailed review of its assets in order to establish a program to expand properties with strong development potential in partnership with Carrefour Property, a subsidiary of the Carrefour Group.

In July 2014, the Carmila Group purchased the Laval shopping center from KKR for €43.5 million. On November 28, 2014, the Carmila Group finalized the acquisition of six regional shopping centers in France from Unibail-Rodamco for a total of €927.6 million, and acquired three other major shopping centers in Spain, as well as medium-sized stores and individual lots, from the Carrefour Group for a total value of €181.6 (of which €138.2 million was for the purchase of the three major shopping centers in Spain: Holéa, Talavera and the leading shopping center *As Cancelas* in Saint-Jacques de Compostelle, which is co-owned (50% each) with a partner, Realia).

In 2015, the Carmila Group continued to pursue its strategy of reparcelling and acquiring shopping centers adjoining Carrefour Group hypermarkets with strong development potential, and completed the following significant acquisitions:

- On January 9, 2015, the Carmila Group acquired the Montluçon shopping center from SOFODIC for €20.6 million, including transfer taxes;

- On January 29, 2015, the Carmila Group acquired a portfolio of three shopping centers in Puget-sur-Argens, Mont-Saint-Aignan and Sannois from CBRE Investors for a total of €91.5 million, including transfer taxes;

- On September 30, 2015, the Carmila Group acquired an equity stake in the owner of the Geric shopping center in Thionville for €60.6 million (asset value of €127.8 million, including transfer taxes); and

- On December 31, 2015, the Carmila Group acquired the Ormesson Pince-Vent shopping centers from third parties for a total value of €43.6 million (including the purchase of 50% of the shares of SCI Dominique, which included the refinancing of the shareholders' current account).

The Carmila Group also continued to renovate its properties at a sustained pace in 2015, with 51 Carmila shopping center sites renovated. Total site renovation investments were €119.5 million, of which €34.2 million represented the share of the Carmila Group.

On September 18, 2015, the Carmila Group issued €600 million aggregate principal amount of bonds maturing on September 18, 2023, with a "BBB" long-term rating with stable outlook from the rating agency Standard & Poor's.

In 2016, as part of its strategy to develop and enhance the value of its portfolio, the Carmila Group carried out several significant acquisitions, which were focused on reinforcing its position in Spain.

- On February 26, 2016, the Carmila Group became the sole shareholder of SA Financière Geric, the owner of the Thionville shopping center, representing an investment of €32 million (value of the shares);

- On August 5, 2016, the Carmila Group acquired three major shopping centers in Spain from Hispania Retail Properties (El Mirador in the Burgos province, Montigal in Badalona and Atalayas, in the center of Murcia), for a total of €77 million; and

- On December 15, 2016, it also acquired the FAN shopping center in Palma de Majorca from Carrefour Property España for a total of €164.6 million.

Moreover, in 2016, the Carmila Group renovated 52 additional shopping centers, for total site renovation investments of €80.7 million, of which €22.1 million represented the share of the Carmila Group. It also launched a plan to expand shopping centers with strong development potential jointly with Carrefour Property, with completion in 2016 of expansion projects in Bourges, Nevers, and BAB 2 in Biarritz (Phase 1) in France, representing total site renovation investments of €117.3 million.

On March 24, 2016, the Carmila Group issued a second series of bonds in an aggregate principal amount of €600 million, maturing on September 16, 2024, with a "BBB" long-term rating with stable outlook from the rating agency Standard & Poor's.

Three years after its creation, the Carmila Group has made significant achievements in line with its strategy to develop and enhance the value of its portfolio: (i) the renovation of 89% of the shopping centers in its portfolio (by number as of December 31, 2016); (ii) the implementation of a local, cross-channel marketing strategy to improve the appeal of its tenant retailers; (iii) a policy of active marketing to reduce vacant lots; (iv) the launch of a significant expansion program in partnership with Carrefour Property; and (v) targeted acquisitions of shopping centers adjoining the Carrefour Group's hypermarkets in France.

As of December 31, 2016, the €5,120 million total appraised value (including transfer taxes) of the Carmila Group's portfolio reflects a 93% increase since the Group's creation in April 2014, of which 68% is from external growth.

6.5.2 Planned Merger of Cardety and the Carmila Group

Cardety is a real estate company that complements Carmila. Cardety is specialized in developing and managing retail parks in France anchored by the Carrefour Group's stores and shopping centers adjacent to the Carrefour Group's smaller hypermarkets or larger supermarkets, as well as various lots in shopping centers not controlled by the Carmila Group. Since January 1, 2015, Cardety is subject to the SIIC tax regime.

The planned merger of the two companies will allow the combined entity to:

- combine the Cardety and Carmila Group real estate assets within a single entity, as most of them use the same strategy for establishing and enhancing the value of the commercial ecosystem. For example, several lots currently owned by Cardety and located in shopping centers adjoining Carrefour hypermarkets will enable Carmila Group to become involved with strategic real estate assets in locations where it is not yet present (such as Barentin and Caen-Mondeville, in France), as well as to pursue its reparcelling strategy (which the Carmila Group has pursued since its creation) in shopping centers that are co-owned by Cardety (for example, in Salaise-sur-Sanne, France);

- unlock operational synergies by expanding Cardety's offerings to the retail brands in the Carmila Group's portfolio, extending the services (in particular digital services) it offers to tenant retailers of both the two real estate companies to New Carmila, and optimizing financing costs for the new consolidated group;

- align the financing terms of existing real estate assets and facilitate the financing of the New Carmila Group's development by taking advantage of banking and bond markets; and

- gain access to the stock market in France to raise capital by means of capital increases to support the New Carmila Group's financing needs without changing its debt ratio, in addition

to supporting its investment projects, including those that each entity already has in process and those that will be initiated in the future.

6.6 DESCRIPTION OF THE ASSETS AND ACTIVITIES OF THE NEW CARMILA GROUP

New Carmila, the company that will be created following the Merger of Carmila and Cardety, will be a real estate company in the business of managing and enhancing the value of shopping centers and retail parks anchored by the stores of the Carrefour Group, a worldwide leader in retail. With a portfolio of 205 shopping centers and retail parks in France, Spain and Italy valued at more than €5.3 billion (in terms of gross asset value, as defined below), including 139 "leader" or "co-leader" (each as defined below) sites in their respective catchment areas (representing 84% of the New Carmila Group's portfolio in terms of appraised value (including transfer taxes) as of December 31, 2016), the New Carmila Group will be the leader in continental Europe in terms of the number of shopping centers anchored by supermarkets and the third largest listed commercial real estate company by gross asset value (calculated as of December 31, 2016)[17].

New Carmila has developed key areas of expertise needed to develop and enhance the value of its portfolio: asset management, leasing and specialty leasing, cross-channel marketing and communications, shopping center management and investment (renovation, restructuring, expansion and acquisition). With the aim of simplifying its structure and increasing efficiency, the New Carmila Group also benefits from an operational organization supported by the services of Carrefour Group entities under several agreements. See Section 6.7.2.3, "Service Agreements".

In implementing its strategy to develop and enhance the value of its portfolio, New Carmila benefits from its strategic partnership with the Carrefour Group, which generates significant synergies (see Section 6.2.2, "A strategic partnership with the Carrefour Group"). Since inception, the Carmila Group has carried out a significant shopping center renovation and expansion program in coordination with Carrefour Property entities, which are subsidiaries of the Carrefour Group that own the brand's hypermarket and supermarket buildings in France, Spain and Italy, as well as, in most cases, their parking lots. In April 2014, Carmila entered into a renovation and development agreement with the Carrefour Group with an initial term of 10 years (the "**Renovation and Development Agreement**"). The purpose of the Renovation and Development Agreement is to create a partnership between the two groups in order to implement a strategy in France, Spain and Italy of reinforcing the attractiveness and optimizing the value of the commercial sites jointly owned by the Carrefour Group (hypermarkets and parking lots) and the Carmila Group (shopping centers). Following the Merger of Carmila and Cardety, New Carmila will be the Carrefour Group's partner under the Renovation and Development Agreement. For more information on the Renovation and Development Agreement, see Section 6.6.2.2, "A major expansion and restructuring program", Section 6.7.2.1, "Renovation and Development Agreement" and Chapter 19, "Related Party Transactions".

[17] Source: The New Carmila Group's analysis of data published by other market players.

The table below sets forth the key figures with respect to the New Carmila Group's commercial real estate portfolio, broken down by country, as of December 31, 2016:

As of December 31, 2016	Carmila France	Cardety[1]	France	Spain	Italy	New Carmila
Number of real estate assets (held directly or indirectly), of which:	116	13	127	70	8	**205**
Shopping centers—hypermarkets	*113*	*7*	*118*	*70*	*8*	***196***
Shopping center—hypermarkets	*3*	*4*	*7*	*-*	*-*	*7*
Retail parks	*-*	*2*	*2*	*-*	*-*	***2***
Gross leasable area (in m^2)	795,667	38,981	834,649	377,962	53,871	**1,266,481**
Contractual rent on an annualized basis[2] (in millions of €)	200.4	6.4	206.8	72.3	18.8	**297.8**
Financial occupancy rate[3]	96.1%	95.8%	96.1%	94.8%	99.1%	**96.0%**
Occupancy cost ratio[4]	10.6%	8.1%	10.6%	10.5%	13.0%	**10.7%**
Gross asset value[5] (including transfer taxes and works in progress, in millions of €)	3,815.3	133.9	3,949.2	1,066.4	305.2	**5,320.8**
Appraised rental value of the property (including transfer taxes, in millions of €)	3,762.4	106.3	3,868.7	1,066.4	291.2	**5,226.3**
Leader Shopping Centers [6] (% of number of assets)	29.3%	30.8%	29.9%	27.1%	50.0%	**29.8%**
Leader Shopping Centers[6] (% of the appraised value of the portfolio)	50.5%	52.9%	50.6%	45.9%	63.4%	**50.4%**
Co-Leader Shopping Centers [7] (% of number of assets)	32.8%	- %	29.9%	54.3%	37.5%	**38.5%**
Co-Leader Shopping Centers[7] (% of the appraised value of the portfolio)	35.2%	- %	34.3%	39.0%	4.1%	**33.8%**
Rent per square meter[8] (€/m^2)	240	163	237	191	348	227
Sales density[9] (€/m^2)	5,300	3,700	5,300	2,800	4,600	4,500
Average yield of the portfolio in operation[10] (%)	5.7%	5.9%	5.7%	6.6%	6.1%	**5.9%**

(1) Two Cardety real estate assets (Besançon Chalezeule and Salaise-sur-Sanne) are not included as assets within the French scope of consolidation (Cardety and Carmila France) because they are already included in the Carmila France scope of consolidation.
(2) Annualized contractual rents correspond to the sum of (i) minimum guaranteed rents for leases where such a minimum guaranteed rent is included and (ii) invoiced rents for the most recent year where payment under the lease is fully variable (or expected rents according to the business plan for tenants in their first year of occupancy).
(3) Excluding strategic vacancies in connection with renovation, expansion or restructuring projects. The financial occupancy rate corresponds to the ratio between the amount of rent invoiced during a given period and the amount of rent that the New Carmila Group would collect if its entire rental portfolio were leased, with the assumed rent for vacant lots determined on the basis of rental values used in determining the appraised values.
(4) The occupancy cost ratio corresponds to the ratio between (i) fixed and variable rent and rental charges passed on to tenants and (ii) the tenants' revenues. For more information, see Section 6.6.3.1, "Leasing operations—Key Figures".
(5) Gross asset value, or "GAV," corresponds to the appraised rental value of the portfolio operated by the New Carmila Group, including transfer taxes, plus (i) the Carmila Group's capitalized works in progress that are not included in the appraisals and (ii) investment properties under construction by Cardety.
(6) A shopping center is defined as a "leader" if (i) it is the leader in its commercial area by number of commercial units in its local urban area (*agglomération)*, as defined by INSEE (Source: Codata database, 2016) or (ii) it includes, for shopping centers in France, more than 80 stores or, for shopping centers in Spain or Italy, more than 60 stores.
(7) A shopping center is defined as a "co-leader" if (i) it is not a "leader" and (ii) (x) it includes the leading hypermarket in its commercial area (for France and Italy) in terms of revenues or (for Spain) in terms of surface area (Source: Nielsen database, 2016) or (y) the annual revenue of the hypermarket adjoining it is over €100 million for hypermarkets in France or €60 million for hypermarkets in Spain or Italy.
(8) Annualized rent divided by the gross leasable area of the rented lots for the entire portfolio.
(9) Revenues, excluding taxes, of premises of less than 750 m^2 divided by the gross leasable area of such premises.
(10) Average yield of the portfolio in operation corresponds to net annualized rents, plus net assumed rent for vacant lots, divided by the appraisal value of the portfolio in operation (including transfer taxes).

For a detailed description of the New Carmila Group's commercial property portfolio as of December 31, 2016, see Section 6.6.6, "Detailed description of the New Carmila Group's properties in operation".

6.6.1 A large portfolio of properties with solid leadership positions at the local level

As of December 31, 2016, the New Carmila Group's portfolio included 205 properties in France, Spain, and Italy, consisting of 196 shopping centers anchored by Carrefour hypermarkets, seven shopping centers anchored by large Carrefour supermarkets, and two retail parks located on attractive sites under the Carrefour banner.

In France, New Carmila is the direct or indirect owner of the large majority of its real estate assets (with the remaining properties held under long-term leases or construction leases), which are either divided into lots or held under co-ownership arrangements. In Spain, the New Carmila Group directly or indirectly owns the land on which certain real estate assets are constructed and has entered into leases pursuant to which the lessee has the right to build commercial premises that it owns (*derecho de superficie*). All of the New Carmila Group's real estate assets in Italy are wholly owned, directly or indirectly. See Section 6.10.1.2, "Regulations on the Ownership and Acquisition of Real Estate Assets".

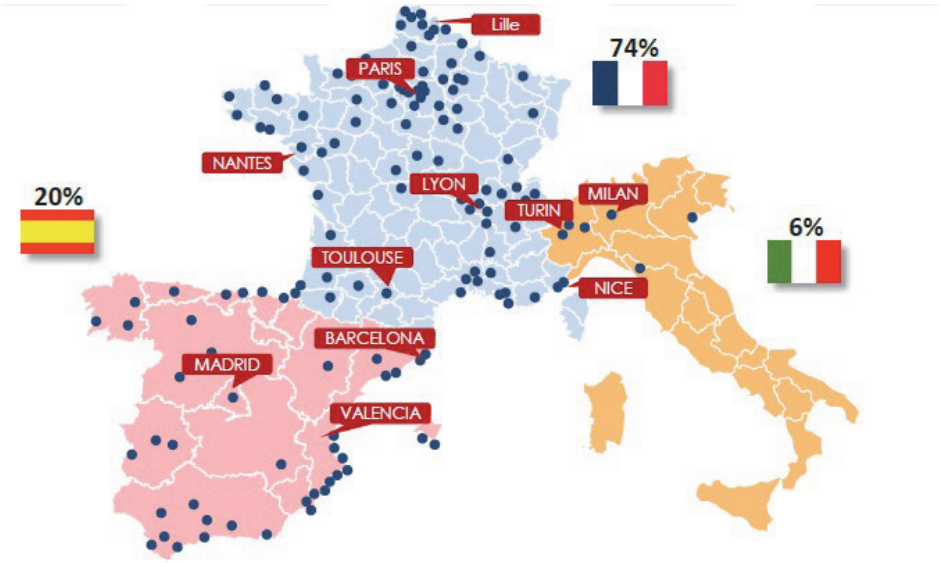
The Carrefour Group's hypermarkets, supermarkets and parking lots adjoining New Carmila Group's shopping centers in France, Spain, and Italy are built on land owned by Carrefour Property entities, which are subsidiaries of the Carrefour Group.

6.6.1.1 A strategic presence in the Carrefour Group's three principal countries in Europe

The New Carmila Group's assets are located in the three principal European countries in which the Carrefour Group operates, with 127 properties in France, 70 properties in Spain and eight properties in northern Italy, representing, respectively, 74.0%, 20.4% and 5.6% of its portfolio in terms of appraised value (including transfer taxes) as of December 31, 2016.

In 2016, the Carrefour Group's hypermarkets accounted for 51% of worldwide sales (including taxes) under its brand. As of December 31, 2016, the Carrefour Group had 475 hypermarkets under its brand in the three countries where the New Carmila Group operates, including 243 hypermarkets in France, 175 in Spain and 57 in Italy. As of the same date, the New Carmila Group owned approximately 45% (by number as of December 31, 2016) of the shopping centers adjacent to Carrefour hypermarkets in these three countries.

The map below shows the principal sites of the New Carmila Group's 205 properties in France, Spain, and Italy, including the percentage of the portfolio represented by each country in terms of appraised value (including transfer taxes) as of December 31, 2016.



In all three of its markets, the New Carmila Group benefits from strategic locations in geographic areas with strong development potential and the attraction of the Carrefour Group's hypermarkets.

The following table sets forth key information by country for the real estate portfolio of the Carmila Group as of December 31, 2015 and 2016:

	As of December 31, 2015				As of December 31, 2016			
	Number of assets	**Leasable area (m^2)**	**Appraisal value (in € millions)**	**Average Yield of the Portfolio in Operation (%)[1]**	**Number of assets**	**Leasable area (m^2)**	**Appraisal value (in € millions)**	**Average Yield of the Portfolio in Operation (%)[1]**
France	116	763,410	3,549	5.9%	116	795,667	3,762	5.7%
Spain	66	307,266	703	7.7%	70	377,962	1,066	6.6%
Italy	8	56,045	277	6.6%	8	53,871	291	6.1%
Total	**190**	**1,126,720**	**4,529**	**6.2%**	**194**	**1,227,500**	**5,120**	**5.9%**

[1] Average yield of the portfolio in operation corresponds to net annualized rents, plus net assumed rent for vacant lots, divided by the appraisal value of the portfolio in operation (including transfer taxes).

The following table breaks down, by country, the New Carmila Group's portfolio by appraisal value (including transfer taxes) and leasable area, as well as annualized contractual rents, in each case as of December 31, 2016:

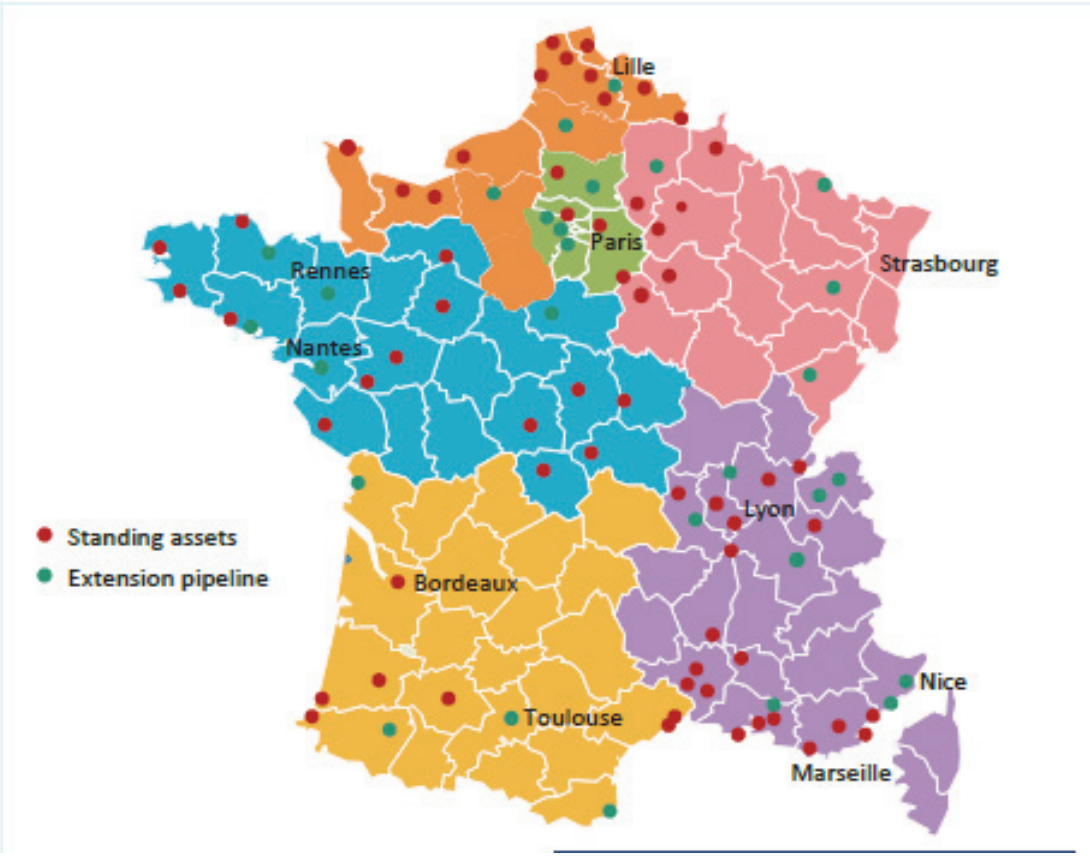
	Number of assets	Appraised value as of 12/31/2016		Leasable area as of 12/31/2016		Annualized contractual rents as of 12/31/2016		Average Yield of the Portfolio in Operation (%)[1]
		(in € millions)	*% total*	*m²*	*% total*	*(in € millions)*	*% total*	
France	127	3,869	74.0%	834,649	65.9%	206.8	69.4 %	5.7%
Spain	70	1,066	20.4%	377,962	29.8%	72.3	24.3 %	6.1%
Italy	8	291	5.6%	53,871	4.3%	18.8	6.3 %	6.6%
Total	**205**	**5,226**	**100.0%**	**1,266,481**	**100.0%**	**297.8**	**100.0 %**	**5.9%**

[1] Average yield of the portfolio in operation corresponds to net annualized rents, plus net assumed rent for vacant lots, divided by the appraisal value of the portfolio in operation (including transfer taxes).

6.6.1.1.1 France

In France, its principal market, the New Carmila Group will have a broad portfolio of 127 assets, most of which are located in the dynamic areas of northern France, Paris and the Paris region, the Rhône-Alpes region and the coastal areas of Southwestern and Western France. The New Carmila Group's shopping centers benefit from the attraction of the adjoining hypermarkets and supermarkets of the Carrefour Group, which is the leading food retailer in France.

The map below shows the main sites where the 127 properties of the New Carmila Group are located in France, as well as the 34 sites for which expansion projects are planned as of December 31, 2016:



As of December 31, 2016, the assets of the New Carmila Group in France were broken down as follows in terms of appraisal value (including transfer taxes): 21% in the Southwestern region; 19% in the Western Region and for the Ile-de-France area; 16% in the Northern region; 14% in the Southeastern region; and 11% in the Eastern region.

As of December 31, 2016, the 10 principal assets of the New Carmila Group in France represented, respectively, 39% of the appraised value (including transfer taxes) of the portfolio in France and 28% of the total appraised value (including transfer taxes) of the portfolio. The following table sets forth details for these 10 principal assets in France:

As of December 31, 2016	**Total number of lots**	**Gross leasable area (m²)**	**Appraisal value (including transfer taxes) (in € millions)**
Labège (Toulouse)	122	21,761	255
BAB 2 (Bayonne)	97	18,688	213
BAY 2	109	20,733	202
Calais / Coquelles	167	49,754	172
Montesson	58	13,268	155
Geric (Thionville)	141	22,298	152
Chambourcy	72	21,041	122
Orléans – Place d'Arc	71	13,479	111
Perpignan Claira	77	20,709	91
Nice Lingostière	52	7,828	89

6.6.1.1.2 Spain

In Spain, the New Carmila Group has a portfolio of 70 properties strategically located near large cities (Madrid, Barcelona, Seville and Valencia) and on the Mediterranean coast, supported by Carrefour Group hypermarkets. The Carrefour Group, which has been present in Spain since 1973, is the second largest food retailer in the country and the largest operator of hypermarkets.

The map below shows the main sites where the 70 properties of the New Carmila Group are located in Spain as of December 31, 2016:

As of December 31, 2016, the 10 principal assets of the New Carmila Group in Spain represented, respectively, 51% of the appraised value (including transfer taxes) of the portfolio in Spain and 10% of the total appraised value (including transfer taxes) of the portfolio. The following table sets forth details for these 10 principal assets in Spain:

As of December 31, 2016	**Total number of lots**	**Gross leasable area (m²)**	**Appraisal value (including transfer taxes) (in € millions)**
FAN Mallorca	121	40,295	165
Huelva	124	33,509	96
As Cancelas (50% owned)	62	25,131	61
El Alisal	41	15,173	40
Talavera – Los Alfares	70	20,605	37
Peñacastillo	59	10,241	37
Montigala	56	10,668	36
Cabrera de Mar	29	14,244	30
Alcobendas	54	3,556	29
El Mirador	47	9,846	24

6.6.1.1.3 Italy

It Italy, the New Carmila Group will hold a portfolio of eight properties concentrated in northern Italy. The Carrefour Group has been present in Italy since 1993. It is the sixth largest company there in a fragmented food market and holds strong regional positions in Aosta Valley, Piedmont, Latium and Lombardy.

The map below shows the main sites where the eight properties of the New Carmila Group are located in Italy as of December 31, 2016, as well as the three sites for which expansion projects are planned as of December 31, 2016:

As of December 31, 2016, the eight assets of the New Carmila Group in Italy represented, respectively, 100% of the appraised value (including transfer taxes) of the portfolio in Italy and 6% of the total appraised value (including transfer taxes) of the portfolio. The following table sets forth details for these assets in Italy:

As of December 31, 2016	**Total number of lots**	**Gross leasable area (m²)**	**Appraisal value (including transfer taxes) (in € millions)**
Paderno Dugnano	73	15,508	86
Massa	40	7,288	61
Gran Giussano	48	9,338	60
Thiene	39	6,012	27
Vercelli	20	3,085	10
MonteCucco – Turin	11	1,127	6
Burolo	10	952	4
Nichelino – Turin	62[1]	4,833	60

[1] Number of lots post-expansion.

6.6.1.2 Shopping centers with solid local leadership positions in their catchment areas

As the structural factors affecting the shopping centers' activity vary from one country to another, New Carmila's approach is to adapt its ownership and asset management strategy to the specific features of the catchment areas in which it operates in order to consolidate or develop its leadership at the local level. The New Carmila Group holds an asset portfolio made up of varying types of shopping centers depending on the particular market in which they are located, a large majority of which are leaders or co-leaders in their catchment areas at the local level.

The New Carmila Group's commercial properties fall into six main categories:

- "Leader" shopping centers: A shopping center is defined as a "leader" if (i) it is the leader in its commercial area by number of commercial units in its local urban area (agglomération), as defined by INSEE (Source: Codata database, 2016) or (ii) it includes, for shopping centers in France, more than 80 stores or, for shopping centers in Spain or Italy, more than 60 stores.

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

- "Challenger" shopping centers: a shopping center is defined as a "challenger" if (i) it is not a "leader" or a "co-leader" and (ii) (x) it is located in the leading commercial zone in its local urban area (*agglomération*), as such term is defined by INSEE (Source: Codata database 2016) and (y) it has more than 20 stores;

- Local shopping center: a shopping center is defined as a "local shopping center" if (i) it is not a "leader," a "co-leader," or a "challenger" and (ii) it has fewer than 20 stores.

- Individual lots in shopping centers not owned by New Carmila; and

- Retail parks: a retail park is a group of open-air commercial premises, built and managed as a unit, which include at least five leasable units and a built surface area of more than 3,000 m^2.

The following table shows the breakdown of the New Carmila Group's real estate portfolio by asset category in terms of appraised value (including transfer taxes) and gross leasable area as of December 31, 2016, as well as annualized contractual rents as of the same date:

	Number of assets	**Appraised value as of 12/31/2016**		**Leasable area as of 12/31/2016**		**Contractual rent on an annualized basis as of 12/31/2016**	
		In millions of €	***% total***	***m2***	***% total***	***In millions of €***	***% total***
"Leader" shopping centers	60	2,632.0	50.4%	571,945	45.2%	148.7	49.9%
"Co-leader" shopping centers	79	1,764.2	33.8%	390,148	30.8%	97.6	32.8%
"Challenger" shopping centers	38	666.0	12.7%	232,302	18.3%	40.9	13.7%
Local shopping centers	24	87.3	1.7%	47,963	3.8%	6.0	2.0%
Individual lots	2	51.0	1.0%	10,600	0.8%	2.8	1.0%
Retail parks	2	25.9	0.5%	13,523	1.1%	1.7	0.6%
% Total	**205**	**5,226.3**	**100.0%**	**1,266,481**	**100.0%**	**297.8**	**100.0%**

The following table shows the distribution of the New Carmila Group's real estate portfolio by asset category, broken down by country, in terms of percentage of the operational portfolio's appraised value as of December 31, 2016:

As of December 31, 2016	**France**	**Spain**	**Italy**	**Total**
Leader Shopping Centers (% of the appraised value of the portfolio)	50.6%	45.9%	63.4%	**50.4%**
Co-leader Shopping Centers (% of the appraised value of the portfolio)	34.3%	39.9%	4.1%	**33.8%**
Other Shopping Centers (% of the appraised value of the portfolio)	15.1%	14.2%	32.5%	**15.8%**

6.6.2 A value-creating investment strategy in partnership with the Carrefour Group

New Carmila's investment strategy is based on a diversified growth policy in partnership with the Carrefour Group, which generates significant synergies (see Section 6.2.2, "A strategic partnership with the Carrefour Group"). It focuses on the planning and implementation of renovation, restructuring, expansion and acquisition programs contributing to the attractiveness and development of its real estate portfolio.

In April 2014, the Carmila Group and Carrefour entered into the Renovation and Development Agreement, the purpose of which is to create a partnership between the two groups in order to implement a strategy in France, Spain, and Italy to reinforce the attractiveness and optimize the value of the commercial sites that are co-owned between the Carrefour Group (hypermarkets and parking lots) and the Carmila Group (shopping centers). Following the Merger of Carmila and Cardety, New Carmila will be Carrefour's partner under the Renovation and Development Agreement. For more information on the Renovation and Development Agreement, see Section 6.6.2.2, "A major expansion and restructuring program" Section 6.7.2.1, "Renovation and Development Agreement," and Chapter 19, "Related Party Transactions".

The following table shows the breakdown of the Carmila Group's investments by type over the 2014-2016 period:

€ millions	2014 (7 months)	2015	2016	% Total
France				
Renovations	14.1	22.3	11.1	47.5
Expansions	0.0	39.4	69.6	109.0
Acquisitions	979.4	255.8	76.9	1,312.1
Restructurings (including construction by tenants)	1.5	17.7	13.9	33.1
Other [(1)]	2.5	2.4	-	4.9
Maintenance	5.1	4.6	5.4	15.1
Total France	***1,002.7***	***342.3***	***176.9***	***1,521.9***
Spain				
Renovations	5.1	9.5	6.7	21.3
Expansions	-	-	-	-
Acquisitions	170.6	0.5	243.3	414.4
Restructurings (including construction by tenants)	0.1	0.2	6.4	6.7
Other [(2)]	12.4	-	-	12.4
Maintenance	0.2	0.6	0.2	1
Total Spain	***188.3***	***10.9***	***256.6***	***455.8***
Italy				
Renovations	-	2.4	4.3	6.7
Expansions	-	7.7	0.6	8.3
Acquisitions	0.0	50.4	4.7	55.1
Restructurings (including construction by tenants)	-	0.8	0.0	0.8
Other	-	-	-	-
Maintenance	0.2	2.5	0.6	3.3
Total Italy	***0.3***	***63.8***	***10.2***	***74.3***
Total Carmila Group[(3)(4)]				
Renovations	19.2	34.2	22.1	75.5
Expansions	0.0	47.2	70.1	117.3
Acquisitions	1,150.1	306.7	325.0	1,781.8
Restructurings (including construction by tenants)	1.6	18.7	20.3	40.6
Other	14.9	2.4	-	17.3
Maintenance	5.6	7.8	6.2	19.6
Total	**1,191.3**	**416.9**	**443.7**	**2,051.9**

[(1)] Amounts spent in connection with canopy damage in Nice, reimbursed by insurance in 2016.
[(2)] "Other" investments in Spain include Carmila España's acquisition of receivables owed by the tenants of certain shopping centers in connection with the Kart I transaction, carried out after the acquisition date of the corresponding properties.
[(3)] The investments indicated above include the acquisition of fixed assets other than investment properties, which are recorded under a separate line item in the Consolidated Cash Flow Statement. An example would be an investment in shares of companies with real estate assets).
[(4)] Including technical plant, machinery and equipment in the amountsof €0.2 million and €1.5 million in 2015 and 2016, respectively.

The following table breaks down the New Carmila Group's investments in 2016 by type:

(in € millions)	**2016**
Renovations	22.1
Expansions	76.8
Acquisitions	355.5
Restructurings (including construction by tenants)	20.3
Other	0.1
Maintenance	6.2
Total New Carmila Group	**481.0**

Over the 2017-2021 period, New Carmila's goal is to implement a significant investment program estimated at approximately €2.1 billion, including (i) approximately €1.2 billion[18] in connection with expansions of shopping centers with strong development potential, working together with Carrefour Property; (ii) €450 million in targeted acquisitions; (iii) €330 million in lot restructurings within shopping centers; and (iv) €110 million for maintenance, renovation and other needs (marketing, etc.).

6.6.2.1 A nearly completed renovation plan

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

Carmila and Carrefour committed to carry out, within five years following their entry into the Renovation and Development Agreement, an initial renovation program covering 167 shopping centers owned by the Carmila Group (the "**Initial Scope**") for a total estimated amount of €238.5 million (excluding taxes), including €74.5 million invested by the Carmila Group, or about 30% of the total estimated amount. The Renovation and Development Agreement provides that renovation expenditures other than the estimated total amount, both for the shopping centers included in the Initial Scope and for shopping centers acquired by the Carmila Group and located on sites co-owned between the Carmila Group (shopping centers) and the Carrefour Group (hypermarkets), would be financed on the basis of the percentages of the site owned by the two groups. As shopping centers have been acquired by the Carmila Group, they have benefited from a major renovation plan, usually in conjunction with the Carrefour Group's modernization of its adjoining hypermarkets, while ensuring sustained customer footfall at these sites during construction. During the 2014–2016 period, the Carmila Group, in partnership with the Carrefour Group, renovated 89% of its shopping center sites (96% in Spain, 86% in Italy and 85% in France), up from 62% at the end of 2015 and 35% at the end of 2014. Total site renovation investments were €295.7 million, of which €75.5 million represented the share of the Carmila Group. The Group's program to renovate all of its sites, the completion of which is expected before the end of 2017, represents a total investment estimated at €350 million over the 2014-2017 period, of which €90 million will have been invested by the Carmila Group. Finally, for the renovated shopping centers, the Renovation and Development Agreement provides that later renovation expenditures will be financed in equal shares (50% each) by the Carmila Group and the Carrefour Group.

New Carmila's shopping centers are renovated based on the "Air de Famille" concept, with re-imagined customer pathways, modernized facades, colored arches to mark entrances and interior designs including numerous gathering spaces and children's play areas. These renovations have made the shopping centers more appealing and attracted national and international brands (such as H&M, Sephora and Yves Rocher), as well as local specialist franchisees (such as Philippe Commault in Brittany (Quaterback and Scott), Baptiste Simeon in the Southwest (Superdry) or Richard Desmoulins

[18] Expansion pipeline representing total investments of €1.5 billion between 2017 and 2022, including 50% of the development margin to be paid to Carrefour Property.

in Rhône-Alpes (Passion Beauté)) who are seeking high-quality locations for their stores. The renovation of the shopping centers also encourages retailers to renovate their stores, generating a ripple effect that reinforces the overall attractiveness of the shopping centers for the benefit of the New Carmila Group and all of its tenant retailers. Moreover, thanks to its portfolio of renovated properties, New Carmila is ideally positioned to deploy its multi-channel marketing strategy based on digital and mobile solutions.

The success of the Carmila Group's renovation policy has been demonstrated by the results of customer satisfaction surveys. In addition, in France, between January and September 2016, and as compared with the same period in 2014, (i) footfall at renovated shopping centers was up by 2.2 points and the revenues of tenant retailers in the renovated shopping centers were up 1.4 points; and (ii) footfall at the Carrefour Group's hypermarkets adjoining the renovated shopping centers was up 1.8 points and their revenues were up 2.3 points.

Renovations are a key element of the New Carmila Group's acquisition strategy, which is to acquire shopping centers anchored by Carrefour hypermarkets with strong potential for value-enhancement and improve them through renovation and expansion projects.

6.6.2.2 A major expansion and restructuring program

In each of its markets, New Carmila intends to continue its program to expand shopping centers with strong potential for added value. It also plans to carry out restructurings in order to optimize its shopping centers and increase their yields.

6.6.2.2.1 Expansion projects

Pursuant to the Renovation and Development Agreement, expansion projects are evaluated and established jointly by the Carmila Group and Carrefour Property through a partnership committee and a presentation of each project is prepared for pre-approval by the relevant decision-making bodies of the Carmila Group and the Carrefour Group. For purposes of carrying out expansion projects, Carmila and Carrefour Property may (i) form a special purpose company held as a joint venture, through which Carmila may acquire, upon completion of the expansion project, the 50% share held by Carrefour Property, or (ii) use other alternative methods, such as a sale by Carrefour Property to Carmila of the real estate parcels that it holds with an additional price corresponding to Carrefour Property's development margin. To the extent that the pre-rentals of the expansion project are deemed satisfactory (usually at approximately 60%), a final project package is submitted to the relevant decision-making bodies of the Carmila Group and the Carrefour Group for approval and the start of work. In order to strengthen the two companies' common interests, the Renovation and Development Agreement provides that the financing costs and the development margin for each development project will be divided equally (50% each) between Carmila and Carrefour Property. The target average yield on investment (expected net rents divided by the total estimated investment amount) for the expansion projects is between approximately 7% and 8%, including between 6% and 7% for the Carmila Group after splitting the development margin (50% each) with Carrefour Property. Following the Merger of Carmila and Cardety, New Carmila will be the Carrefour Group's partner under the Renovation and Development Agreement. See Chapter 19, "Related Party Transactions," for more information about the Renovation and Development Agreement.

New Carmila will thus be able to complete expansion projects at a sustained pace through coordinated steps with the Carrefour Group, which generally owns the adjoining parking lots or land on which the shopping center expansion projects are carried out. Pre-rentals are facilitated by knowledge of the customers and of the catchment area in which New Carmila is already present. New Carmila generally targets the leasing of approximately 60% of the new premises before construction begins. In the large majority of cases, one or more key tenant retailers participates in designing the expansion project.

New Carmila has already demonstrated its ability to complete major expansion projects, with three projects completed in France in 2016, in Bourges, Nevers and BAB 2 (Phase 1, completed by Carmila alone), with a financial occupancy rate of 100% and the creation of €35 million of added value. For the 2017-2022 period, New Carmila has identified 70 new potential development projects, of which 37 projects (34 in France and three in Italy) have already been launched by the Carmila Group, representing a total expected investment of approximately €1.5 billion (including €1.3 billion in France), or 28% of the fair value of its portfolio as of December 31, 2016. As of the date of this document, the Carmila Group has already obtained 26 commercial operation authorizations and 21 construction permits in connection with these projects.

In 2017, New Carmila intends to accelerate development of its pipeline of shopping center expansion projects. Among the 37 projects in progress, those opening as early as 2017 include the expansions of BAB2 Phase 2 (Biarritz), I Viali (Turin), Lescar (Pau), Crêches-sur-Saône (Macon) and Langueux (Saint-Brieuc). New Carmila plans to complete a total of 11 projects in 2017, nine projects in 2018, and 17 projects after 2018. The average target return on investment (annualized net rent divided by the total estimated investment amount) for these expansion projects is approximately 7% to 8%, of which between 6% and 7% will go to New Carmila after equal sharing of the development margin with Carrefour Property. New Carmila estimates that its shopping center expansion program could generate approximately €100 million in additional rental value over a full year, for a targeted average return on investment of approximately 6.5% and a market yield of 5.5%.

The following table sets forth information on the New Carmila Group's planned expansion projects for the 2017-2022 period:

Expansion project	Country	Additional area (m^2)	Planned opening date	Est. Cost[1] (in € millions)	Cost to date (in € millions)	Add'l annual-ized net rent (in € millions)	Yield[2]	Yield to New Carmila[3]
Projects for 2017								
BAB 2 (Bayonne)	France	7,158	Apr. 2017					
Nichelino (Turin)	Italy	23,655	2017 (Q4)					
Rambouillet	France	675	2017 (Q4)					
Pau	France	6,260	2017 (Q4)					
Crèches-sur-Saone	France	4,276	2017 (Q4)					
Saint Egrève	France	675	2017 (Q4)					
Saint Brieuc	France	4,711	2017 (Q4)					
Others[4]	France	2,394	-					
Total projects for 2017		**49,804**		**191.0**	**77.2**	**13.9**	**7.8%**	**7.3%**
Projects for 2018								
Saran	France	675	2018 (Q2)					
Chalezeule	France	675	2018 (Q3)					
Athis-Mons	France	3,932	2018 (Q3)					
Evreux[7]	France	28,633	2018 (Q4)					
Mareuil	France	675	2018 (Q4)					
Rennes Cesson	France	6,001	2018 (Q4)					
Others[5]	France	6,891	-					
Total projects for 2018		**47,482**		**205.5**	**13.9**	**15.4**	**7.9%**	**7.5%**
Projects post 2018								
Angoulins	France	8,923	2019 (Q1)					
Laval	France	3,282	2019 (Q2)					
Epinal	France	6,103	2019 (Q4)					
Nice	France	11,458	2020 (Q1)					

Paderno	Italy	32,000	2020 (Q3)					
Aix-en-Provence	France	5,978	2020 (Q3)					
Compiègne / Venette	France	9,115	2020 (Q3)					
Labège	France	25,231	2021 (Q1)					
Antibes	France	25,019	2021 (Q3)					
Montesson	France	43,195	2022 (Q2)					
Orléans	France	12,986	2022 (Q2)					
Others[6]	France/ Italy	30,827	-					
Total Projects post-2018		**214,117**		**1,083.3**	**0.0**	**68.5**	**7.5%**	**6.3%**
Total Projects[8]		**311,402**		**1,479.9**	**91.1**	**97.8**	**7.5%**	**6.5%**

(1) Total investment corresponds to the amount paid by Carmila (50 %) plus the share of Carrefour (50 %) to be acquired upon completion.
(2) Expected annualized rents divided by the total estimated investment amount.
(3) Expected annualized rents, divided by the estimated investment amount (including transfer taxes), including Carrefour's portion (50% of the market value) to be acquired upon completion.
(4) Includes the shopping centers in Toulouse, Vannes, Amiens and Douai.
(5) Includes the shopping centers in Laon, Perpignan and Nantes Beaujoire.
(6) Includes the shopping centers in Sallanches, Etampes, Feurs, Thionville, Chambéry Bassens and Thiene.
(7) Progressive opening over the course of the period from the third quarter of 2017 to the fourth quarter of 2018.
(8) Projects for which studies have been significantly advanced and New Carmila holds either the real estate or the right to build on it, but where not all administrative authorizations may have been obtained.

Thanks to the launch of its shopping center expansion program, New Carmila will be able to offer tenant retailers new, attractive spaces in its expanded centers. The expansion projects also facilitate the inclusion of medium-sized retail spaces in the New Carmila Group's shopping centers to serve as additional selling points beyond the Carrefour Group hypermarkets, helping to create additional traffic and reinforce the appeal of these shopping centers.

Three examples of key expansion projects are discussed below:

- BAB 2 shopping center—Biarritz, France

This leader center adjoining a Carrefour hypermarket is located in Biarritz, in the Basque region in Southwestern France. It has a catchment area that includes more than 350,000 residents and welcomes an average of 5.7 million customers each year. It includes 89 stores situated on approximately 14,524 square meters of gross leasable area with 2,379 parking spaces. Following the expansion project, completion of which is planned in the second quarter of 2017, the shopping center will include 129 stores situated on nearly 26,101 square meters of gross leasable area with 3,029 parking spaces. This expansion project, implemented solely by the Carmila Group, represents a total investment of €82 million, for an estimated average yield of 6.4% and potential value creation estimated at €20.0 million.

- Nichelino shopping center—Turin, Italy

This shopping center, located in the Turin area, adjoining a Carrefour hypermarket and a retail park, has a catchment area of more than 680,000 residents and welcomes an average of 1.5 million customers per year. Following the expansion of the shopping center and the retail park, completion of which is planned in late 2017, the commercial complex (the shopping center plus the retail park) will include 62 stores on 28,488 square meters of gross leasable area (compared to 4,833 square meters pre-expansion), with 2,950 parking spaces. This expansion project, developed jointly with Carrefour Property, represents a total investment of €90.3 million (including €54 million invested by the Carmila Group), for an estimated average yield of 8.0% and potential value creation estimated at €10.6 million.

- Evreux Guichainville shopping center—France

This shopping center, located in Evreux and adjoining a Carrefour hypermarket and a retail park, has a catchment area of more than 320,000 residents. The commercial complex (a shopping center plus a retail park) includes 17 stores situated on 8,070 square meters of gross leasable area, with 1,450 parking spaces. Following the expansion of the shopping center and the retail park, completion of which is targeted in the third quarter of 2018, the commercial complex (the shopping center plus the retail park) will include 83 stores situated on 36,671 square meters of gross leasable area (compared to 8,038 square meters pre-expansion), with 2,500 parking spaces. This expansion project, developed jointly with Carrefour Property, represents a total investment of €135.2 million (including €70.5 million invested by the Carmila Group), for an estimated average yield of 6.7% and potential value creation estimated at €7 million.

6.6.2.2.2 Restructuring projects

The restructuring of a shopping center consists of the redistribution of its merchandising plan in order to optimize the site, improve its attractiveness and increase its yield. In particular, restructuring initiatives can enable the creation of larger lots where medium-sized stores can be located in order to increase traffic density and reinforce the appeal of the New Carmila Group's stores. For example, in order to optimize its merchandising mix, in 2015 the Carmila Group launched restructurings of its shopping centers in Spain covering gross leasable areas of 23,749 square meters, for a total investment of €13.2 million and a target average investment yield of close to 15%.

New Carmila's objective is to allocate approximately €330 million to restructuring operations at its shopping centers over the 2017-2021 period.

6.6.2.3 A targeted acquisition strategy

Since its creation in April 2014, the Carmila Group has pursued a strategy of acquiring shopping centers adjoining Carrefour Group hypermarkets in its three markets, France, Spain and Italy, from third parties or from the Carrefour Group. Between 2014 and 2016, the Carmila Group acquired 24 shopping centers anchored by Carrefour Group hypermarkets in France, Spain, and Italy and also acquired lots in shopping centers that it already owned, for a total of €1.78 billion, including nine acquisitions in France in 2015 for a total of €307 million and four acquisitions in Spain for a total of €325 million. These acquisitions, almost all of which were off-market transactions, produced an average net entry yield[19] of 6.0%. As of December 31, 2016, value creation[20] from acquisitions of new shopping centers since April 2014 was €118.2 million, including €55 million on acquisitions in France.

Two examples of key acquisitions are discussed below:

- Géric shopping center—Thionville, France

This leading regional shopping center in Thionville, Moselle, close to the Luxembourg border, welcomes an average of 7.5 million customers per year. It includes more than 100 stores adjoining a Carrefour hypermarket, with an occupancy rate of 100% and an occupancy cost ratio of 8% over the last 10 years. The Carmila Group became the sole owner of the shopping center in February 2016, for a total price of €127.8 million including transfer taxes, and an appraised value of €152 million in March 2017, for a net initial yield of 5.5% and an appraisal yield of 4.92%[21]. New Carmila believes that the shopping center's potential for value creation is significant, with about €1.5 million in additional rental income and the potential for expansion by a gross leasable area of 6,000 square meters.

[19]Corresponds to net annualized rents as of the acquisition date (excluding vacant lots) divided by the acquisition price (including transfer taxes).
[20]Value creation corresponds to the difference between acquisition value (including transfer taxes) and the most recent appraised value (including transfer taxes).
[21] Based on the most recent known market rate.

- Ormesson Pince-Vent shopping center—France

On December 31, 2015, the Carmila Group acquired the Ormesson Pince-Vent shopping center for a total price of €52 million, including transfer taxes, and an appraised value of €74 million in March 2017, for a net initial yield of 6.3% and an appraisal yield of 5.4%. This co-leader shopping center, anchored by a Carrefour hypermarket, is strategically located in Ile-de-France (the Paris region) in an attractive commercial area that includes large brands such as Castorama, Conforama, Cultura and Darty and welcomes five million visitors each year.

The New Carmila Group may seek out new value-creating acquisitions in order to further enhance the value of its portfolio and accelerate its growth. As of the date of this document, New Carmila estimates that the value of the shopping centers anchored by Carrefour hypermarkets and held by third parties in France, Spain and Italy totals more than €15 billion. New Carmila intends to spend about €450 million to acquire real estate assets over the 2017-2021 period. Its strategy will be to acquire shopping centers anchored by Carrefour hypermarkets with strong potential for value-enhancement through renovations and expansions, while evaluating each opportunity with firm discipline. This acquisition policy could result in additional investments by New Carmila where justified by the strategic and financial interest of the acquisitions in question.

6.6.3 An active marketing process

In connection with its active marketing strategy, New Carmila benefits from the quality of its portfolio of shopping centers, nearly all of which have been renovated and a large majority of which occupy a leader or co-leader position in their respective catchment areas.

6.6.3.1 Key indicators

6.6.3.1.1 Financial occupancy rate

As of December 31, 2016, the consolidated financial occupancy rate of the New Carmila Group properties was 96.0%, including 96.1% in France, 94.8% in Spain and 99.1 in Italy.

The financial occupancy rate corresponds to the ratio between the amount of rent invoiced during a given period and the amount of rent that the New Carmila Group would collect if its entire rental portfolio were leased, with the assumed rent for vacant lots determined on the basis of rental values used in determining the appraised values. The financial occupancy rate is stated excluding strategic vacancies, which are the vacancies necessary in order to implement renovation, expansion, or restructuring projects inside the shopping centers.

The following table sets forth the New Carmila Group's financial occupancy rate (excluding strategic vacancies) broken down by country as of December 31, 2014, 2015, and 2016.

Country	Financial occupancy rate (excluding strategic vacancies)		
	As of 12/31/2014	As of 12/31/2015	As of 12/31/2016
France	95.2%	94.3%	96.1%
Spain	90.3%	91.5%	94.8%
Italy	97.2%	99.2%	99.1%
Total	**94.3%**	**93.9%**	**96.0%**

The New Carmila Group's high financial occupancy rate in 2016 is due in part to its active lease management and a dynamic policy for selecting tenant retailers within the shopping centers in order to

best respond to local consumers' needs. During the 2014-2016 period, the Carmila Group optimized the marketing of its existing portfolio, with more than 2,000 leases signed in its three markets, equivalent to 34% of leases under management as of December 31, 2016, and increased its consolidated financial occupancy rate from 86.1% in April 2014 to 96.0% as of December 31, 2016:

- In France, the Carmila Group's marketing efforts led to the signature of 809 leases out of a total of 3,346 leases over the course of the 2014-2016 period, and to an increase in the financial occupancy rate in France from 91.9% in April 2014 to 96.1% as of December 31, 2016;

- In Spain, 1,071 leases were signed out of a total of 2,213 leases over the course of the 2014-2016 period in connection with a strategy to overhaul merchandising mix and replace obsolete brands with attractive national and international brands. This dynamic marketing policy helped the Carmila Group increase its financial occupancy rate in Spain from 68.4% in April 2014 to 94.8% as of December 31, 2016; and

- In Italy, 117 leases were signed out of a total of 235 leases over the course of the 2014-2016 period, enabling the Carmila Group to increase its financial occupancy rate in Italy from 92% in April 2014 to 99.1% as of December 31, 2016.

The New Carmila Group's high financial occupancy rate also results from the structure of its portfolio, composed exclusively of commercial properties, for which there is a "leasehold right" (*droit au bail*), the right of a tenant under a commercial lease to use the premises for a certain period of time and to renew the lease at the end of the term. The value of this "leasehold right" stabilizes the tenant retailer base, as tenants are committed to the value of the business they have developed in the shopping centers.

6.6.3.1.2 Occupancy cost ratio

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

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

- The ratio can be calculated for (i) tenants present over the last 12 months with certified revenues, and (ii) tenants present over the last 12 months and having reported their reported revenues over 12 months on a rolling basis. If the tenant reports its certified revenues and its revenues over a rolling 12 months, only the certified revenues are used.

- The ratio is calculated using revenues excluding tax. Tenants reporting certified revenues report their revenues both including and excluding tax. The New Carmila Group calculates an average VAT rate by category of retailer. Tenants reporting their revenues over the previous 12 months report revenues including taxes only. Revenues excluding tax are then calculated using the average VAT rate by category of retailer determined using certified revenues.

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

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

Country	Occupancy cost ratio		
	Fiscal year ended December 31,		
	2014	2015	2016
France	11.2%	10.9%	10.6%
Spain	11.4%	10.9%	10.5%
Italy	13.6%	12.5%	13.0%
Total	**11.4%**	**11.2%**	**10.7%**

New Carmila believes its occupancy cost ratio is moderate and provides several advantages, including strengthening its shopping centers' resistance to economic slowdowns and increasing their attractiveness to retailers while retaining the potential for value enhancement.

6.6.3.1.3 Other performance indicators

Footfall

Footfall at the Carmila Group's shopping centers in France (calculated based on 46 of its shopping centers) in 2016 decreased 0.7% compared with 2015, which was less than the 1.2% decrease for a panel of shopping centers in France tracked by CNCC over the same period.

In Spain, footfall at the Carmila Group's shopping centers (calculated on the basis of 17 of its shopping centers) in 2016 increase 1.6% compared to 2015, compared with an increase of 0.9% for a panel of shopping centers in Spain tracked by the *Instituto Nacional de Estadistica*, calculated as of November 2016.

In Italy, after the Carmila Group saw footfall increase by 3% in 2015 from 2014, compared to a drop in footfall of 0.2% for a panel of shopping centers in Italy tracked by the *Consiglio Nazionale dei Centri Commerciali* over the same period, the Carmila Groups' shopping centers in Italy experienced a decrease in footfall (calculated based on seven of its shopping centers) of 0.3% in 2016 compared to 2015. This compared to a 0.2% decrease in footfall for a panel of shopping centers in Italy tracked by the *Consiglio Nazionale dei Centri Commerciali* over the same period.

Retailer revenue

Retailer revenue at the New Carmila Group's shopping centers in France increased 0.8% in 2016 compared to 2015, while retailer revenue for retailers on a panel of shopping centers tracked by the CNCC fell by 0.9% for the same period.

In Spain, retailer revenue at the New Carmila Group's shopping centers increased 3% in 2016 compared to 2015, while retailer revenue for retailers on a panel of shopping centers tracked by the *Instituto Nacional de Estadistica* increased by 3.2%, calculated as of November 2016.

In Italy, retailer revenue at the New Carmila Group's shopping centers fell 1% in 2016 compared to 2015, while retailer revenue for retailers on a panel of shopping centers tracked by the *Consiglio Nazionale dei Centri Commerciali* fell by 0.6% for the same period.

Change in rental income at constant scope

In 2016, the New Carmila Group's rental income at constant scope grew by 2.4% compared to 2015. Rental income at constant scope increased by 1.9% in France and 4.2% in Spain and fell by 0.7% in Italy over the period.

6.6.3.2 A unique marketing strategy

With a broad portfolio of shopping centers with solid leadership positions at the local level, almost all of which have been renovated, New Carmila is deploying a unique marketing strategy based on five complementary levers. Together, these levers are intended to optimize its portfolio and control risks (such as the risk of defaulting tenant retailers), to target a wide range of tenant retailers and regularly adapt its rental mix based on consumer expectations and to improve its operational performance. In particular, New Carmila's tenant-selection policy aims to attract large flagship brands with strong appeal to serve as additional drivers, beyond the Carrefour Group hypermarkets, to increase customer traffic density and reinforce its shopping centers' attractiveness.

6.6.3.2.1 Traditional marketing

The marketing department conducts traditional marketing operations, which rely on the local knowledge of shopping center directors, in particular for marketing to local specialist franchisees, such as Okaïdi at the Laval and Angers shopping centers, La Chaise Longue and Superdry at the Pau Lescar shopping center, Gémo at the Berck shopping center or Krys at the Venissieux and Francheville shopping centers. As of December 31, 2016, specialist franchisees represented 29% of annualized contractual rents, of which 20% related to national franchises and 9% related to international franchises. The marketing department's operations cover all of the shopping centers newly acquired by New Carmila, expanded and restructured shopping centers and re-letting in the event of evictions or non-renewals of leases. Negotiations with national and international brands are carried out at the regional level with the managers for key accounts based on a standard lease agreement. The New Carmila Group's multi-country presence makes it well placed to support the movement into new geographic areas by dynamic, attractive brands that are currently present only in the New Carmila Group's shopping centers within a single country. For example, the Carmila Group was the first shopping center company in France to enter into a lease with OVS, an Italian leader in ready-to-wear, at its Chambourcy shopping center.

The New Carmila Group's policy in selecting tenant retailers is intended to adapt its rental mix (international, national and local brands) based on consumer expectations (see Section 6.6.3.3, "A solid and diversified tenant base") in order to increase its attractiveness and its yield:

- The New Carmila Group deploys marketing efforts with large known brands to increase the visibility and yield of its shopping centers. These large brands offer an appeal that benefits all of the tenant retailers at New Carmila's shopping centers. In particular, its expansion projects are intended to facilitate the inclusion of medium-sized retail spaces in the New Carmila Group's shopping centers to serve as additional selling points beyond the Carrefour Group hypermarkets, helping to create additional traffic and reinforce the appeal of these shopping centers. Recent signings with large flagship brands include Zara at the BAB 2 (Biarritz) shopping center in 2016, Cultura at the BAY 2 shopping center in 2016 and, in three centers to be expanded over the 2017-2018 period, Fnac in the Epinal shopping center in 2016 and the Montluçon and Alençon shopping centers in 2017, Primark in the Huelva shopping center in 2014 and the Palma de Mallorca shopping center in 2016, H&M in eight shopping centers being expanded during the 2017-2019 period, Mango in the Cap Saran (Orléans) and Hérouville (Caen) shopping centers, Burger King in the BAY 2, Vénissieux (Lyon) and La Chappelle St. Luc (Troyes) shopping centers and Superdry in the Cité Europe shopping center.

- In addition, New Carmila identifies the needs of end consumers through the efforts of shopping center directors, who have deep knowledge of their catchment areas and implement targeted communications campaigns, and aims to attract high-quality local specialist franchisees adapted to each catchment area to accelerate its development and reinforce its leadership and local roots (such as Philippe Commault in Brittany (Quaterback and Scott), Baptiste Simeon in the Southwest (Superdry) and Richard Desmoulins in Rhône-Alpes (Passion Beauté)). To that end, the Carmila Group has organized events such as "franchisee mornings," in which regional tenant retailers and

the regional press are invited to the shopping centers in order to show them the Carmila Group's advantages and planned shopping center projects. It also communicates locally about its shopping centers, for example by posting its offers on fences or on websites such as "leboncoin.fr". The shopping center directors also interact with regional organizations such as consular chambers of commerce, international chambers of commerce, trade guilds, town halls and federations of municipalities (*communautés de communes*) to create more visibility.

6.6.3.2.2 Specialty leasing

Specialty leasing is dedicated to sales points and advertising that generate additional revenue and energize the shopping centers. The specialty leasing department operates in two segments: (i) leasing of space in the shopping centers and parking lots and (ii) managing the advertising partnership agreement with Clear Channel, which is intended to digitalize shopping centers and assist in designing solutions that closely match new consumer behavior. The specialty leasing activity helps generate additional revenues, diversify offerings for the benefit of customers and develop event-based sales to energize traffic in shopping centers. The success of this new marketing direction is based, in particular, on measures to renew concepts with a focus on quality (providing connections or adapted furnishings to kiosks), a marketing strategy adapted by center in terms of duration, nature, or theme, as well as the implementation of effective related tools (including call centers, reservation tools, and digitalized payments).

The emphasis on quality, beginning in 2016, enabled the Carmila Group to support new promising concepts such as Wizzle (through connections to kiosks and a quality charter, Wizzle now boasts 20 locations with modern, high-quality kiosks), to attract new brands to its shopping centers (such as Nespresso for the launch of its new coffee maker) and above all to create customer loyalty through the Group's knowledge of catchment areas and customer activity. This approach enables successful campaigns and adequate sales volumes for these brands' needs. With respect to the partnership agreement with Clear Channel, after a significant deployment in 2016 (105 shopping centers equipped with 270 digital stands), New Carmila intends to grow its revenues by promoting the initiative with captive brands.

6.6.3.2.3 Temporary stores

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

This form of marketing, which complements traditional marketing, will enable New Carmila to pursue opportunistic marketing of vacant spaces, for example by taking advantage of seasonality to install tenants in its spaces for limited durations. Moreover, New Carmila can attract new promising brands by allowing them to test their concepts before committing to a commercial lease and develop new concepts to attract new customers and create loyalty. For example, the Carmila Group provided My Cozy Shop, focused on a concept of small home goods, with a physical point of sale at its shopping center in Chambourcy.

6.6.3.2.4 Partnership with promising brands

New Carmila is also increasing its visibility and accelerating its growth by offering human resources and financial support to promising and creative brands in order to diversify its existing offerings. As an example, in July 2016 the Carmila Group acquired a 20% minority interest in Square Maker, a French fast-food chain specializing in new variations on the traditional *croque-monsieur* sandwich

located in the Bourges, Toulouse Purpan and Toulouse Labège shopping centers. In addition, in 2017, the Carmila Group acquired a 25% minority interest in La Barbe de Papa Holding, which has boutiques in the Cholet and Saint-Jean de-Védas (Montpellier) shopping centers, and a 15% interest in Aug'Car, which has Augustin bread shops in the Brest and Nantes Beaujoire shopping centers.

6.6.3.2.5 New concepts developed in collaboration with the Carrefour Group.

The Carmila Group has developed promising new concepts with the Carrefour Group in line with new consumer trends, such as providing spaces dedicated to the healthcare sector, or by diversifying its restaurant offerings to attract new customers and establish customer loyalty. The Carmila Group also attracted numerous differentiated brands, including Sostrene Grenes in the Coquelles shopping center, Hema at the Labège shopping center, Spartoo.com at the Reims Tinqueux shopping center and Kiko, Maybelline and Beauty Success, as well as innovative restaurant concepts such as Steak 'n Shake at the Coquelles shopping center, O'Tacos at the Bay 1 shopping center and Mythic burger at the Bourges shopping center. Healthcare sector offerings are also included in its shopping centers, including a dentist's office at the Villejuif shopping center and a doctor's office at the Montluçon shopping center.

6.6.3.3 A solid and diversified tenant base

With 5,812 leases under management as of December 31, 2016, the New Carmila Group has a solid and diversified base of tenants, with rent from the Carrefour Group representing less than 1% of net rental income in 2016. Annualized contractual rents totaled €297.8 million as of December 31, 2016.

6.6.3.3.1 Principal tenant retailers

As of December 31, 2016, the New Carmila Group's 15 largest tenant retailers represented 19.4% of annualized contractual rents, and no single tenant retailer represented more than 2.0% of annualized contractual rents.

The table below shows the annualized contractual rents and business sector of the New Carmila Group's 15 largest tenants as of December 31, 2016:

Tenant	Business sector	Annualized contractual rent (in millions of €) as of 12/31/2016	Annualized contractual rent (as a %) as of 12/31/2016
H&M	Clothing and accessories	5.4	1.8%
FEU VERT	Services	5.2	1.7%
ALAIN AFFLELOU	Health and Beauty	5.2	1.7%
CAMAIEU	Clothing and accessories	5.1	1.7%
MCDONALD`S	Restaurant	4.3	1.5%
ORANGE	Services	4.2	1.4%
FLUNCH	Restaurant	3.8	1.3%
NOCIBE	Health and Beauty	3.5	1.2%
C&A	Clothing and accessories	3.5	1.2%
MICROMANIA	Culture, gifts and leisure	3.4	1.1%
CELIO	Clothing and accessories	3.3	1.1%
ZARA	Clothing and accessories	3.1	1.0%
YVES ROCHER	Health and Beauty	2.7	0.9%
SEPHORA	Health and Beauty	2.7	0.9%
JULES	Clothing and accessories	2.4	0.8%
Total		**57.8**	**19.4%**

6.6.3.3.2 Distribution of contractual rent by business sector on an annualized basis

As of the end of 2016, the New Carmila Group had contractualized more than 5,800 leases, distributed among various business sectors. The clothing and accessories sector, with 36.8% of contractualized rents on an annualized basis as of December 31, 2016, represents the principal source of New Carmila's revenues.

The table below shows the New Carmila Group's annualized contractual rents by business sector as of December 31, 2016:

Business sector	Number of leases	Annualized contractual rent (in millions of €) as of 12/31/2016	Annualized contractual rent (as a %) as of as of 12/31/2016
Clothing and accessories	1,450	109.6	36.8%
Health and Beauty	1,118	56.3	18.9%
Culture, gifts and leisure	863	46.2	15.5%
Food and restaurants	831	38.4	12.9%
Services	1,232	25.2	8.4%
Household goods	283	21.1	7.1%
Other	35	1.1	0.4%
Total	**5,812**	**297.8**	**100.0%**

6.6.3.3.3 Distribution of contractual rent by business sector on an annualized basis

The New Carmila Group rents space primarily to large, well-known national and international brands in order to promote the visibility of its shopping centers, as well as to local brands to reinforce its local roots. Contractual rent on an annualized basis is distributed equally among the three different types of brands. As of December 31, 2016, large international brands represented 55.3% of the New Carmila Group's annualized contractual rent (as compared with 54.2% as of December 31, 2015), and national brands represented 28.8% of annualized contractual rents (as compared with 29.6% as of December 31, 2015). Local brands represented 15.9% of annualized contractual rent as of December 31, 2016 (as compared with 16.2% as of December 31, 2015).

The table below shows the distribution of the New Carmila Group's annualized contractual rent among international, national, and local brands in 2015 and 2016:

Brand category	As of 12/31/2015			As of 12/31/2016		
	Number of leases	Annualized contractual rent (in millions of €)	%/Total	Number of leases	Annualized contractual rent (in millions of €)	%/Total
International brands	1,987	143.4	54.2%	2,402	165	55.3%
National brands	1,758	78.2	29.6%	1,932	86	28.8%
Local brands	1,248	42.9	16.2%	1,479	47	15.9%
% Total	**4,993**	**264.6**	**100.0%**	**5,812**	**297.8**	**100.0%**

The table below shows the distribution of the New Carmila Group's annualized contractual rent among international, national, and local brands by country in 2015 and 2016:

Brand category	As of 12/31/2016		
	France	Spain	Italy
International brands	58%	54%	31%
National brands.....	28%	25%	51%
Local brands	14%	21%	18%

6.6.4 Structure of leases and rents

Nearly all of the leases entered into by the New Carmila Group in connection with its business are commercial leases. The commercial leases entered into by the New Carmila Group have different points of origination, due to the successive acquisition of real estate assets in France, Spain and Italy, and therefore have various durations and legal terms (see Section 6.10.3, "Regulations Governing Commercial Leases").

6.6.4.1 Duration of leases

In France, commercial leases are entered into for terms that may not be shorter than nine years. The lessee has the right to terminate at the close of each three-year period, subject to providing six months' notice prior to the end of the current term. However, leases with terms of longer than nine years, such as those entered into by New Carmila, which generally have terms of 10 or 12 years, may expressly provide otherwise. The lessor's right to terminate at the end of each three-year period is primarily limited to purposes such as construction, reconstruction or raising the height of the existing building. The right to a court-ordered termination of the lease is open to the lessor only in the event that the lessee breaches its obligations (see Section 6.10.3.1, "Regulation of commercial leases in France").

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

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

6.6.4.2 Right to renegotiate

As of December 31, 2016, the New Carmila Group's average lease term was 4.8 years, with average lease terms by country of 4.9 years in France, 4.6 years in Spain and 4.3 years in Italy.

The table below sets forth, as of December 31, 2016, the expiration dates of the commercial leases relating to the New Carmila Group's property portfolio for the period 2016-2026:

Expiration of leases	Number of leases	Maturity[1]	Annualized contractual rent (in millions of €)	Portion of leases expired/Annualized contractual rent (%)
Expired as of 12/31/2016	564	-	27.9	9.4%
2017	690	0.5	24.7	8.3%
2018	454	1.5	23.8	8.0%
2019	503	2.6	20.7	6.9%
2020	616	3.4	28.3	9.5%
2021	659	4.4	32.6	10.9%
2022	405	5.4	22.8	7.7%
2023	425	6.4	24.0	8.1%
2024	414	7.6	25.4	8.5%
2025	367	8.8	18.4	6.2%
2026	400	9.6	25.4	8.5%
Beyond 2026	315	17.4	23.8	8.0%
Total	**5,812**	**4.8**	**297.8**	**100.0%**

[1] Average maturity remaining in years, excluding expansion projects.

In France, in addition to the mechanisms for indexing rent based on variations in certain indices (see Section 6.10.3.1, "Regulations of commercial leases in France"), rent determined upon entry into a lease may be revised at the request of one of the parties, pursuant to certain restrictive conditions. If the lease in question has a rent-indexation clause, which is the case for the 3,346 leases entered into in France, revision may be requested whenever, due to application of that clause, rent is increased or decreased by more than 25% as compared with the initially agreed-upon price. The resulting change in rent may not lead to increases that are greater, for one year, than 10% of the rent paid in the previous year. If the lease in question includes only fixed rent, with no mechanism for adjustment during the length of the lease and no indexation clause (which is not the case of any of the leases entered into in France), each party has the right to request revision every three years by specifying its requested level of rent to the other party, with the resulting change not to exceed 10% of the rental value, unless changes in the underlying information used to determine the rental value of the premises have led to a change in rent of more than 10%.

In compliance with the rules applicable to commercial leases (see Section 6.10.3.1, "Regulation of commercial leases in France"), the New Carmila Group revalues rent whenever a lease is renewed. In France, for leases entered into by the New Carmila Group entities and for which the duration exceeds nine years, rents under renewed leases included a mechanism for the removal of caps. The change in rent resulting from the removal of the cap may not, since passage of the Pinel Law, lead to increases that are greater than 10% per year of the rent paid in the previous year. However, as this cap removal provision is not considered a matter of public policy (*ordre public*), the New Carmila Group's leases may provide for different terms.

Rent renegotiation may also occur when the tenant is contemplating selling its leasehold right to an acquiror of its business. Although the rules governing commercial leases prohibit the lessor from opposing the lessee's sale of the lease to the acquiror of its business, the New Carmila Group has the benefit of preemption clauses in its commercial leases. Therefore, the New Carmila Group may exercise its preemptive right to acquire the business in the event that the premises that are the subject of the leasehold right could be re-let on better financial terms.

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

In Italy, the terms of commercial leases are renegotiated each time the lease is renewed, in an effort to transform real estate leases into management leases. For a description of the rules applicable to this type of lease, see Section 6.10.3.3, "Regulations applicable to commercial leases in Italy".

6.6.4.3 Method of setting rents

In France, the New Carmila Group's leases include either fixed rent or rent with two components, called "variable rent". Variable rents are composed of a fixed portion, the minimum guaranteed rent (or annual base rent), and an additional, variable rent, calculated as a percentage of the tenant's annual revenue, excluding taxes. In Spain, the New Carmila Group's leases include either fixed rent or two-component rent, the characteristics of which are similar to those of rents under leases entered into in France. In Italy, the majority of the leases include double-component rents similar to those under the French and Spanish leases, with certain leases including only fixed rent. As of December 31, 2016, the New Carmila Group had 3,904 leases with double-component rents and 1,898 leases with fixed rent only, representing, respectively, 78.9% and 20.7% of annualized contractual rent.

The table below sets forth the structure of the New Carmila Group's rents as of December 31, 2016 and 2015:

	As of December 31, 2015			**As of December 31, 2016**		
	Number of leases	**Annualized contractual rent (in millions of €)**	**%/Total**	**Number of leases**	**Annualized contractual rent (in millions of €)**	**%/Total**
Leases with variable rent clauses.....	3,440	205.0	77.5%	3,914	236.3	79.3%
Of which leases with minimum guaranteed rent and additional variable rent.....	3,435	204.7	77.4%	3,904	235.0	78.9%
Of which leases with variable rent only....	5	0.3	0.1%	10	1.3	0.4%
Leases without variable clauses, with only fixed rent.....	1,553	59.6	22.5%	1,898	61.6	20.7%
Total	**4,993**	**264.6**	**100.0%**	**5,812**	**297.8**	**100.0%**

With respect to double-component leases, the minimum guaranteed rent is calculated based on the rental value of the premises. The additional variable rent corresponds to the positive difference between a percentage of the tenant's annual revenue, excluding taxes, and the minimum guaranteed rent. Various parameters are taken into account in determining rents: (i) the rents in competing shopping centers; (ii) the average rent in the shopping center in question (both overall and by business sector); (iii) the quality of the location within the shopping center; and (iv) an evaluation of the revenue, performance and financial condition of the potential tenant.

In France, base rent, whether entirely fixed or with a minimum guarantee, is contractually indexed to the INSEE's commercial rent index (*indice des loyers commerciaux,* or "**ILC**"). The Pinel Law removed the reference to the INSEE's cost-of-construction index (*indice du coût de la construction*, or "**ICC**"); as a result, only leases already in effect when the law entered into force may include indexation to the ICC. Rent indexation occurs, for the majority of leases, on the anniversary of the date the premises are delivered to the tenant, and for others on January 1. In Spain, rents are

contractually indexed to the consumer price index ("**CPI**") on January 1 of each year. In Italy, leases subject to the real estate leasing regime include an annual indexation clause that may not exceed 75% of the variation in the quarterly consumer price index known as ISTAT. Leases subject to rules on management leases or business leases include annual indexation clauses that may not exceed 100% of the variation in the quarterly ISTAT.

The table below shows the distribution of leases entered into by New Carmila by revision index as of December 31, 2016 and 2015:

	As of December 31, 2015			As of December 31, 2016		
	Number of leases	**Annualized contractual rent (in millions of €)**	**%/Total**	**Number of leases**	**Annualized contractual rent (in millions of €)**	**%/Total**
Leases indexed to the ILC	2,127	143.0	54.0%	2,490	163.1	54.7%
Leases indexed to the ICC	708	30.7	11.6%	663	27.0	9.1%
Leases indexed to the ILT	-	-	- %	-	-	-
Leases indexed to the SERV	124	14.9	5.6%	118	14.3	4.8%
Leases indexed to the IRL	-	-	- %	4	0.0	0.0%
Leases indexed to the CPI	1,665	55.3	20.9%	2,135	71.5	24.0%
Leases indexed to the ISTAT	228	16.7	6.3%	233	18.6	6.2%
Total indexed leases	4,852	260.6	98.5%	5,463	294.6	98.9%
Total non-revisable leases	141	4.0	1.5%	169	3.3	1.1%
Total	**4,993**	**264.6**	**100.0%**	**5,812**	**297.8**	**100.0%**

6.6.5 A differentiated marketing policy

New Carmila marketing policy constitutes a key element in enhancing the value of its shopping centers. The Carmila Group uses local and digital marketing based on the "Air de Famille" concept, which contributes to differentiating its shopping centers and improving their appeal in order to attract tenant retailers and their customers and to develop customer loyalty.

New Carmila believes that digital technology is a significant source of opportunity for growing its business. As a result, the Group aims (i) to maximize the visibility of its shopping centers through a multi-channel marketing approach based on local and digital marketing solutions; (ii) in its capacity as a "smart shopping center company," to support its tenant retailers in developing their businesses; and (iii) to make digital marketing available to its tenant retailers by creating new digital tools. The Carmila Group's digital strategy is led by an 18-member team guided by industry experts.

As of the date of this document, New Carmila does not bill the costs of these services to tenant retailers. Going forward, however, New Carmila intends, in the short term, to implement a "freemium" system whereby it will not bill tenant retailers for basic services but will charge them fees for certain premium services that it will offer. Further into the future, New Carmila intends to bill the entirety of the costs of all such services to tenant retailers, with the eventual goal of charging a premium on such services in addition to billing tenant retailers for the costs of the services themselves.

6.6.5.1 Local and digital marketing

New Carmila uses local and digital marketing based on the "Air de Famille" concept, with re-imagined customer pathways, modernized facades, colored arches to mark entrances and interior designs including numerous gathering spaces and children's play areas.

Its marketing strategy relies in part on the shopping center directors, who lead targeted efforts at the local level, including:

- daily promotions in the shopping centers, with more than 900 promotions in 2016;

- campaigns in collaboration with the Carrefour Group, designed jointly with hypermarket directors;

- one-off actions to communicate locally, including on social networks such as Facebook and Instagram, in order to increase the visibility of the shopping center and the stores located there; and

- the organization of solidarity events or events-based measures to serve customers and energize the shopping centers.

In implementing its marketing strategy, the Carmila Group is able to rely on local, high-quality, and continually updated databases, enabling it to communicate the right message to the right customer at the right time, thanks to:

- customer data collected through the creation of a joint opt-in form between the Carrefour Group's hypermarkets and the shopping centers, through which customers agree to the use of their data by both groups; and

- customer data collected directly by the Carmila Group, including (i) personal customer data collected through customer connections to the Wi-Fi network that is available in the shopping centers, "loyalty" offers to customers, games and contests, and (ii) behavioral data used to analyze customers' spending habits and their path through the shopping center, in particular through geolocation markers installed in the shopping centers.

The geomarketing tools developed internally by the Carmila Group, in collaboration with the Carrefour Group, will enable the New Carmila Group to (i) better understand the customer bases of its shopping centers and of the Carrefour Group's hypermarkets in order to send them the right messages and adopt the Group's offerings, and (ii) to target new customers on the basis of "look-alikes" through Facebook and Google, by sending them offers that are similar to those made to tenant retailers' customers with similar characteristics and purchasing habits.

6.6.5.2 A "Smart shopping center Company"

The Carmila Group deploys an innovative B-to-B-to-C strategy based on a new kind of collaborative landlord-tenant relationship grounded in an approach of supporting tenant retailers in growing their revenues through dedicated service offering. It provides its tenant retailers with a set of digital and local solutions for growing their revenues, reinforcing their solvency, and improving net rent increases at lease-end.

To reinforce this approach, the Carmila Group has adopted the features of a local and digital marketing agency, with the implementation of the Service Kiosk, which offers turnkey, made-to-order and multi-channel marketing solutions adapted to key events for a retailer's business (such as opening and promotions) to inform and attract customers and create customer loyalty. These initiatives are steered locally by the shopping center directors, who are the daily points of contact for tenant retailers and have deep knowledge of catchment areas, and can rapidly implement dedicated services.

In connection with its Service Kiosks, the Carmila Group is developing a set of innovative services for its tenant retailers. It offers tenant retailers two turn-key services: (i) the "invitation" service, enabling them to inform their customers of new offers in a simple, quick, and inexpensive manner; and (ii) the "word of mouth" service, enabling retailers to optimize the dissemination of a promotional offer or of an invitation to private sales at the local level. They also offer made-to-order services to

help support stores that are losing momentum to try new marketing solutions, for example by distributing coupons.

In particular, the "Boost" program is designed to support individual tenant retailers over several months (usually six) at the local level through targeted marketing actions intended, over time, to improve the tenant retailer's reputation and increase its revenues, as well as the rate at which customer interactions are turned into sales. This program is steered locally by the shopping center directors, who are able to offer tenant retailers in-store physical events (such as pre-sales and private evenings) and digital events (such as digital store windows on Google business, connections to social networks and the organization of content) based on their needs and the particular aspects of their clientele.

Finally, the Carmila Group has also developed a marketing tool for its tenant retailers called "Nestor," which enables them to manage their digital presence in connection with the shopping center's tools.

The Carmila Group supports more than 100 retailers per month by developing turnkey or made-to-order marketing measures using its entire multi-channel digital apparatus. The various measures in place make for an effective apparatus as a whole for improvement of tenant retailers' revenues.

6.6.5.3 An "innovative real estate company," aggregating services for customers

The Carmila Group is also developing a group of innovative projects intended to enrich the customer experience, using the shopping center as an aggregator of services for the shopping center's customers through a relational marketing tool and digital tools.

In a hyperconnected world, this strategy takes a global view of the customer's pathway and aims to reinforce the shopping centers' visibility on the Internet, in particular through social networks (such as Facebook, Google and Instagram) and on smartphones. As of December 31, 2016, the Carmila Group had 72 websites in France for its shopping centers (as compared with 66 in 2015) and 80 iOS and Android applications. In 2016, the Carmila Group's combined websites received 5 million visits and 3.7 million unique visitors (a 57% increase as compared with 2015), and the Carmila Group had a Facebook reach of 89 million.

The Carmila Group offers its tenant retailers the ability to promote their best deals and to allow customers to reserve their products through a web-to-store process. The websites of the New Carmila Group's shopping centers enable customers (i) to see the offerings of the tenant retailers; (ii) to reserve products online from the tenant retailer's stores (more than 200 points of sale offer online reservations), providing a digital store window for the shopping center; and (iii) to use online reservation services (such as for eat-in and take-out restaurants, hair stylists, dentists and doctors). The applications and websites of the Carmila Group's shopping centers continually broadcast more than 1,500 promotions and 60,000 products and services available for e-reservation.

Finally, in order to offer more innovative solutions to support its tenant retailers, in 2016 the Carmila Group created "Carmilab," an internal incubator dedicated to innovation and digital technology. Using digital tools (such as social networks, the digital customer experience and databases) developed internally and in collaboration with the Carrefour Group's teams, enabling the Group to better understand customer behavior at the local level, Carmilab has facilitated trials for 50 multi-channel projects in numerous areas: CRM and data, relational, local and cross-channel marketing, new concepts and new businesses.

6.6.5.4 An enriched customer experience through the installation of high-performance Wi-Fi

Wi-Fi is a universal technology that enables wireless devices (such as telephones, tablets and computers) to connect to the Internet. The shopping centers' customers are more and more oriented towards entertainment via Wi-Fi, such as videos, TV, music and games, which use high volumes of

data. Data is the quantity of information necessary to show content, and the more data the content uses, the more it must be connected to very high-speed Wi-Fi.

As of the date of this document, 70 of the Carmila Group's shopping centers are equipped with Wi-Fi with download speeds of between 1 and 5 megabytes ("**MB**") per second. The Carmila Group is progressively equipping all of its shopping centers with very high-speed Wi-Fi, with download speeds of between 60 and 100 MB per second, providing customers with a higher-quality connection than those generally available in current shopping centers. Fifty shopping centers have been equipped with very high-speed Wi-Fi and a total of 112 New Carmila Group shopping centers are expected to be equipped by the end of the second quarter of 2017.

By providing optimal connectivity at its shopping centers, the New Carmila Group will be able to offer services and a personalized entertainment experience to customers, going beyond the simple service of connection. This personalization, which is possible through high-performance Wi-Fi, helps satisfy customers and create loyalty. Tenant retailers and shopping center directors also benefit from dedicated and high-performance internet access through very high-speed Wi-Fi.

6.6.6 Detailed description of the New Carmila Group's properties in operation

Of the 205 commercial properties making up the New Carmila Group's portfolio, 16 generated 38.5% of rental income in 2016 and represented 40.4% of appraised value (including transfer taxes) and 28.8% of gross leasable area as of December 31, 2016.

The following table shows information on these 16 properties as of December 31, 2016:

Name of center, city	Year of acquisition	Year of renovation/ expansion	Total number of lots	Gross leasable area of the New Carmila Group (m^2)	Total surface area of site (including hypermarket) (m^2)	New Carmila Group's equity investment/Site (%)
France						
CITE EUROPE (Coquelles)	2014	2016	167	49,754	70,877	72.0%
THIONVILLE	2015	2017	141	22,298	39,159	63.0%
LABEGE 2 (Toulouse)	2014	2017	122	21,761	49,398	45.7%
CHAMBOURCY	2014	2017	72	21,041	55,338	44.0%
BAY 2 (Collégien)	2014	2015	109	20,733	62,052	37.0%
CLAIRA (Perpignan)	2014	2013	77	20,709	40,513	15.4%
BAB 2 (Biarritz)	2014	2017	97	18,688	46,488	52.4%
PLACE D'ARC (Orléans)	2014	2017	71	13,479	25,431	57.0%
MONTESSON	2014	2017	58	13,268	37,210	32.8%
SARAN ORLEANS	2014	2017	50	9,537	31,981	29.5%
AIX EN PROVENCE	2014	2015	41	8,317	26,613	21.8%
NICE LINGOSTIERE	2014	2014	52	7,828	33,957	25.4%
Total France	**-**	**-**	***1,057***	***227,413***	***519,017***	**-**
Spain						
FAN (Mallorca)	2016	Open 2016	120	40,295	58,898	60.1%
AS CANCELAS[(1)]	2014	2013	120	39,507	50,262	50.0%
HOLEA (Huelva)	2014	2013	124	33,509	84,309	40.7%
Total Spain	**-**	**-**	***364***	***113,311***	***193,468***	**-**
Italy						
PADERNO	2014	2016	73	15,508	37,639	47.6%
Total	**-**	**-**	**1,494**	**356,232**	**750,124**	**-**

The New Carmila Group indirectly owns a share of the *As Cancelas* shopping center in Saint-Jacques de Compostelle, in Spain, which is co-owned (50% each) with a partner, Realia. The company is consolidated using the equity method, with the New Carmila Group's share of its assets recorded based on the fair value of the investment property.

For a detailed description of the New Carmila Group's commercial property portfolio as of December 31, 2016, see Annex A, "Detailed Presentation of the Operating Asset Base of the New Carmila Group as of December 31, 2016".

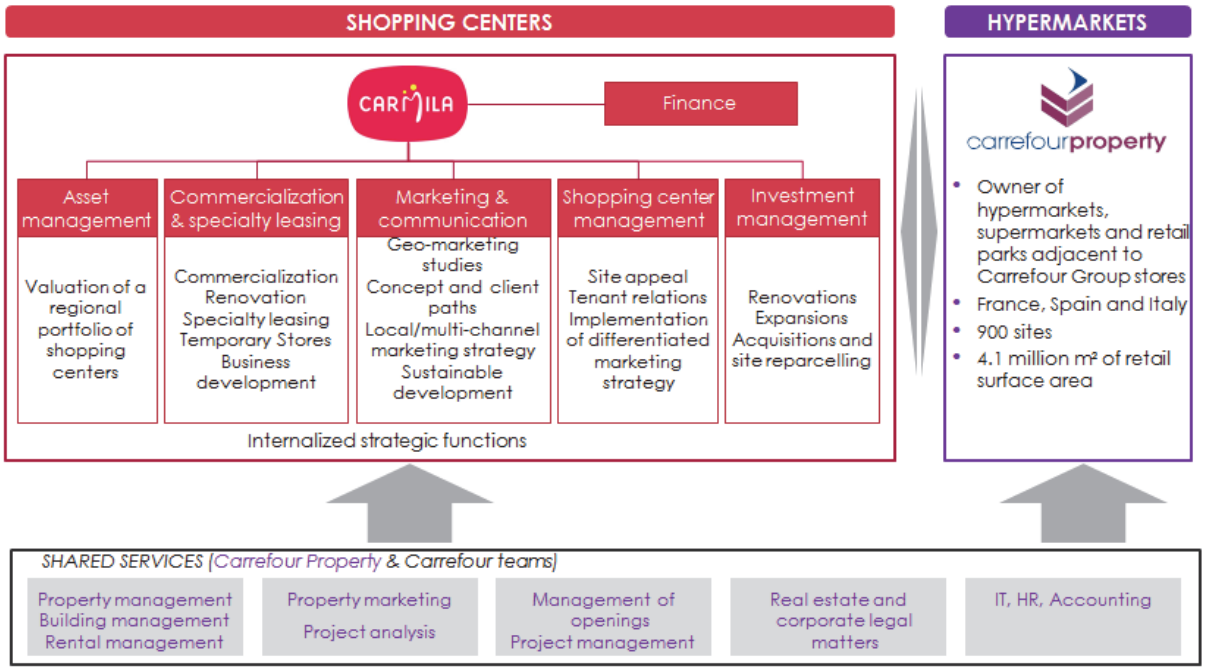
6.7 OPERATIONAL ORGANIZATION AND RELATIONSHIP WITH THE CARREFOUR GROUP

6.7.1 Operational Organization

New Carmila has developed key areas of expertise needed to develop and enhance the value of its portfolio: asset management, leasing and specialty leasing, cross-channel marketing and communications, shopping center management and investment (renovation, restructuring, expansion and acquisition). In addition to the Renovation and Development Agreement, with the aim of

simplifying its structure and increasing efficiency, the New Carmila Group also benefits from an operational organization supported by the services of Carrefour Group entities under several agreements (see Section 6.7.2, "Principal Agreements with Carrefour Group Entities" and Chapter 19, "Related Party Transactions"). The New Carmila Group will work with Carrefour Property entities, which are subsidiaries of the Carrefour Group and the owners of the brand's hypermarkets and supermarkets in France, Spain and Italy. These entities will be co-developers and will perform project management and property management roles. Carrefour Group entities will also perform certain administrative and financial services for the New Carmila Group.

The chart below summarizes the New Carmila Group's operational organization and the principal existing relationships with Carrefour Group entities:



6.7.2 Principal Agreements with Carrefour Group Entities

The Carmila Group has entered into various agreements with several Carrefour Group entities, relating primarily to: (i) shopping center renovation and development; (ii) property management activities; and (iii) administrative and financial services. In connection with the Merger of Carmila and Cardety, the parties plan to maintain all of the contractual relationships between the Carmila Group and the Carrefour Group for the benefit of the New Carmila Group. The principal agreements between the Carmila Group and Carrefour Group entities are described in Chapter 19, "Related Party Transactions".

6.7.2.1 Renovation and Development Agreement

Since inception, the Carmila Group has carried out a significant shopping center renovation and expansion program in coordination with Carrefour Property entities, which are subsidiaries of the Carrefour Group that own the brand's hypermarket and supermarket buildings in France, Spain and Italy, as well as, in most cases, their parking lots. In April 2014, Carmila entered into a renovation and development agreement with the Carrefour Group with an initial term of 10 years (the "**Renovation and Development Agreement**"). The purpose of the Renovation and Development Agreement is to create a partnership between the two groups in order to implement a strategy in France, Spain and Italy of reinforcing the attractiveness and optimizing the value of the commercial sites jointly owned by the Carrefour Group (hypermarkets and parking lots) and the Carmila Group (shopping centers). For more information on the Renovation and Development Agreement, see Section 6.6.2.2, "A major expansion and restructuring program" and Chapter 19, "Related Party Transactions".

6.7.2.2 Lease Management and Property Management Activities

The Carmila Group has contracted with Carrefour Property entities, subsidiaries of the Carrefour Group, to perform lease management activities (accounting and administration) and property management activities (administrative, legal and budgetary management of the sites) for its shopping centers in France, Spain and Italy. For more information, see Chapter 19, "Related Party Transactions".

6.7.2.3 Service Agreements

The Carmila Group has entered into several service agreements with Carrefour Group entities pursuant to which Carrefour or its affiliates undertake to provide assistance, advice and services to Carmila and its subsidiaries relating to accounting, tax, legal and administrative matters. For more information, see Chapter 19, "Related Party Transactions".

6.8 SUPPLIERS

All of the services relating to shopping center management (such as cleaning, waste removal, maintenance of lighting and air conditioning and security services) are performed by outside service providers under agreements with Carrefour Property entities in their capacity as property manager. The Carrefour Property entities seek to enter into agreements covering several shopping centers in order to optimize costs. The Carmila Group also uses certain service providers for the implementation of its digital strategy, such as SFR and Hub One, Wi-Fi operators and solution integrators for its shopping centers. The New Carmila Group does not believe it is dependent on any of its suppliers or service providers.

6.9 INFORMATION SYSTEMS

The New Carmila Group's information systems are intended answer its needs and satisfy its requirements with respect to:

- security and confidentiality, as the systems must block the disclosure of information to unauthorized persons;
- reliability and integrity, as unauthorized alterations, deletions and additions of information must be prevented;
- availability, as the systems must function with optimal speed and performance conditions; and
- traceability of information, in order to preserve the ability to perform and systematic audit of access, actions or exchanges that have taken place.

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

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

6.9.1 Operational Systems

The Carrefour Group's real estate department has developed specific information systems to respond to analysis and reporting needs, in particular using the leasing and real estate application "Altaïx" and the data visualization application "Qlikview".

These reporting tools assist with management activities concerning:

- Lease Management (tenant relations), using various business metrics (vacancies, unpaid rent, lease status, tracking of movements, lease expiration, mapping of certain indicators with targeted step plans); and

- Property Management (management of communal charges) through metrics such as budgetary monitoring, benchmarking of expenses and monitoring of supplier invoices.

6.9.2 Other Applications and Information Systems

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

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

6.9.3 Continuity of Information System Service

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

A business continuity plan ("**BCP**") is in the deployment phase at the Carrefour Group level and more specifically at the senior management level, which both Carrefour Property and Carmila have been involved in developing and implementing. Committees meetings with the Group's legal department (which is in charge of the project) are held regularly to develop and implement the plan.

Only file servers are hosted on-site at Carrefour Property and Carmila. They are backed up each day in the building where the executive offices are located, using a "Synerway" system.

All of the business applications (PeopleSoft, Altaix, GED, Notes, Qlikview, etc.) are hosted in secured data centers meeting industry standards with respect to power lines and protection, including redundancy, dual electrical service feeds and fiber availability.

Carrefour Property relies on the Carrefour Group and its standards and tools in carrying out back-office operations and providing the network infrastructure for Carmila's activities.

Following the Merger of Carmila and Cardety, the New Carmila Group will use the Carmila Group's information systems.

6.10 REGULATION

In conducting its business of managing and enhancing the value of the shopping centers anchored by Carrefour hypermarkets and supermarkets, the New Carmila Group will be required to comply with general laws and rules concerning ownership of real estate properties, obtaining operating licenses

and other regulations including those on commercial leases, commercial urban planning, public health, the environment and safety.

6.10.1 Regulations on the Ownership and Administration of Real Estate Assets

6.10.1.1 Regulations on the Administration of Real Estate Assets

6.10.1.1.1 Regulations applicable in France

The New Carmila Group's shopping centers, whether acquired directly or through construction leases, are subject to regulations on "co-ownership" (*copropriété*) and "volume division" (*division en volumes*), which generally apply in the circumstances in which these shopping centers are located or built. Ninety-two shopping centers are managed through volume division, and 22 are managed as co-ownerships.

(i) Co-ownership

The co-ownership (*copropriété*) regime, governed by the Law of July 10, 1965 and the Decree of March 17, 1967, as amended, in particular, by Law No. 2014-366 of March 24, 2014 for Access to Housing and Renovated Urban Planning (known as the "**ALUR Law**") and by Decree No. 2016-1446 of October 26, 2016, applies to shopping centers in which ownership of hypermarkets, large specialty stores and shopping centers is divided among different owners. Each co-owner holds one or more lots including exclusive ownership of a private area and a share in the common spaces, with the whole complex subject to operational rules contained in the "co-ownership regulation". The owner of each private lot holds all of the rights attached to ownership of any property and also has the use of the common areas, subject to not infringing the rights of the other co-owners. The shares held in the common areas, which are allocated based on the rental value of the lots in question, their surface area and placement, determine the voting rights held by the New Carmila Group at co-ownership meetings and the share of maintenance and charges that it is required to pay. The co-ownership is organized around a co-ownership regulation that defines the permitted uses of the private areas and the common areas, their terms of their use and the rules regarding management of the common areas. The co-ownership regulation is published in the French mortgage registry.

The co-owners are represented by the co-ownership association (*syndicat des copropriétaires*), the management body of which is the property manager (*syndic*). The property manager's role is to call co-ownership meetings, to prepare the budget for maintenance and upkeep of the property, and to act in the name of the co-ownership association in all circumstances to protect its interests. The property manager calls a co-ownership meeting each year in order to adopt a budget and approve the financial statements for the previous year. A meeting may also be called when necessary to approve construction or make decisions that specifically concern the co-ownership. Ordinary decisions are made by simple majority of the votes cast by the co-owners present or represented, and administrative decisions are made by an absolute majority of all the co-owners, while the most important decisions require a double majority (majority of the members of the co-ownership association representing at least two-thirds of the votes of the co-owners) or unanimity.

(ii) Volume division

The majority of the Group's real estate assets are subject to the regime known as "volume division" (*division en volumes*).

The concept of volume division is a practical invention that originated with the need to organize complex real estate developments where public works (such as roads, railroads and metro lines) overlap with various types of private construction (such as offices, homes or shopping centers).

Volume division involves a departure from the traditional concept of the unity of property ownership and is based on a separation between land, air and subsoil, resulting in the creation of three-dimensional volumes. The real estate volume may be schematically defined as a property right that is detached from the land and covers a three-dimensional section of air and subsoil, corresponding to an existing or future building, which may or may not be in a geometric form, but that is determined using elevation numbers and by reference to leveling plans. This additional detail in the delineation of plots is found in the descriptive schedule of the division, which itself contains a very precise definition of the volumes and their components. The use of elevation numbers makes it possible to separate components that are traditionally communal (such as the structure, pipes or the land on which the property is built) and allocate a portion of the ownership of these components to one or more specific volumes with, where applicable, easements for the benefit of the other volumes. If no details are provided in the descriptive schedule of division as to the allocation of these components, all of the volumes will be deemed to share them.

The volume division system is distinguished from the co-ownership system by the absence of common areas that are the undivided property of several volume owners and of which a portion is allocated to each volume. In the absence of common areas between the volumes, access to each volume requires the creation of rights of way or access easements. Some volumes, depending on their location, will benefit from these easements, and others will be encumbered by them. In volume divisions, the relations between owners of the real estate volumes, easements, urban planning requirements, and the operating rules for the volume division are governed by a document entitled, "descriptive schedule of volume division".

Management of the real estate complex and ensuring compliance with the rules set forth in the descriptive schedule of division are the responsibility of the co-ownership association or of an unregulated urban property association (*association foncière urbaine libre*, or "**AFUL**") that is specially formed between the volume owners, who are its members. Unlike co-ownership, the decision-making rules applicable to an AFUL are freely decided upon between the owners when the AFUL's bylaws are drafted. The descriptive schedule of division is published at the French mortgage registry, as are the AFUL's bylaws.

6.10.1.1.2 Regulations applicable in Spain

All of the Group's assets in Spain are subject to the rules governing co-ownership of property pursuant to the Law of July 21, 1960 No. 49/1960 (*Ley de propiedad horizontal*, or "**LPH**"), as amended, in particular, by the Law of June 26, 2013 No. 8/2013 (*Ley de rehabilitación, regeneración y renovación urbanas*).

Pursuant to these provisions, each owner holds (i) a unique and exclusive right to a private portion that functions independently of the other private portions and is defined in the descriptive schedule of property as well as to the architectural components and facilities specific to such private portion; and (ii) a co-ownership right to the common areas and the various ownership services, with the deed of division granting each owner a share of the common areas. The rights of co-owners to the private portions and to their shares of the common areas are defined in the deed creating the co-ownership as well as in its bylaws.

The co-owners' main obligations are to contribute their share of maintenance and co-ownership charges. The decisions of the co-ownership association, which is formed by all of the owners of private areas, are made by double majority (majority of the votes and majority of the shares), with the more important decisions made by a super-majority or unanimously.

6.10.1.1.3 Regulations applicable in Italy

In connection with the Group's activities in Italy, Carmila Italie owns lots consisting of exclusive ownership of a private area and of a common area, with the common area encumbered by an easement

for the benefit of the other owners. The notarized deed of easement concerning the common area is annexed to the management regulation for the common areas, which organizes the relationship between the owners.

The owners are required to form a consortium of owners that appoints a management company with a similar role as that given to the property manager (*syndic*) under French law. The management company is in charge of calling ownership meetings, preparing the budget and applying the regulation annexed to the deed of easement.

6.10.1.2 Regulations on the Ownership and Acquisition of Real Estate Assets

6.10.1.2.1 Regulations applicable in France

The New Carmila Group holds full ownership of the majority of its real estate assets, with certain assets held through contracts of sale before completion (*contrat de vente d'immeubles a construire*). However, some of the Group's real estate assets are held through construction leases, long-term leases and/or real estate financial leases.

(i) Contracts of sale before completion

The majority of the New Carmila Group's real estate assets in France were acquired through contracts of sale before completion, which are agreements under which the seller undertakes to construct a building within a specified period of time. This type of sale is referred to as a sale "in a future state of completion" (*en l'état futur d'achèvement*) which means that the seller immediately transfers its ownership rights to the land and to any structures already built on it to the buyer. The structures to be built become the property of the buyer as they are built, in return for payments from the buyer at each stage of construction.

The seller, which is obligated to construct the building, retains its powers as project manager until construction is complete, including selecting architects, contractors and other providers. The seller also owes the buyer the warranties that are traditionally binding on builders, including the warranty against apparent defects and defects in soundproofing.

(ii) Construction leases

Some of the New Carmila Group's sites are held through construction leases, which are leases entered into for terms of between 18 and 99 years, under which the tenant holds temporary property rights to the land and buildings, which it undertakes to construct. Rent is freely negotiated between the parties when they enter into the lease. During the term of the construction lease, the lessee pays the lessor rent and all charges, taxes and contributions on the land and on the buildings. In the absence of a provision to the contrary, the lessor becomes the owner of the buildings constructed on the land at the end of the construction lease, and the delivery of the buildings at the end of the lease does not result in any payment, unless the parties agree otherwise. Because a construction lease effects a temporary transfer of ownership of the land and the buildings that have been constructed, it must be published in the French mortgage registry.

(iii) Long-term lease

The New Carmila Group has also entered into long-term leases for some of its shopping centers pursuant to which, for a period of between 18 and 99 years, the beneficiary holds a "temporary property right" in return for a low rent. The beneficiary may then freely lease the property throughout the term of the long-term lease. Long-term leases, the terms of which are fairly similar to those found in construction leases, are an alternative to construction leases where the shopping center is already built and no new construction is necessary. Like any lease with a term of longer than 12 years, long-term leases must be published in the French mortgage registry.

6.10.1.2.2 Regulations applicable in Spain and in Italy

New Carmila owns the land on which certain real estate assets are situated and has entered into leases pursuant to which the lessee has the right to build commercial premises that it owns.

In Spain, the New Carmila Group owns the land on which certain assets are located and has entered into leases pursuant to which the lessee has the right to build commercial premises that it owns (*derecho de superficie*). These leases, as well as the corresponding *derechos de superficie*, are governed by the Spanish Civil Code, Spanish land law (*ley de suelo*), and Spanish mortgage law (*ley hipotecaria*), with most of the terms freely determined by the parties.

The Group holds full ownership of all its real estate assets in Italy. Real property rights to the properties must be published with the real estate registry in the jurisdiction where the property is located.

6.10.2 Regulations Applicable to Urban Planning and Commercial Operation Authorizations

6.10.2.1 Regulations applicable in France

6.10.2.1.1 Building permits

In connection with expansions and restructurings of its shopping centers, the New Carmila Group is subject to rules on obtaining construction permits. A construction permit is required in order to construct new buildings or to renovate existing buildings where the renovations change the intended use of the buildings and modify the supporting structure or the facade, or create additional floor area or footprint of more than twenty square meters.

Applications for construction permits must be filed with the competent authority, generally the town hall of the municipality where the property is located. The department responsible for reviewing the permit application gathers, in the name of the competent issuing authority, the opinions or consent of the public bodies, services or commissions with interests affected by the project under review. It also examines the application to assess whether it is feasible to build on the land, whether the zoning rules (including urban planning documents) will be met and whether the project can be completed in compliance with other regulations. The local authority issues its decision by order, and a permit is issued that becomes legally operative once notice of its issuance has been given and a copy transmitted to the local prefect. The permit does not become final until the deadline for appeal or withdrawal has passed; during that time, the permit must be posted on the premises and at the town hall for two consecutive months to provide notice to third parties.

6.10.2.1.2 Authorizations to operate retail facilities

In connection with its shopping center management, development, and value-enhancement activities, the New Carmila Group is subject to rules on authorizations to operate retail facilities. An authorization to operate a retail facility (*autorisation d'exploitation commerciale*, or "**AEC**") is required in connection with the creation of a store or retail complex with retail space of more than 1,000 m^2 (or 400 m^2 for Paris) or for an expansion of a store or of a retail complex that contains or will contain more than 1,000 m^2 of retail space (or 400 m^2 for Paris). This regulation primarily applies to food stores, retailers, and artisanal services. The Pinel Law and Decree No. 2015-165 of February 12, 2015 on commercial development significantly modified the rules governing authorizations to operate retail facilities, merging them with the procedure for requesting construction permits.

Projects requiring construction permits are eligible for a "one-stop shopping" procedure in which the project leader files a single application for both the construction permit and for the authorization to operate a retail facility. The application must be filed with the competent town planning authority (for

the construction permit), which then obtains the opinion of the departmental commission on retail development (*commission départementale d'aménagement commercial*, or "**CDAC**"). An unfavorable opinion by the CDAC prevents the mayor from issuing the requested construction permit. A favorable opinion enables the mayor to continue reviewing the application for a construction permit. The order issuing the construction permit is deemed both a construction permit and an authorization to operate a retail facility.

For projects that do not require construction permits, the project leader files an application directly with the CDAC for an authorization to operate a retail facility. The commission then renders a decision to refuse or authorize the project.

Moreover, the ALUR Law enlarged the scope of the authorization to operate a retail facility: the creation or expansion of a permanent drive-in location where customers can pick up orders they have placed by phone or internet also requires an authorization to operate a retail facility.

6.10.2.2 Regulations applicable in Spain

In connection with its activities in Spain, the New Carmila Group is subject to the following rules on obtaining authorizations and licenses:

- the construction permit authorizes work relating to the construction of buildings or various facilities and is generally requested by the party in charge of the construction. Whether the permit is granted depends on the characteristics of the building, such as its location and its height;

- the first occupancy permit is issued once the competent municipal authority, following inspection, has determined that the construction and/or installations were carried out in accordance with the requirements of the construction permit. It is requested by the party in charge of construction and thus requires the prior issuance of a construction permit;

- the license to operate or certificate of compliance authorizes the exercise of an activity in a given establishment. When the application filed by the operator of the premises is reviewed, the competent authority verifies that the contemplated activity complies with the local zoning rules and that the premises in which the activity will be performed comply with the safety and accessibility rules applicable to premises where such activities are performed. A single compliance certificate may be granted for the exercise of more than one activity;

- the license to open, also called an operational license, an official declaration, or a certificate of compliance of installations is granted after the competent municipal authorities have inspected and determined that the use of the premises complies with and is the same as that authorized in the license to operate. This license, requested by the operator, requires the prior obtaining of a license to operate.

The rules specific to each license are within the competence of the regional or local authorities; the names and rules specific to each license may vary depending on the location of the property subject to the authorization. Some authorities use the "one-stop-shop" mechanism enabling the simultaneous granting of several types of license, such as the construction permit and the license to operate.

6.10.2.3 Regulations applicable in Italy

The Italian law rules on obtaining a construction permit are similar to those under French law. However, obtaining a construction permit requires entry into an urban planning agreement between the applicant for the construction permit and the competent municipality pursuant to which the applicant undertakes to perform, at its own expense, certain town planning works.

The rules applicable to authorizations to operate retail facilities in Italy are similar to the rules under French law. Authorizations to operate retail facilities are issued by the competent regional authority for a given site and may not be granted to a retailer that is physically transferring its business; such a retailer must renew its operational license with respect to the retail facility.

6.10.3 Regulations Governing Commercial Leases

6.10.3.1 Regulation of commercial leases in France

In connection with its business as a smart shopping center company, the New Carmila Group is subject to regulations on commercial leases, which apply to leases between the New Carmila Group and any tenant registered with the Register of Companies or with the Register of Trades and concerning a property or commercial premises at which a business is operated.

Commercial leases are governed by Articles L. 145-1 *et seq*. and R. 145-1 *et seq*. of the French Commercial Code, uncodified articles of the Decree of September 30, 1953, and by the Pinel Law, its implementing Decree No. 2014-1317 of November 3, 2014, and Law No. 2015-990 of August 6, 2015 for growth, business and equality of economic opportunity (the "**Macron Law**").

Rents under commercial leases are negotiated freely by the parties upon expiration of the lease and comprise, for the majority of the New Carmila Group's leases:

- a minimum guaranteed rent (or annual base rent) that includes (with rare exceptions) an annual indexation clause, providing for a rent adjustment each year tied to the variation in the commercial rent index (*indice des loyers commerciaux*, or "**ILC**"). Unless expressly provided otherwise, rent may be revised only once every three years, in accordance with the variation in the same index, limited by the variation in the applicable quarterly index since the last determination of rent; and

- additional variable rent, calculated as a percentage of the tenant's annual revenue, excluding taxes.

At the end of the lease, if the New Carmila Group delivers a notice of termination with an offer to renew or if the lessee delivers a request to renew, rent may be determined either amicably between the parties or by a court. In the absence of an amicable agreement, the dispute must be brought before the commercial rents judge for the Regional Court (*Tribunal de Grande Instance)* for the jurisdiction in which the property is located within two years following the effective date stated in the request for renewal. Rent under the renewed lease must correspond to the variation in the ILC since the last indexation, or, if the cap on increases has been removed, to the premises' rental value.

The cap on rent under a renewed lease is removed if:

- there is a change in the factors used to determine the rental value of the leased premises (characteristics of the premises in question, intended use, respective obligations of the parties and substantial changes in local merchantability factors);
- the effective terms of the nine-year lease exceeds 12 years as the result of an automatic extension;
- the premises are "single-use" (the design and amenities of the space suit only one particular business);
- the premises are used as office space, such as for a non-physical service such as a bank, a real estate agency or a travel agency;
- the lease includes an automatic cap-removal provision;

- the lease's initial term exceeds nine years.

In all of the situations referred to above, and since the entry into effect of the Pinel Law, the resulting change in rent may not lead to increases of more than 10% of the previous year's rent per year. Because this provision on rent increases at the time of renewal is not a matter of public policy, however, the Group's leases may provide for different terms.

Property taxes and additional taxes such as those for waste removal may be passed on to the tenant. A commercial lease may also provide that the tenant will be responsible for expenses such as heat, water, gas and electricity, as well as for taxes on the tenant's business and for most communal charges (expenses necessary for carrying out a business, share of charges relating to the facilities used or common services of a co-ownership). However, certain rental charges may not be passed on to the tenant. These include major repairs and fees relating to major repairs; construction expenditures for updating or bringing the premises into compliance with regulations, if such construction is within the scope of Article 606 of the French Civil Code and; the lessor's rent-management fees, taxes, duties and other fees, except for the real estate tax and additional taxes, duties and fees related to usage or services provided to the lessee.

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

At the end of the lease, either party may terminate the lease by giving notice to the other party or by requesting renewal with new financial terms:

- the lessee may deliver a request to renew or notice of termination to the Group; or
- the New Carmila Group may deliver notice with or without an offer of renewal to the lessee.

If no notice is delivered, the lease is automatically extended with the same changes and terms as those applicable to a renewed lease, except that if New Carmila delivers a refusal to renew, it must pay an eviction indemnity to the lessee to compensate for all damages suffered by the evicted lessee, unless the lessor can prove the existence of a legitimate motive for the termination.

If an eviction indemnity is due, New Carmila has the right to reconsider. It may reverse its decision and offer to renew the lease, provided that the lessee has not already made arrangements to vacate the premises. The right to reconsider may be exercised for fifteen days following the date on which the decision setting the amount of the eviction indemnity becomes final. Exercise of the right to reconsider is irrevocable and results in the renewal of the lease when the court officer delivers notice to the lessee that the lessor has exercised the right. However, even if the parties have requested a renewal of the lease, they have the option to transform that request into notice of termination, it being specified that the lessor may not exercise both this option and its right to reconsider.

6.10.3.2 Regulation of commercial leases in Spain

In Spain, commercial leases are governed primarily by Law No. 29/1994 on urban leases, which entered into effect on November 24, 1994 (*Ley de arrendamientos urbanos*). The parties are free to organize their contractual relationship as they see fit, with the exception of the mandatory security deposit paid by the lessee and equal to two months' rent. Most of the contractual terms, including

duration, renewal, and termination, may be set freely by the parties. Rent is typically paid on a monthly basis.

6.10.3.3 Regulation of commercial leases in Italy

In Italy, certain leases entered into by the New Carmila Group are subject to the real estate leasing regime, which provides that the lease may include an annual indexation clause that may not exceed 75% of the variation in the quarterly ISTAT. These leases are entered into for a term of six years, renewable automatically, and their termination by the lessee may give rise to payment of an indemnity. Other leases are also subject to the rules on management leases (*location gérance*) or business leases (locati*on de fonds de commerce*). Termination of these leases by the lessor or by the lessee does not give rise to payment of an indemnity. Under this regime, leases may include an annual indexation clause that may not exceed 100% of the variation in the quarterly ISTAT index. These leases may have variable terms and are not renewable. Termination by the lessee does not result in the payment of indemnification to the lessor.

6.10.4 Public Health Regulations

The New Carmila Group is required by the French Public Health Code to inspect its properties for the presence of asbestos and, if any is found, to undertake any renovation necessary to remove it or render it harmless, in accordance with Articles R. 1334-14 to R. 1334-29-9 of the French Public Health Code. Where deteriorating materials that may present a risk are discovered, the owner must perform periodic inspections of the areas with asbestos, monitor the concentration of airborne asbestos particles, or undertake renovation to encapsulate or remove the asbestos. The prefecture must be informed, and provisional measures must be taken pending the permanent measures that must also be taken.

Public health rules in Spain and Italy are similar to the French rules.

6.10.5 Rules Applicable to Premises Open to the Public

6.10.5.1 Rules on accessibility for people with disabilities

With respect to the accessibility of its shopping centers to people with disabilities, the New Carmila Group is subject to Law No. 2005-102 of February 11, 2005 on equal rights, opportunities, participation, and citizenship of disabled people, under which any person with a disability must be able to gain access and move freely within existing premises that are open to the public and must receive the information disseminated there through means adapted to the different kinds of disability.

Decree No. 2009-500 of April 30, 2009 on the accessibility of premises open to the public and of residential buildings prescribes the deadlines for performing an accessibility audit. This audit is mandatory and must result in a report on the building's accessibility, recommend the work to be performed to come into compliance and present a cost estimate for the necessary work.

The regime was supplemented in 2014 and 2015 by requiring that premises that were not accessible as of December 31, 2014 to file an accessibility compliance plan (*agenda d'accessibilité programmée*, or "**ADAP**") stating the actions needed to ensure accessibility, the plan for carrying out those actions, the construction schedule, and the financing. ADAPs have been filed for the Group's entire operational scope and have been approved either tacitly or by order of the prefect.

Finally, the New Carmila Group is required to comply with safety regulations applicable to premises open to the public, which form the basis for designing and operating premises in such a way as to ensure the safe evacuation of people with disabilities. Premises and buildings that are open to the public must be built in such a way as to enable the rapid and orderly evacuation of all occupants.

Rules on the accessibility of premises open to the public in Spain and Italy are similar to the French rules.

6.10.5.2 Safety rules

6.10.5.2.1 Fire and panic

As premises open to the public, the Group's shopping centers are subject to the safety and prevention standards on fire and the risk of panic provided for by Articles R. 123-1 to R. 123-55 of the French Building and Housing Code and by the Order of June 25, 1980, as amended, approving the general provisions of the regulation on fire and panic safety in premises open to the public, and, where applicable, by the specific provisions on stores and shopping centers. The competent safety commission is required to inspect the premises before they open to the public. The mayor may not issue an order authorizing the premises to open until receipt of the commission's opinion.

In addition, the safety commission carries out period inspections as provided for in the general provisions of the safety regulation issued by the Minister of the Interior in order to ensure compliance with safety standards. If the commission finds violations of safety rules, it may conduct surprise visits that may result in an administrative request to close the premises, approved by the mayor of the municipality in question.

6.10.5.2.2 Security obligations

The New Carmila Group has an obligation to monitor and guard its commercial premises. In particular, pursuant to Article R. 273-1 of the French Internal Security Code, surveillance is required to include, at a minimum, the presence of one security agent at all times when the store is open to the public.

In Spain and Italy, the New Carmila Group's shopping centers are subject to similar security rules to those applicable to its sites in France.

6.10.6 Rules Relating to Natural Risks and Environmental Protection

In accordance with Article L. 125-5 of the French Environmental Code, which applies to commercial leases, New Carmila annexes a report on natural, mining, and technological risks to each of its leases, in order to inform lessees of potential risks to which the shopping centers may be exposed. This annex is mandatory for French-law leases; failure to include it may invalidate the lease.

The New Carmila Group is required to comply with the rules governing Classified Installations for the Protection of the Environment (*Installations Classées pour la Protection de l'Environnement*, or "**ICPE**"), because some of its shopping centers contain equipment and chemicals for use in air conditioning, combustion, and refrigeration. ICPEs are subject to various filing and authorization requirements depending on the level of risk. Depending on the regime, the operator is required to file an operating review either every five years or every ten years and in the event of any planned significant changes must inform the prefect in advance. Finally, when an ICPE ceases operations permanently, the operator is required to notify the prefect and remediate the site.

The New Carmila Group is also subject to regulations with respect to water, in particular the obligation to ensure wastewater treatment in accordance with the French Public Health Code and the French General Local Authorities Code. Except for the Nîmes Sud site, which is equipped with a water purification station that empties into natural waterways, all of the Group's sites are connected to the public sewer system. The Group is also subject to an obligation of qualitative and quantitative rainwater management as provided for in Articles L. 210-1 *et seq*. of the French Environmental Code. Regulations on wastewater treatment in Italy are similar to those under French law. However,

shopping centers in Italy are not subject to any specific rules with respect to the qualitative and quantitative management of rainwater.

6.10.7 Regulations on Personal Data Processing in Connection with Marketing Activities

In connection with the deployment of its digital marketing solutions for its tenant retailers, the New Carmila Group offers services that use social networks, customer digital pathways and CRM tools. In that regard, the New Carmila Group collects and/or processes the personal data of shopping center customers in France and Spain, including for marketing purposes and, in certain shopping centers, for statistical measurement of footfall. The New Carmila Group and the Carrefour Group also share databases containing the personal data of their customers (approximately 703,000 as of the date of this document), in particular of customers holding the PASS loyalty card and who have consented by filling out an opt-in form.

All processing of personal data by a company located within France and that acts as a controller of the data (an entity that determines the purposes and means of the processing) must comply with Law No. 78-17 of January 6, 1978 on Information Technology, Data Files and Civil Liberties, as amended (the "**Information Technology and Liberties Law**"). All processing of personal data by a company established in Spain and that acts as the data controller must comply with Constitutional Law 15/1999 on the protection of personal data (the "**LOPD**") and with Royal Decree 1720/2007 of December 21, 2007 implementing the LOPD (the "**RLOPD**").

The Information Technology and Liberties Law and the LOPD set forth obligations incumbent on the data controller with respect to the information of data subjects, the obtaining of their consent, and the notice formalities to be completed with the National Commission on Information Technology and Liberties (*Commission nationale de l'informatique et des libertés*, or "**CNIL**") or the Spanish Data Protection Agency (*Agencia Española de Protección de Datos,* or "**DPA**") prior to performing any processing of data or transferring personal data outside the European Economic Area (the "**EEA**"). In its capacity as a data controller, the New Carmila Group is subject to the following obligations:

- to satisfy one of the legal bases set forth in the Information Technologies and Liberties Law or the LOPD before processing personal data, which include the consent of the data subject or the necessity of processing data to permit the data controller to achieve a legitimate interest;

- to ensure that the personal data is (i) processed honestly and legally, for specific, clear and legitimate purposes, and proportionately to those purposes, and (ii) accurate and, if necessary, updated;

- to implement appropriate technical and organizational measures (by reference, in Spain, to the RLOPD's recommendations on the degree of sensitivity of the personal data being processed) to protect personal data against accidental or illegal destruction, accidental loss, alteration, disclosure or unauthorized access;

- except in certain listed situations, to inform data subjects of the processing of their personal data, of the data recipients, of the identity of the data controller and its objectives, as well as of their rights to access, rectify and, in certain cases, object to the processing and, where applicable, to permit them to exercise these rights;

- to retain personal data for a period not exceeding the period of time necessary to achieve the purpose of the processing;

- in Spain, not to transfer data under the control of the data controller to a third party without the prior informed consent of the data subjects or pursuant to one of the exceptions under the LOPD and, in connection with the provision of services by a data processor contracted by the

data controller, to enter into a subcontracting agreement that complies with the requirements of the LOPD;

- not to transfer personal data outside the EEA unless the receiving country has been deemed by the European Commission to ensure an adequate level of protection or the transfer falls within one of the exceptions provided for by the Information Technology and Liberties Law or the LOPD (and, in such case, that the transfer has been either authorized by or notified to the director of the DPA, as applicable), in particular where the transfer is protected by the standard contractual clauses recommended by the European Commission; and

- to accomplish the required formalities with the CNIL or the DPA prior to performing the processing.

Moreover, Article L. 34-5 of the French Post Office and Electronic Communications Code (the "**CPCE**") and Spanish legislation generally require the prior consent of the data subject for direct marketing using an automatic electronic communications system. Direct marketing by email is authorized, however, if (i) it concerns products or services similar to those already provided to the data subject; and (ii) at the time the data was collected, the data subjects were given the clear, unambiguous ability, at no cost, to refuse such marketing. In any event, the opportunity to refuse direct marketing by email must be offered each time a marketing email is sent.

Email and text message marketing by the New Carmila Group and by the Carrefour Group companies (as listed on the carrefour.fr website and including Carmila France) is subject to the prior consent of the data subjects at the time their personal data is collected. They consent by checking a box to opt in, in accordance with the CPCE.

Finally, Article 32-II of the Information Technology and Liberties Law generally requires prior informed consent by the data subject prior to storing information on the person's computer or accessing previously stored information, unless the storage or access (i) is intended solely to enable or facilitate electronic communication, or (ii) is strictly necessary in order to provide an online communication service at the express request of the data subject. The data subject must consent prior to the placement or reading of cookies.

Failure to comply with the Information Technologies and Liberties Law may result in criminal sanctions of up to five years imprisonment and a fine of €300,000, for individuals, or €1.5 million, for legal entities. The CNIL also has the right to impose certain administrative sanctions such as warnings, injunctions and monetary penalties of up to €3 million. In addition, the administrative authority in charge of competition and consumption (the "**DGCCRF**") has the ability to impose administrative fines of up to €3,000 for individuals or €15,000 for legal entities for violations of Article L. 34-5 of the CPCE on direct marketing by electronic means. In Spain, the LOPD provides for fines of between €900 and €600,000, depending on the seriousness of the violation.

The Information Technologies and Liberties Law and the LOPD transpose Directive 1995/46/CE of October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the "**Directive**"). The General Data Protection Regulation ("**GDPR**"), which entered into force on May 24, 2016, replaces the Directive and will be directly applicable in all Member States beginning on May 25, 2018.The GDPR is intended to reinforce individual rights and to give individuals greater control over their personal data, namely a right to have data deleted, the right of the data subject to give clear and explicit consent to the use of the personal data, the right to transfer the data to another service provider, the right to be informed (in certain cases) in the event of a theft of the data, and a guarantee that policies affecting privacy will be explained in clear, accessible and understandable language. Moreover, the GDPR subjects so-called "profiling" activities to specific rules, including the rights of data subject object and not to be the subjects of a decision that is based entirely on profiling and has legal effects concerning them. In addition, the GDPR significantly increases the sanctions incurred in the event of a rules violation to

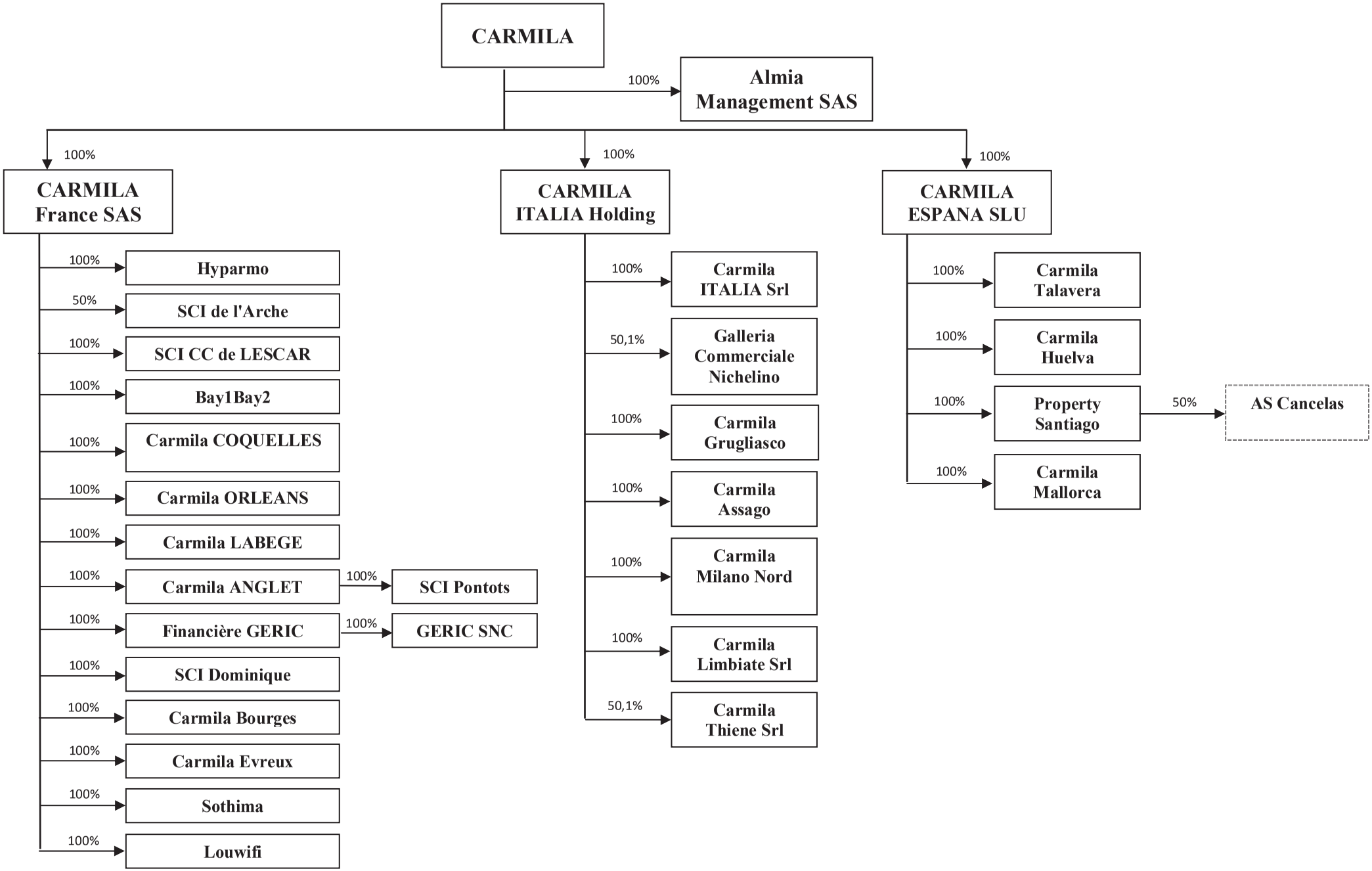
up to €20 million, or, in the case of a company, 4% of its total annual worldwide revenue during the previous fiscal year, if higher.

7. ORGANIZATION CHART

7.1 SIMPLIFIED ORGANIZATION CHART OF THE CARMILA GROUP

The organization chart below shows the simplified legal organization of the Carmila Group as of the date of this document.[22]

[22] Percentages held correspond to percentage of voting rights.


CARMILA
100%
Almia Management SAS
100%
CARMILA France SAS
100%
CARMILA ITALIA Holding
100%
CARMILA ESPANA SLU
100%
Hyparmo
50%
SCI de l'Arche
100%
SCI CC de LESCAR
100%
Bay1Bay2
100%
Carmila COQUELLES
100%
Carmila ORLEANS
100%
Carmila LABEGE
100%
Carmila ANGLET
100%
SCI Pontots
100%
Financière GERIC
100%
GERIC SNC
100%
SCI Dominique
100%
Carmila Bourges
100%
Carmila Evreux
100%
Sothima
100%
Louwifi
100%
Carmila ITALIA Srl
50,1%
Galleria Commerciale Nichelino
100%
Carmila Grugliasco
100%
Carmila Assago
100%
Carmila Milano Nord
100%
Carmila Limbiate Srl
50,1%
Carmila Thiene Srl
100%
Carmila Talavera
100%
Carmila Huelva
100%
Property Santiago
50%
AS Cancelas
100%
Carmila Mallorca

7.2 SUBSIDIARIES AND RELATED HOLDINGS

7.2.1 Principal subsidiaries

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

- **Carmila France SAS** is a limited liability company (*société par actions simplifiée*) incorporated under the laws of the French Republic, with total registered share capital of €606,192,868, with its head offices at 58 avenue Emile Zola in Boulogne-Billancourt (92100), France and registered with the Nanterre Trade & Companies Register under number 799 828 173.

- **Carmila España SLU** is a company incorporated under the laws of Spain, with total registered share capital of €132,259,000, with its head offices at Av. del Juncal, 11, 28703 San Sebastián de los Reyes, Madrid, Spain and registered with the *Registro Mercantil de Madrid*, page M-563.021, book 31279, page 11, under number B-86.772.837.

- **Carmila Italia S.r.l** is a private limited company incorporated under the laws of Italy with total registered share capital of €11,200,000, with its head offices at Via Caldera, 21, 20153, Milan, Italy and registered with the *Registro delle Imprese di Milano* under number MI-2036489.

7.2.2 Holdings

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

8. PROPERTY, PLANTS AND EQUIPMENT

8.1 EXISTING OR PLANNED TANGIBLE CAPITAL ASSETS

Carmila's principal business is the management and development of shopping centers adjacent to Carrefour stores. Information on the real estate assets held by the Carmila Group and, following the Merger, by the New Carmila Group, is presented in Chapter 6, "Business Description".

Carmila's head office is under a commercial lease for the benefit of Almia Management and made available to Carmila free of charge.

8.2 SUSTAINABLE ENVIRONMENT AND DEVELOPMENT

8.2.1 General policy on environmental matters

The preservation and protection of the environment is important to the Carmila Group's strategy, which incorporates environmental and sustainable development aspects into the Group's business model. The Carmila Group also works to proactively identify and manage environmental and industrial risks through analyses and studies, in addition to implementing operational prevention measures.

Since 2016, the Carmila Group has worked to articulate and implement its corporate social responsibility ("**CSR**") policy. Its efforts resulted in the creation, in early 2017, of a fully-fledged CSR department with two dedicated employees. This department reports directly to the CSR committee, which is made up of seven members from the management committee. The CSR committee is involved in defining the Carmila Group's strategy by drawing on a global and operational understanding of the Carmila Group while ensuring regulatory compliance by the New Carmila Group, including through the Group's application for various authorizations and its anticipation of regulatory changes. The CSR committee receives a monthly report from the CSR Directorate on the development of social, societal and environmental policy.

The Carmila Group's CSR policy is based on three pillars: (i) exemplary social commitment, (ii) reducing the environmental impact of its business, and (iii) developing an ethical business culture with its employees and partners.

The CSR Directorate conducts three types of workshops (an employee workshop, societal workshop and environmental workshop) to consolidate and enrich the strategy that the Group has put in place. These workshops are the links between the CSR committee and Group employees that enable consistent implementation of CSR policy.

The Carmila Group seeks to incorporate the best environmental practices at each stage of the a building's life in the following manner:

- during the design stage:
  - the architecture of shopping centers is geared toward the minimization of energy consumption, including through access to natural light, selection of materials with high thermal inertia, optimized façade orientation and green roofs or high solar reflectivity to limit the need for air conditioning, in addition to the Group's efforts to facilitate ease of accessibility to all its stores;
  - preferring the use of natural materials that are more environmentally friendly, such as wood from sustainably managed forests, glues, paints, varnishes and glazes bearing the "NF Environment" and "Ecolabel" labels in Europe or

equivalent environmental labels and materials requiring little energy consumption for production or that are otherwise made from natural and abundant materials;

- renewable energy sources (such as solar water heaters, heat pumps and geothermal energy) are incorporated whenever possible; and

- each project is designed to integrate harmoniously into the natural or urban environment and to minimize its impact on the environment.

- during construction, the Carmila Group also seeks to limit its environmental impact. In France, companies that have taken part in the construction of shopping centers have signed the Green Construction Site Charter, which recommends, among other things, the sorting of waste, cleaning the wheels of earth-moving machinery, and limiting noise nuisances; and

- during the operational phase, environmental criteria are integrated into the rental leases and the specifications for the development of stores, including requirements for energy-efficient equipment, environmentally friendly materials and sorting of waste, among others. In addition, the Carmila Group is committed to adopting water-saving solutions to limit the water consumption of its sites.

8.2.2 Environmental management

Each Carmila Group development project targets a minimum British Research Establishment Environmental Assessment Method ("**BREEAM**") construction rating of "Good." The New Carmila Group has also embarked on a BREEAM-in-Use certification policy to ensure sustainable operations and a continuous improvement approach that it implements in its shopping centers.

The BREEAM rating system assigns a rating between 0% and 100% to a given project. Certification requires a score of at least 30%, and to obtain the "Very Good" certification level, the project has to receive a score of at least 55%. This evaluation is carried out on the basis of an exhaustive rating matrix mapping nine different elements, consisting of management, health and well-being, energy use, transport, water use, materials, waste, land use and ecology, and pollution.

For the certification process, the New Carmila Group is supported by an environmental project manager authorized and trained by the British Research Establishment ("**BRE**") to carry out certification follow-ups throughout the life of the project.

In addition to BREEAM certification, the New Carmila Group's properties are required to comply with charters governing respect for the environment on the part of real estate businesses:

- the Eco-design Charter, which aims to deploy innovative solutions that safeguard the environment, based on five key elements: (i) energy management (setting an energy performance target for the proposed building); (ii) accounting for commuting and transport (limiting greenhouse gas emissions); (iii) controlling waste (promoting recycling); (iv) promoting health by ensuring healthy spaces; and (v) ensuring consumer comfort;

- the Green Construction Site Charter, a natural extension of the Eco-design Charter, is signed by contractors, service providers and suppliers to ensure a site that respects the environment and limits nuisances affecting local residents, workers and the environment; and

- the Biodiversity Charter, which aims to spread good practices that are conducive to biodiversity, is a prerequisite to any development project and is based on four key elements: (i) an ecologically sound choice of site vegetation; (ii) recommendations during the construction phase; (iii) the establishment of specific arrangements that are conducive to biodiversity; and (iv) ecological site management.

8.2.3 Pollution and waste management

The Carmila Group has set up a reporting system for shopping center managers and technical managers to enable analysis of greenhouse gas emissions related to energy consumption and refrigerants from air conditioning systems in shopping centers.

The majority of the Group's waste comes from site operations and is mainly the result of packaging of products and the logistics of retail brands. Waste generated by shopping centers may also originate from related sites that are built as part of a construction project or the extension of certain sites. In order to meet regulatory requirements and identify areas for improvement, the Carmila Group has set up an overall waste management reporting system at the sites that it is responsible for managing.

Pollution and waste management is defined in the Carmila Group's Green Construction Site Charter, a charter signed by contractors in the design phase, by construction companies in the construction phase and by tenants in the operational phase of commercial premises.

8.2.4 Sustainable use of resources

The reporting system set up by the Carmila Group also enables it to analyze electricity and gas consumption levels in order to improve the energy performance of shopping center operations. The Carmila Group is also engaged in a process to combat energy waste through the progressive installation of LED lighting in shopping centers and the installation of low-consumption equipment in malls and parking lots.

The Carmila Group's commercial real estate assets are not located in water-stressed areas (where water availability per person per year is less than 1,700 m^3) and do not involve particularly significant water consumption. Nevertheless, the Group has initiated a process for controlling water consumption at its sites through the implementation of water-saving solutions (such as water-saving valves, taps with motion detectors or dry urinals), systems to recover and recycle storm water for non-drinking water uses and studies targeting improvements in soil permeability. A water consumption reporting system is also in place in order to be able to analyze the results of the initiatives that have been put in place.

8.2.5 Climate change and greenhouse gas emissions

In the course of monitoring its real estate assets and in connection with all new projects, the Carmila Group assesses the expected impacts of climate change in coming years, in particular with respect to the various characteristics of the centers that may be affected by climate change (for example, effects of flooding and drought), such as the centers' age, location, construction methods and the operational efficiency of their assets, as well as the quality and capacity of local infrastructures.

The Carmila Group is implementing certain actions to reduce energy consumption and thus minimize the carbon footprint of its sites, through the use of energy-efficient equipment, optimized insulation and the construction of bio-climatic buildings.

The Carmila Group is also committed to the control of greenhouse gas emissions related to the transport used by visitors to its sites. Its initiatives focus on the promotion of the use of modes of transport for visitors and retailers that generate less pollution. The Carmila Group is also committed to

the growth of clean energy transport solutions, including the installation of electric charging stations to promote the use of electric vehicles.

8.2.6 Protection of biodiversity

The projects developed by the Carmila Group are carried out on construction sites for commercial use in accordance with the site's local urban plan under the Biodiversity Charter, thus limiting each site's negative impacts on biodiversity.

The Carmila Group has implemented innovative initiatives to preserve biodiversity, such as the installation of beehives at more than 20 shopping center sites and a green roof in the Chambourcy shopping center. Finally, the New Carmila Group plans to set up urban gardens adjoining its Ile-de-France shopping centers, combining its environmental objectives and societal commitment, together with the collaboration of local associations and actors. The Group has experiments relating to different forms of urban agriculture are under way, in partnership with the Carrefour Foundation, AgroParisTech and INRA.

After the Merger, the New Carmila Group intends to maintain the various reporting systems discussed above, and to plan initiatives for further integration of environmental issues into its development policy.

9. OPERATING AND FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information included elsewhere in this document and in particular the consolidated financial statements of the Carmila Group as of and for the years ended December 31, 2014, 2015, and 2016 included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016", as well as the pro forma consolidated financial information included in Section 20.2, "Pro Forma Financial Information".

The Carmila Group's consolidated financial statements included in this document were prepared in accordance with IFRS as adopted by the European Union. The statutory auditors' report on those consolidated financial statements is included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016".

Pro forma financial information has also been prepared for the fiscal year ended December 31, 2016 for illustrative purposes to show the effects that the Merger would have had if it had taken place prior to the effective date of the Merger. The statutory auditors' report on this pro forma financial information is included in Section 20.2, "Pro Forma Financial Information".

9.1 NEW CARMILA: PRO FORMA FINANCIAL INFORMATION

New Carmila, the company that will be created following the Merger of Carmila and Cardety, will be a real estate company in the business of managing and enhancing the value of shopping centers and retail parks anchored by the stores of the Carrefour Group, a worldwide leader in retail. With a portfolio of 205 shopping centers and retail parks in France, Spain and Italy valued at more than €5.3 billion (in terms of gross asset value, as defined below), including 139 "leader" or "co-leader" (each as defined below) sites in their respective catchment areas (representing 84% of the New Carmila Group's portfolio in terms of appraised value (including transfer taxes) as of December 31, 2016), the New Carmila Group will be the leader in continental Europe in terms of the number of shopping centers anchored by supermarkets and the third largest listed commercial real estate company by gross asset value (calculated as of December 31, 2016)[23].

Unaudited pro forma consolidated financial information has been prepared for the fiscal year ended December 31, 2016 in order to show the effect that the Merger of Carmila and Cardety would have had on New Carmila's consolidated income statement if the Merger had taken place as of January 1, 2016, and on New Carmila's consolidated balance sheet if the Merger had taken place as of December 31, 2016. For purposes of the unaudited pro forma consolidated financial information, under IFRS 3 Carmila is deemed to have acquired Cardety, even though as a legal matter Cardety will be the surviving company in the Merger.

The unaudited pro forma consolidated financial information is presented in Section 20.2, "Pro Forma Financial Information". By its nature, the unaudited pro forma consolidated financial information, which was prepared for informational purposes only, relates to a hypothetical situation and therefore does not purport to represent New Carmila's financial condition or results of operations. It should not in any way be considered an indication of future results or financial condition.

[23]Source: The New Carmila Group's analysis of data published by other market participants.

The tables below present certain key figures derived from New Carmila's unaudited pro forma consolidated financial information as of and for the year ended December 31, 2016:

Unaudited pro forma consolidated income statement data

(in € millions, except for per-share data)	**Fiscal year ended December 31, 2016**
Gross rental income	282.2
Net rental income	258.5
Operating income (before change in fair value and share of net income of equity-accounted companies)	217.2
EBITDA[1] (excluding fair value adjustments)	218.9
Balance of fair value adjustments on investment properties	183.3
Operating income	406.6
Net financial income (expense)	(50.6)
Net income (Group share)	326.4
Net income per share	3.0
EPRA Net income[2]	166.3
EPRA Net income per share[2][3]	1.5
Recurring earnings[4]	176.6

[1] For the definition of EBITDA (excluding fair value adjustments) and a reconciliation to the most comparable IFRS measure, see Section 10.6, "Performance Measures" and Note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2, "Pro Forma Financial Information".
[2] For the definition of "EPRA Net income," see Section 10.6, "Performance Measures" and Note 1 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2, "Pro Forma Financial Information".
[3] End of period on a diluted basis, on the basis of 109,014,868 shares pro forma as of December 31, 2016.
[4] Recurring earnings is equal to EPRA Net income excluding certain non-recurring items. See Note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2, "Pro Forma Financial Information".

Unaudited pro forma consolidated balance sheet data

(in € millions)	**As of December 31, 2016**
Investment properties (appraisal value, excluding transfer taxes)	4,979.9
Cash and cash equivalents	73.6
Financial debt (current and non-current)	2,230.0
Shareholders' equity - Group share[1]	2,687.7

[1] Net of the balance of dividends remaining to be paid for fiscal year 2016

The following table sets forth the per-country breakdown of New Carmila's gross rental income and investment properties (by appraised value, excluding transfer taxes) for the fiscal year ended December 31, 2016.

(in € millions)	**Fiscal year ended December 31, 2016**	**%**
Gross rental income	282.2	
France	*207.7*	73.6%
Spain	*55.3*	19.6%
Italy	*19.2*	6.8%
Investment properties (appraisal value, excluding transfer taxes)[1]	4,979.9	
France	*3,711.6*	74.5%
Spain	*980.0*	19.7%
Italy	*288.3*	5.8%

[1] Excluding investments in equity-accounted companies and other non-current assets

The table below shows New Carmila's key indicators and ratios on a pro forma basis for the year ended December 31, 2016.

(in € millions, except for ratios and per-share amounts)	**Fiscal year ended December 31, 2016**
EBITDA (excluding fair value adjustments)[1]	218.9
Investments	481.0
Acquisitions	*355.5*
Renovations	*22.1*
Expansions	*76.8*
Restructurings[2]	*20.3*
Maintenance	*6.2*
Other	*0.1*
Net financial debt	2,156.3
Gross financial debt	2,230.0
Loan-to-Value Ratio (LTV)[3]	40.5%
Interest Coverage Ratio (ICR)[4]	4.4x
Cost ratio (EPRA)[5]	16.6%
Net asset value (EPRA), excluding transfer taxes[6]	2,817.9
Net asset value (EPRA), excluding transfer taxes, per share[7]	25.85
Appraised value (including transfer taxes, excluding works in progress)	5,226.3
Gross asset value (including transfer taxes, including works in progress)	5,320.9

[1] For the definition of EBITDA (excluding fair value adjustments) and a reconciliation to the most comparable IFRS measure, see Section 10.6, "Performance Measures" and Note 1.4 to the 2016 Unaudited Pro Forma Financial Information, included in Section 20.2, "Pro Forma Financial Information".
[2] Includes technical plant, machinery and equipment in the amount of €1.5 million.
[3] LTV including transfer taxes and including works in progress: ratio between the value of the investment properties, including transfer taxes and works in progress, and net financial debt.
[4] Ratio of EBITDA (excluding fair value adjustments) to net financial costs.
[5] Cost ratio (EPRA) corresponds to the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administrative expenses as a percentage of gross rental income.
[6] Net of the balance of dividends remaining to be paid for fiscal year 2016.
[7] End of period on a diluted basis, on the basis of 109,014,868 shares pro forma as of December 31, 2016.

The following table presents the reconciliation between the LTV ratio of Cardety and Carmila as of December 31, 2016 to the pro forma LTV ratio.

	As of December 31, 2016		
(in € thousands)	**Cardety**	**Carmila**	**Pro forma**
Net financial debt (A)	**9,135**	**2,147,195**	**2,156,330**
Gross financial debt	11,514	2,218,438	2,229,952
Cash and cash equivalents	(2,379)	(71,243)	(73,622)
Real estate portfolio (including transfer taxes)	**133,912**	**5,186,949**	**5,320,861**
Portfolio fair value (including transfer taxes)[1]	133,912	5,120,029	5,253,941
Works in progress	-	66,920	66,920
Loan-to-Value Ratio (A) / (B)	**6.8 %**	**41.4 %**	**40.5 %**

[1] The real estate portfolio, as accounted for in the consolidated financial statements of Carmila, (i) excludes transfer taxes and (ii) includes investment properties, shares in equity-accounted companies and works in progress.

The discussion that follows in this chapter and in the following chapter presents an analysis of the Carmila Group's results of operations and financial condition as of and for the years ended December 31, 2014, 2015, and 2016. An analysis of Cardety's results of operations and financial condition for the same years is presented in Chapters 9 and 10 of Cardety's 2015 and 2016 Registration Documents.

9.2 CARMILA GROUP: OVERVIEW

Carmila's consolidated financial statements for 2015 and 2016 each cover a 12-month fiscal year. The 2014 fiscal year covers the period from June 1 through December 31, 2014 (7 months), since Carmila ended its previous fiscal year early on May 31, 2014 in order to opt into the SIIC tax regime.

Created by the Carrefour Group and a group of institutional and financial investors in April 2014 in order to acquire, and revitalize and enhance the value of, the shopping centers adjoining the Carrefour Group's hypermarkets, Carmila seeks to establish and reinforce the leadership position of each of its shopping centers at the local level by leveraging its strategic partnership with the Carrefour Group, which enables it to implement a coordinated strategy for the renovation, revitalization and expansion of its shopping centers for the benefit of consumers. Present in France, Spain and Italy, Carmila is positioning itself as the leading "smart shopping center company" by deploying a differentiating "B-to-B-to-C" strategy to help its tenant retailers grow their revenues, in particular by providing them with digital marketing tools and services targeted at the local level.

Carmila's objective is to create value through dynamic marketing and establishing local leadership positions for its shopping centers. In addition to benefiting from the historical support and strength of Carrefour, a food retailing anchor, Carmila aims to include a second anchor store in its shopping centers by installing differentiating or medium-sized stores. Generally, rental yields from these anchors are lower than those of "standard" stores, since medium-sized stores pay lower rent per square meter as a result of their size, and since differentiating brands generally negotiate attractive rental terms.

As of December 31, 2016, the appraised value (including transfer taxes and excluding works in progress) of Carmila's investment properties in operation totaled €5,120 million. These investment properties are recorded on the balance sheet at fair value, *i.e.*, at appraisal value excluding transfer taxes, plus works in progress, in a total amount of €4,850 million (excluding investments in equity-accounted companies and other current and non-current assets) as of December 31, 2016.

The changes in the Carmila Group's consolidated results of operations between June 1, 2014 and December 31, 2016 were driven primarily by the following factors:

- significant growth in the Carmila Group's gross rental income of 5.9% (€15.3 million) in 2016 as compared with 2015, due to improved portfolio performance, including an increase in the financial occupancy rate (excluding strategic vacancies) from 94.0% in 2015 to 96.0% in 2016, and due to the effect of acquisitions, as well as a 136% increase in gross rental income in 2015 as compared with the seven-month fiscal year in 2014.

- operating income of €376.3 million in 2016, a decrease of 5.3% as compared with 2015, due to the lower contribution from the change in fair value of its investment properties between 2015 and 2016, despite the growth in rental income over the same period; the change in fair value in 2015 reflected the effects of (i) the contribution of the assets purchased in late 2014 and (ii) a decision made as of December 31, 2014 to defer the fair value adjustment of investment properties in Spain, given continued uncertainty in the country's economic environment; this delay increased the change in fair value recorded in 2015. In 2014, Carmila recorded a negative net adjustment in fair value of investment properties due to the write-down of the transfer taxes paid on properties consolidated in 2014 (the properties are initially recorded on the balance sheet at acquisition price, including transfer taxes, and then adjusted to their fair value excluding transfer taxes);

- consolidated net income, Group share of €294.5 million in 2016, a decrease of 9.3% as compared with 2015, following a significant increase in fair value during 2015 (from the impact of the Spanish properties, in particular), and as compared with a net loss for the seven-month fiscal year in 2014; and

- recurring earnings of €172.3 million in 2016, a 0.5% increase as compared with 2015. This moderate increase as compared with the 5.9% increase in gross rental income was the result of several factors: the implementation of restructuring operations that create future value but have a negative effect in the short term (such as increases in strategic vacancies for restructuring purposes, and attractive rents offered to anchor stores wishing to move in); the progressive increase in operating expenses; the launch of the smart shopping center company concept, which should stabilize beginning in 2017; and increased financial expenses resulting from the extension of debt maturities with the completion of a second bond issuance.

The Carmila Group made significant investments in its acquisition and renovation programs between 2014 and 2016. Real estate investments (acquisitions, expansions, restructuring, renovations and others, as well as technical plant, machinery and equipment) between 2014 and 2016 totaled €2,051.8 million, including €1,781.8 million (including transfer taxes) for acquisitions, €117.3 million for expansions and €75.5 million for renovations.

These investments were financed by cash flows from operations and capital increases subscribed for by Carmila's original investors, as well as bank debt and bond issuances. As of December 31, 2016, the Carmila Group's gross financial debt was €2,218.9 million (including €16.1 million in bank overdrafts) and its net debt was €2,147.7 million. Its loan-to-value (or "**LTV**") ratio, defined as the ratio of debt to appraised value of its portfolio (including transfer taxes and works in progress) was 41.4% as of December 31, 2016, an increase of three points as compared with December 31, 2015.

See Chapter 10, "Liquidity and Capital Resources", for a detailed discussion of the Carmila Group's cash flows, investments and financing.

9.3 PRINCIPAL FACTORS AFFECTING THE CARMILA GROUP'S ACTIVITIES AND RESULTS

The principal factors that the Carmila Group believes have had and may continue to have an effect on its business and results of operations are presented below.

9.3.1 Acquisitions

The Carmila Group's gross rental income, operating income and net income have been significantly impacted by the acquisitions Carmila has carried out since 2014. During the 2014-2016 period, the Carmila Group acquired properties for €1.8 billion (including transfer taxes), excluding the initial Kart I acquisition [24], consisting of €1,150.1 million in 2014, €306.7 million in 2015 and €325.0 million in 2016.

External growth through the acquisition of new shopping centers directly impacts revenues. However, it takes time to take control of the property and gain sufficient knowledge about the site and environment to enable Carmila's operational teams to implement the Group's strategy.

In addition to its impact on rental revenue, external growth affects all line items through net rental income (including rent relief, revenues from tenants in financial difficulty and building expenses that are not passed on to tenants). The Group's cost structure is also affected, since rental management is compensated as a percentage of invoiced rent, with marginal effects on certain support functions, such as additional marketing budgets. In the case of acquisitions that are significant or that cannot be managed with existing resources, there is also an impact on personnel costs, due to the need to hire employees to fill shopping center director and marketing or other positions.

[24] "Kart I" was the transaction that formed Carmila following the purchase of a portfolio of 126 sites in France, Spain, and Italy from Klépierre and Carrefour's contribution of 45 sites in France.

9.3.2 Factors affecting the Carmila Group's results of operations other than acquisitions

The Carmila Group's results of operations depend primarily on the level of rental income and on investment property fair value adjustments, which are the two primary line items in its income statement. To a lesser extent, results also depend on changes in the expenses borne by the Carmila Group, including building expenses, operating expenses and financial costs.

Excluding effects of changes in the scope of consolidation, changes in rental income and fair value adjustments depend primarily on market conditions in the real estate market in the three countries where Carmila operates and on the effectiveness of the Carmila Group's portfolio management. The principal factors affecting these line items are the following:

- *Macro-economic conditions in the three countries in which the Carmila Group operates*, including GDP growth, consumer spending, household confidence, inflation, interest rates and, to a lesser extent, construction costs, may affect the market in the medium and long term due to their effect on the businesses of the shopping centers' tenants. Changes in consumer spending may impact shopping centers' footfall and therefore tenant revenues, which could in turn affect the financial occupancy rate of shopping center retail space and, over time, the Carmila Group's rental income for the reasons set forth below.

  Moreover, due to its impact on demand for new retail space to respond to consumer needs, an increase (or decrease) in consumer spending may lead to an increase (or decrease) in the value of the Carmila Group's investment properties.

  Finally, interest rates influence the financial expenses (and thus the financial health) of tenants carrying debt, the Carmila Group's financing costs and the indices used in calculating rents payable to the Carmila Group. Interest rates influence the value of investment properties by impacting the capitalization rate used for valuation purposes. However, capitalization rates also take other factors into account that may have the opposite effect, including market liquidity. Finally, in addition to compressed capitalization rates, Carmila's acquisition policy and the improvements made to the assets have increased the value of the portfolio.

- *Average rental yield per square meter of gross rental area invoiced to tenants.* Changes in rental yield are primarily a function of changes in the indices used as references for leases in progress (the ILC and ICC in France, the CPI in Spain and the ISTAT in Italy) and of rental market conditions for re-letting. Rental yield per square meter is also heavily dependent on the tenant's business and on the surface area rented. Rental yield has a direct impact on the Group's rental income and on the fair value of its investment properties.

- *The financial occupancy rate of the portfolio.* The financial occupancy rate corresponds to the ratio between the amount of rent invoiced during a given period (excluding step increases and rent-free periods) and the amount of rent that the New Carmila Group would collect if its entire rental portfolio were leased, with the assumed rent for vacant lots determined on the basis of rental values used in determining the appraised values. The financial occupancy rate is calculated excluding strategic vacancies, which are potential rents on premises that are deliberately left vacant in connection with restructurings or expansions of the properties. It depends in particular on the effectiveness of the property management and marketing teams; the Carmila Group's objective, in the current market context, is to maintain a high financial occupancy rate. The change in the financial occupancy rate of the Carmila Group's shopping centers has a direct influence on its rental income and its ability to pass on expenses to its tenants, as well as on the appraised value of its properties.

- *Tenants' revenues.* Changes in tenant revenues have an impact on rents invoiced to retail tenants because the variable portion of such rents is tied to the tenants' revenues. Tenants' revenues also have a direct effect on their ability to pay their rent (reflected in the occupancy

cost ratio, which is the ratio between the rent paid by a tenant and its revenue). In addition, tenants' revenues have an indirect effect on the financial occupancy rate and on the value of the portfolio. The Carmila Group also uses tenants' revenues and occupancy cost ratios to estimate its tenants' financial health. See Section 6.6, "Description of the Assets and Activities of the New Carmila Group".

- *The specialty leasing and temporary store business*, the principal characteristic of which is the entry into short-term leases, enabling Carmila to augment its retail offerings on a temporary basis as well as to capture substantial rent (approximately €8 million in 2016, of which approximately €7.5 million was from specialty leasing).

- *Disruptions caused by construction.* Expansions may generate strategic or other vacancies during construction, which result in a temporary loss of rent. Renovations, however, generally do not affect shopping center activity.

The principal factors affecting the other line items in the Carmila Group's income statement are described in Section 9.3.3, "Principal line items in the Carmila Group's income statement".

9.3.3 Principal line items in the Carmila Group's income statement

Gross rental income

Gross rental income represents nearly all of the Carmila Group's revenues. Gross rental income includes rent on the Group's properties and similar revenues, including revenue from at-will leases, up-front charges, termination indemnities and other income.

Net rental income

Net rental income corresponds to the difference between rental income and the expenses that can be directly allocated to the shopping centers. These expenses include:

- real estate taxes, land rent and fees paid (or amortization of initial payments) where the land is the subject of a construction lease or a concession;

- rental charges that are not passed on to tenants (essentially charges on vacant premises) or charges that cannot be passed on either by their nature or by contract; and

- provisions for doubtful receivables.

These charges do not include the charges accounted for by the Carmila Group as operating expenses.

Operating expenses

Operating expenses primarily include personnel costs and other external expenses, as described below. Operating expenses are shown net of reimbursements of other income from services and revenues from management, administration and other activities for which a portion of these costs are incurred.

Personnel costs

Personnel costs include salaries, social charges and other compensation paid to Carmila Group employees (including incentive compensation and profit-sharing). Changes in the Carmila Group's personnel costs depend primarily on changes in the number of employees during the year, on the full-year effect of recruitment from the previous year, on fixed and variable compensation and on profit

sharing. Personnel costs are also affected by free share plans (the "Presence" free share plan and the "Performance" free share plan).

Other external costs

Other external costs primarily include selling and administrative expenses. These include fees paid to the Carrefour Group for the work provided under service agreements (such as rental management, accounting, human resources and general services); marketing expenses, in particular expenses relating to the development of digital applications and the acquisition of customer databases; insurance deductibles; costs of appraising the asset portfolio; financial communication and advertising fees; travel and business expenses; and directors' fees. For the fiscal years 2014-2016, the most significant line item under other external costs was for lease management expenses, which comprised 30% of the total amount of other external costs.

The large majority of the amounts paid to the Carrefour Group are fees paid under rental management and property management agreements. See Note 12, "Related Party Transactions", in the Carmila consolidated financial statements included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016". These fees are calculated as a percentage of rent invoiced; as a result, their amounts depend primarily on rental income. See Section 19.2, "Lease Management and Property Management Agreements", for a description of the principal terms of these agreements.

Other income from services

Other income from services corresponds to reimbursement of operating expenses paid primarily by the Carrefour Group (including the reimbursement of a share of the personnel costs relating to shopping center management). See Note 12, "Related Party Transactions", in the Carmila consolidated financial statements included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016".

Management, administration and other revenues

These revenues principally consist of the reimbursement of leasing fees.

Fair value adjustments

The change in the fair value of the Carmila Group's assets over a given period corresponds to the difference between (i) the appraised value of the properties held by the Carmila Group at the end of the period in question; and (ii) the appraised value of the properties held by the Carmila Group at the beginning of the period in question (or, in the case of investment properties acquired during the period, their cost) plus capitalized expenses (such as construction, debt issuance costs, costs of initial marketing and other internal costs in connection with project development).

Acquisition costs (including, in particular, the transfer taxes paid) are considered part of the cost of the property and are capitalized in the value of the investment properties when they are first recorded in assets on the balance sheet. Investment properties are then adjusted to fair value, excluding transfer taxes, which results in a write-down of the transfer taxes as of the first balance sheet date following the acquisition. Adjustments to fair value of investment properties, whether positive or negative, are recorded in the income statement.

Real estate assets are not subject to depreciation or impairment testing.

The fair value accounting method used for investment properties is also applied to investments in associates, pro rata for the Carmila Group's interest in those entities, and the change between the end of a given period and the end of the following period is recorded in the income statement under share of net income from equity-accounted companies.

Changes in the fair value of properties are by definition subject to the same uncertainties as the portfolio appraisal, as described in Section 9.4, "Appraisal of the Property Portfolio".

Operating income

Operating income is equal to net rental income minus operating expenses, to which are added (or from which are subtracted) capital gains or losses from asset sales, any mothballing and net litigation expense, as well as net investment property fair value adjustments, plus or minus the share of net income or loss from equity-accounted companies.

Net financial expense

Net financial expense primarily reflects the net cost of financial indebtedness, which includes interest charges paid on financial debt and the cost of interest rate hedging instruments, less financial income from cash investments. Cost of net financial debt is affected principally by debt issuances, repayments, and interest rates, as well as by the issuance costs and premiums relating thereto and the cost of cancelling hedging derivatives.

Income tax expense

The companies of the Carmila Group are subject to the tax rules applicable in the various countries in which they are present. Income tax is calculated pursuant to local rules and tax rates. In France, the Group has elected to be taxed under the SIIC regime, as a subsidiary of an investment company with variable capital investing primarily in real estate (*société de placement à prépondérance immobilière à capital variable*, or "**SPPICAV**"), allowing the real estate investment activities of its French subsidiaries that opted into the regime to be tax-exempt. The Group's subsidiaries in Spain and Italy are subject to the general tax regime in their respective jurisdictions.

Deferred income taxes are recorded where there are temporary differences between the book values of the assets and liabilities on the balance sheet and their taxable values, for those that will 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 liabilities are recorded, in particular, on fair value adjustments in Spain and Italy. 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 realized 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.

Net income (Group share)

Consolidated net income is equal to operating income minus net financial expenses and income tax expense. The share of consolidated net income attributable to non-controlling interests is small and primarily concerns SCI de l'Arche, which has a significant stake in the Berck sur Mer shopping center.

9.3.4 Other indicators

The Carmila Group uses certain other indicators to track its performance and financial condition, in accordance with real estate sector practices. The principal indicators used by the Carmila Group are described in Section 10.6, "Performance Measures".

9.3.5 Segment information

Segment information is prepared on the basis of the internal reporting used by management in its investment and performance assessment decisions. The Carmila Group's operating segments are the three countries in which it operates: France, Spain and Italy.

9.4 APPRAISAL OF THE PROPERTY PORTFOLIO

In accordance with IAS 40 and EPRA recommendations, investment properties are recorded and valued individually at fair value. Under IFRS 13, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

9.4.1 Methods of valuing the property portfolio

The fair values are determined according to the conclusions of independent appraisers. Carmila uses independent appraisers to value its portfolio at the end of each half-year period. The most recent reported valuation of the Carmila Group's assets was performed as of December 31, 2016, with the appraisals conducted by Catella and Cushman & Wakefield.

The appraisals are conducted in accordance with the rules contained in the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors (the "**Red Book**"). In order to perform their work, the appraisers had access to all necessary information for valuing the assets, in particular the list of leases, vacancy rate, rent adjustments and principal tenant aggregates (such as tenant revenues). They independently perform their estimates of present and future cash flows by applying risk factors either to the net revenue capitalization rate or to future cash flows.

Based on the data provided, the real estate appraisers use one of the following valuation methods, or a combination of both, for each asset:

- *the capitalization of net revenues method*, which consists of applying an assumed yield to the total triple-net income for occupied premises (on the basis of the rent included in the rent base, minus any expenses that cannot be passed on) and capitalizing net market rent for vacant lots (taking into account an appropriate vacancy period). The yield corresponds to yield on the real estate market for a comparable asset and takes into account the amount of retail space and specific factors such as location, access, visibility, retail competition, the form of ownership of the shopping center (such as full ownership or co-ownership), its leasing potential and expansion potential and recent transactions in the same type of assets. From this value are deducted all of the current net values of step-increase rents, all charges on vacant lots and other non-recurring costs or works.

- *the discounted cash flow method*, which calculates the present value of a property as the sum of the available net future revenues over a given period (generally ten years). Available net revenue for each year is calculated in the same manner as net revenues for purposes of the capitalization method, adjusted to reflect non-recurring expenses (construction, step-increases and others) as they are incurred over time. A property's resale value is calculated based on the last indexed rent on the date of resale after deduction of the corresponding costs, to which a yield is applied. The discount rate used is a risk-free rate (10-year OAT TEC) plus a risk premium and real estate market liquidity premium as well as premiums specific to the asset (including nature of the asset, rental risk, obsolescence premium).

Investment properties under construction may be appraised at fair value. Where fair value cannot be reliably determined, these projects continue to be valued at cost until it becomes possible to reliably determine a fair value. As with the other fair-value assets, they are valued at market value by an independent appraiser.

The values determined by the independent expert are based on a number of assumptions that may not prove true and also depend on developments in the real estate market. Therefore, appraisals of the Carmila Group's real estate assets may not be aligned with their disposal values in the event of a sale (see the condensed appraisals included in Annex A, "Detailed Presentation of the Operating Asset Base of the New Carmila Group as of December 31, 2016").

9.4.2 Comparison of appraised values of the Carmila Group's properties

The table below shows the appraised value of the investment properties recorded on the Carmila Group's consolidated balance sheet (excluding equity-accounted companies).

Appraised value (excluding transfer taxes) of the Carmila Group's portfolio [1]			
Investment properties	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
	Appraised value (millions of €)		
France	3,402.0	3,159.1	2,006.8
Spain	735.0	628.3	438.5[3]
Italy	288.3	234.8	218.8
Investment properties valued at cost and works in progress[2]	425.2	255.5	958.6
Total Carmila Group	**4,850.4**	**4,277.7**	**3,622.7**

[1] Excluding equity-accounted companies.
[2] The most recent acquisitions, which have not yet been appraised, are carried at cost, as are assets under construction, in each case in the portfolio in operation, excluding equity-accounted companies.
[3] Appraisal value for Spain in 2014 does not reflect a net positive fair value adjustment in Spain (equal to the write-downs calculated for the period) equal to €65.4 million.

Gross asset value (including transfer taxes and works in progress) was €5,186.9 million as of December 31, 2016, compared to €4,528.5 million as of December 31, 2015.

9.5 COMPARISON OF THE CARMILA GROUP'S CONSOLIDATED RESULTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015 AND 2016

The Carmila Group's Activity in 2016

The 2016 fiscal year saw sustained acquisition activity.

In France, Carmila carried out several acquisitions, including:

- finalizing the acquisition of GERIC in Thionville. Carmila acquired 35% of the shares of the company Financière GERIC from Carrefour for €32 million;
- continued reparcelling in France, including the acquisition of lots in or adjacent to shopping centers in Nevers Marzy, Saint Brieuc Langueux, Brest and Mondevillage, and finalization of the acquisition of the SCI Dominique (Ormesson) through the acquisition of 50% of its shares from Immobilière Carrefour; and
- purchases of 27 lots in the Ormesson shopping center.

In total, acquisitions in France represented an aggregate investment of €76.9 million in 2016.

In Spain, on August 5, 2016, Carmila acquired three shopping centers from Hispania Retail Properties for a total price of €77 million: El Mirador in the province of Burgos, Montigalà in Badalona, near Barcelona, and Atalayas, in the center of Murcia.

In December, 2016, Carmila also acquired the FAN shopping center in Palma de Majorca from Carrefour Property España for a total of €164.5 million. This shopping center, composed of 126 shops, is the leading shopping center for the island of Majorca, which has more than a million residents.

The completion of these transactions enabled Carmila to strengthen its position in Spain by adding to its portfolio four new shopping centers anchored by Carrefour hypermarkets, and brought the number of the Group's assets in Spain to 70.

The 2016 fiscal year also saw the first completions of expansion projects with the delivery of the first phase of BAB 2 in Biarritz, Nevers and Bourges, representing an investment of €60.0 million. In addition, the Nichelino project, in Italy, was consolidated by the equity method. The opening of the second phase of BAB2, a project carried out by Carmila, was completed in April 2017.

In Spain, 10 restructurings intended to improve shopping center merchandising mix were completed in 2016.

The Carmila Group's marketing activity was strong in 2016, with more than 800 lease signings in the three countries in which it operates, which led to a significant improvement in the financial occupancy rate (excluding strategic vacancies), which increased from 94.4% as of December 31, 2015 to 96% as of December 31, 2016.

Moreover, tenants' average occupancy cost ratio decreased from more than 11.2% in 2015 to less than 10.7% in 2016, with a particularly significant improvement in France, offset by a slight increase in Spain, due primarily to the consolidation of assets acquired in 2016.

The majority of tenant leases are indexed to the ILC and ICC in France, the CPI in Spain, and the ISTAT in Italy. The trend for these indices over the years 2015-2016 was stable or downward.

Gross rental income

The following table breaks down the Carmila Group's gross rental income in 2016 and 2015:

Gross rental income of the Carmila Group			
(in € millions)	**Fiscal year ended December 31,**		
	2016	**2015**	**Percent Change**
			(%)
Rent	274.5	258.8	6.1%
Up-front charges and other fees	1.2	1.6	-25.8%
Gross rental income	**275.7**	**260.3**	**5.9%**
of which France	*201.2*	*192.4*	*4.5%*
of which Spain	*55.3*	*51.0*	*8.4%*
of which Italy	*19.2*	*16.9*	*13.6%*

The Carmila Group's gross rental income increased by 5.9% from 2015 to 2016, from €260.3 million to €275.7 million, due in particular to marketing efforts in Spain and the full-year effect of acquisitions in France in 2015.

France

Gross rental income in France increased by 4.5% in 2016, from €192.4 million in 2015 to €201.2 million in 2016. The increase in gross rental income in France in 2016 was primarily the result of the following factors:

- an increase in the financial occupancy rate (excluding strategic vacancies) from 94.3% in December 2015 to 96.1% in December 2016;

- an increase in revenues from specialty leasing and temporary stores (up by €0.7 million in 2016);

- a decrease of 39 basis points in the occupancy cost ratio, from more than 10.9% in 2015 to less than 10.6% in 2016;

- the positive effect of acquisitions and reparcellings completed in 2016, as well as the full-year effect of acquisitions carried out at the end of 2015; and

- the impact of completed expansions (an increase of €0.7 million in 2016).

Spain

Gross rental income in Spain increased by 8.4% in 2016, from €51.0 million in 2015 to €55.3 million in 2016. The increase in gross rental income in Spain in 2016 was primarily the result of the following factors:

- a 1.6% increase in footfall at the shopping centers[25];

- an increase of 15.3% in revenues from specialty leasing and temporary stores;

- an increase in the financial occupancy rate from 91.5% in 2015 to 94.8% in 2016;

- a net leasing increase (*i.e.*, an increase in rent resulting from the balance between vacant premises that were leased, premises that were vacated and terminations converted into renewals during the period) of €2.3 million, including 231 renewals with a rent increase of 4.1% of the guaranteed minimum rent and a discontinuation of rental relief, for a post-relief rent increase of 9.8%; and

- the effect of the acquisitions of FAN in Palma de Majorca and of the Hispania Retail Properties portfolio, with a positive impact of €2.7 million on gross rental income.

Italy

Gross rental income in Italy increased by 13.8% in 2016, from €16.9 million in 2015 to €19.2 million in 2016. The increase in gross rental income in Italy in 2016 was primarily the result of the following factors:

- the full-year effect of the lot acquisitions carried out in 2015; and

- maintenance of a financial occupancy rate (excluding strategic vacancies) of greater than 99%, with a stronger merchandising mix. This optimization of the mix improved the sites' attractiveness and collections due to the quality of the tenants.

Net rental income

The Carmila Group's net rental income increased from €243.9 million in 2015 to €252.5 million in 2006, an increase of 3.5%. This increase was primarily the result of the 5.9% increase in gross rental income, partially offset by an increase in the expenses borne by the Carmila Group, as owner, and due to the unfavorable impact of the legal restructuring of a recently acquired shopping center.

[25]On a comparable basis for 17 sites equipped with counting devices.

The following table breaks down net rental income in 2015 and 2016.

Net rental incomes of the Carmila Group			
(in € millions)	Fiscal year ended December 31,		
	2016	2015	Percent Change (%)
Gross rental income	**275.7**	**260.3**	**5.9%**
Property tax	(15.4)	(11.9)	
Charges passed on to tenants	11.5	10.2	
Unrecovered property tax	**(3.9)**	**(1.7)**	
Rental charges	(46.9)	(45.4)	
Charges passed on to tenants	38.6	36.6	
Unrecovered rental charges	**(8.3)**	**(8.8)**	**5.8%**
Management fees	(0.3)	(0.3)	
Charges passed on to tenants	-		
Losses and impairments on receivables	(7.5)	(3.1)	
Other charges	(3.2)	(2.5)	
Property owner expenses	**(11.0)**	**(6.0)**	
Net rental income	**252.5**	**243.9**	**3.5%**
of which France	184.9	182.8	*1.2%*
of which Spain	49.3	45.1	*0.5%*
of which Italy	18.3	16.0	*14.2%*

Expenses included in the calculation of net rental income represented €23.2 million in 2016, as compared with €16.5 million in 2015, an increase of 40.5%, during a period when gross rental income increased by 5.9%. The increase in expenses included in the calculation of net rental income was principally due to the increase in net losses and impairments on receivables, which rose from €3.1 million in 2015 to €7.5 million in 2016, due in particular to the impact of insolvency proceedings for certain tenant retailers in France and to an increase in unrecovered property taxes, which rose from €1.7 million in 2015 to €3.9 million in 2016, mostly in France and in Spain, due to the effects of acquisitions and expansions in 2015 and 2016. The increase in these two amounts was partially offset by a decrease in unrecovered rental expenses, which fell from €8.8 million in 2015 to €8.3 million in 2016, due to an improvement in the financial occupancy rate (the result of a decrease in unrecovered expenses on vacant lots).

Operating expenses

Operating expenses increased from €32.8 million in 2015 to €41.6 million in 2016, an increase of 26.9%.

The following table breaks down operating expenses in 2015 and 2016.

Operating expenses of the Carmila Group			
(in € millions)	Fiscal year ended December 31,		
	2016	2015	Percent Change (%)
Personnel costs	(22.6)	(16.0)	41.6%
Other income from services	9.0	8.7	3.7%
Other external costs	(29.7)	(26.7)	11.2%
Management, administration, and other revenues	1.6	1.1	43.9%
Operating expenses	**(41.6)**	**(32.8)**	**26.9%**

Personnel costs

The Carmila Group's personnel costs increased by 41.6% in 2016, from €16.0 million in 2015 to €22.6 million in 2016. This increase was the result of:

- the progressive increase in headcount due to Carmila's rapid growth, with 36 full-time equivalent ("**FTE**") employees recruited in 2016 and the full-year effect of the 35-FTE employee increase in 2015. The increase in headcount was related, among other things, to the deployment of the "smart shopping center company" marketing strategy, which required expanding the marketing teams, and to the increase in the number of shopping center directors. The Carmila Group's headcount also increased as a function of integrating certain personnel from acquisitions carried out between 2014 and 2016; and
- the setting up in 2016 of free share grant plans for executives and certain employees. The benefits granted under these plans are recorded in personnel costs, for a total of €2.0 million, including the social contribution (*forfait social*). In addition to this share grant plan, multi-year bonuses due in 2016 were provisioned in the amount of €1.5 million. These two components had no equivalents in prior years.

Other external costs

Other external costs in 2016 totaled €29.7 million, as compared with €26.7 million in 2015. The increase was due to several factors, including: (i) the automatic effect of the growth in gross rental income, which impacted the fees paid to the Carrefour Group under the lease management and property management agreements, and (ii) expenses relating to development of the "smart shopping center company" strategy, such as marketing tools and digital applications.

Fair value adjustments

Net fair value adjustments on investment properties was a net positive adjustment of €157.7 million in 2016, a decrease of 12.2% as compared with the net positive adjustment of €179.6 million recorded in 2015. The fair value adjustment in 2015 reflected (i) the integration of the properties purchased at the end of 2014 and (ii) a decision made as of December 31, 2014 to defer the fair value adjustment of the investment properties in Spain due to uncertainties with respect to Spain's economic outlook. This postponement increased the fair value adjustment recorded in the income statement in 2015.

- In France, net fair value adjustments were positive, with a net fair value increase of €52.6 million. The increase was smaller than the increase in 2015 of €80.5 million, due to the integration of acquired assets in 2015, including assets that had been acquired in November 2014 but were not appraised as of December 31, 2014.

- In Spain, the Carmila Group recorded a €94.9 million net increase in fair value of investment properties in 2016, in line with the €93.3 million increase in 2015. The Group's caution on the fair value appraisal of properties in Spain at the end of 2014—which led to a postponement of the fair value adjustment as determined by its appraisers as of such date to account for the uncertainty regarding the Spanish economy—resulted in an increase in the fair value adjustment in 2015. While the adjustment in 2015 was largely due to the improvement in economic conditions, the 2016 adjustment reflected the significant effort invested in marketing vacant lots and re-letting other premises to vary the offerings of the Spanish teams.

- In Italy, the net positive fair value adjustment nearly doubled, from €5.7 million in 2015 to €10.2 million in 2016.

Operating income

Operating income decreased 5.3%, from €397.5 million in 2015 to €376.3 million in 2016.

- In France, operating income decreased from €234.6 million in 2015 to €206.0 million in 2016, as a result of the smaller contribution of the investment property fair value adjustment, which decreased by €27.9 million, more than offsetting the increase in net rental income.

- In Spain, operating income was relatively stable, falling from €143.2 million in 2015 to €142.4 million in 2016, with a strong contribution, in both years, from the net investment property fair value adjustments, which were €93.3 million and €94.9 million, respectively. The contribution to operating income of net rental income, net of operating expenses, was unable to fully offset the €4.8 million decrease in the Group's share of the net income of equity-accounted companies. In 2015, that share had increased significantly due to the fair value adjustment of equity-accounted companies.

- In Italy, operating income was €19.6 million in 2015 and €27.9 million in 2016. The increase was primarily due to the full-year effect of acquisitions carried out in 2015 and the increase in net fair value adjustments.

Net financial income (expense)

The following table breaks down the components of interest income (expense) in 2015 and 2016.

Net financial income (expense) of the Carmila Group			
(in € millions)	**Fiscal year ended December 31,**		
	2016	**2015**	**Percent Change**
			(%)
Cost of net financial debt	**(49.3)**	**(38.8)**	**27.0%**
Other financial income and expenses	(3.0)	(1.8)	66.5%
Net financial income (expense)	**(52.3)**	**(40.6)**	**28.6%**

Cost of net financial debt

Cost of net financial debt increased by 27.0%, from €38.8 million in 2015 to €49.3 million in 2016. The increase primarily reflects the following:

- interest expense (including issuance costs) on bonds issued in September 2015 and March 2016;

- early repayment costs relating to the partial repayment of outstanding amounts under the Credit Agreements (as such term is defined in Section 10.4, "Indebtedness") in September 2015 and in March, May, and June 2016, for €2.5 million in 2015 and €3.2 million in 2016 (partially offset by a reduction in interest expense on the amounts repaid);

- the progressive implementation of hedging instruments, which represented a €9.0 million expense in 2015 and a €6.3 million expense in 2016; and

- amortization of the €2.4 million cash payment following a swap unwinding in 2016 (see Note 7.9 to Carmila's consolidated financial statements, included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016").

Other financial income and expenses

Other financial income and expenses represented a net expense of €3.0 million in 2016, as compared with a net expense of €1.8 million in 2015. The increase was mainly due to the €0.5 million decrease

in financial income in 2016 and to the increase in commitment commissions relating to the Group's entry into a new revolving credit facility, for €0.9 million.

Income taxes

Income taxes totaled €28.4 million in 2016, as compared with €31.6 million in 2015. The change was primarily due to Financière GERIC, which had not elected for taxation under the SIIC regime in 2016, as well as to taxes payable in Italy. Deferred income tax expense decreased from €29.0 million in 2015 to €24.2 million in 2016, due to the size of the fair value adjustments on assets held in Spain and Italy. The decrease in this expense from 2015 to 2016 was essentially due to the decrease in income tax rates in both jurisdictions (from 28% to 25% in Spain and from 32% to 27.5% in Italy).

Net income

The Carmila Group recorded consolidated net income of €295.6 million in 2016, a decrease of 9.1% as compared with €325.3 million in 2015.

Net income, Group share totaled €294.5 million in 2016, a decrease of 9.3% as compared with net income, Group share of €324.8 million in 2015.

Net income attributable to non-controlling interests was €0.5 million in 2015 and €1.1 million in 2016.

All of these amounts were impacted by the smaller increase in fair value adjustments between 2015 and 2016, despite the growth in gross rental income.

9.6 COMPARISON OF THE CARMILA GROUP'S CONSOLIDATED RESULTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2014 AND 2015

The 2014 fiscal year covers the period from June 1 through December 31, 2014 (7 months), since Carmila ended its previous fiscal year early on May 31, 2014 in order to opt into the SIIC tax regime. As a consequence, results for 2014 may not be fully comparable to 2015.

The Carmila Group's Activity in 2015

The 2015 fiscal year saw significant acquisitions, including the purchase of the Pulse portfolio (Sannois, Mont-Saint-Aignan and Puget-Sur-Argens) and the Draguignan, Lievin, Ormesson and Thionville sites. Reparcelling transactions were also conducted on the French portfolio. In Italy, several stand-alone independent lots located within Carmila sites were acquired. The total investment amount for 2015 in these transactions was €306.7 million.

The shopping center renovation program continued and expanded in 2015. More than 50 shopping centers were renovated, for total site renovation investments of €34.2 million.

The Group's expansion program also began during the year, with the launch of BAB 2 construction and active pre-marketing of 2016-2017 expansion projects.

Alongside these activities, the Group's operating teams managed Kart II[26] assets that represented a substantial change in the scope and composition of the Group's real estate assets.

Finally, the first steps for renovations and the launch of the "smart shopping center company" strategy facilitated strong progress by marketing teams and improved merchandising mix.

[26]"Kart II" was the transaction in which the Carmila Group acquired six shopping centers from Unibail Rodamco for a market value (including transfer taxes) of €927 million and acquired three assets from Carrefour Property España, as well as medium-sized retail spaces, for a market value (including transfer taxes) of €181.6 million.

Gross rental income

The following table breaks down the Carmila Group's gross rental income in 2015 and 2014:

Gross rental income of the Carmila Group			
(in € millions)	Fiscal year ended December 31,		
	2015	2014 (7 months)	Percent Change (%)
Rent	258.8	109.9	135.4%
Up-front charges and other fees	1.6	0.5	
Gross rental income	**260.3**	**110.4**	**135.9%**
of which France	*192.4*	*78.5*	
of which Spain	*51.0*	*22.4*	
of which Italy	*16.9*	*9.5*	

The Carmila Group's gross rental income increased by 135.9%, from €110.4 million in 2014 (a seven-month fiscal year) to €260.3 million in 2015. The increase in the Carmila Group's gross rental income was primarily the result of the difference between the lengths of the two fiscal years and of the impact of the acquisitions completed in 2014 and 2015.

France

The Carmila Group's gross rental income in France increased by 145.0% in 2015, from €78.5 million in 2014 (a seven-month fiscal year) to €192.4 million in 2015. The increase in gross rental income in France in 2016 was primarily the result of the following factors:

- the full-year effect of 2014 acquisitions, including the Kart II transaction;
- the impact on gross rental income of the acquisitions completed in 2015; and
- the signing of 154 new leases for vacant premises, as compared with 103 terminations received, of which 30 were converted into renewals, generating total annualized positive inflows of €1.1 million.

Spain

Gross rental income in Spain increased by 127.8% in 2015, from €22.4 million in 2014 (a seven-month fiscal year) to €51.0 million in 2015. The increase in gross rental income in Spain in 2015 was primarily the result of the following factors:

- the full-year effect of the assets acquired in the Kart II transaction;
- marketing efforts, with a 3.5 point increase in the financial occupancy rate; and
- the entry into 218 new leases for vacant premises, compared with 128 terminations received and 12 terminations converted into renewals, for an overall increase of 102 occupied premises, representing €3.7 million in guaranteed minimum rent over a full year.

Italy

Gross rental income in Italy increased by 77.9% in 2015, from €9.5 million in 2014 (a seven-month fiscal year) to €16.9 million in 2015. The increase in gross rental income in Italy in 2015 was primarily the result of the following factors:

- the automatic effect of the full year and acquisitions completed in 2015; and
- entry into 14 leases net of terminations, for a total annualized increase in rent of €0.7 million.

Net rental income

The Carmila Group's net rental income increased from €100.2 million in 2014 (a seven-month fiscal year) to €243.9 million in 2015. The following table shows the breakdown of net rental income in 2014 and 2015.

Net rental incomes of the Carmila Group			
(in € millions)	Fiscal year ended December 31,		
	2015	2014 (7 months)	Percent Change (%)
Gross rental income	**260.3**	**110.4**	**135.8%**
Property tax	(11.9)	(6.1)	95.1%
Charges passed on to tenants	10.2	5.1	100%
Unrecovered property tax	**(1.7)**	**(1.0)**	**70%**
Rental charges	(45.4)	(18.2)	149.5%
Charges passed on to tenants	36.6	17.5	109.1%
Unrecovered rental charges	**(8.8)**	**(0.7)**	**1157.1%**
Management fees	(0.3)	-	
Charges passed on to tenants	-		
Losses and impairments on receivables	(3.1)	(8.1)	(61.72)%
Other charges	(2.5)	(0.5)	(40.0)%
Property owner expenses	**(6)**	**(8.6)**	**(30.2)%**
Net rental income	**243.9**	**100.2**	**143.4%**
of which France	*182.8*	*70.7*	*158.6%*
of which Spain	*45.1*	*21.0*	*114.8%*
of which Italy	*16.0*	*8.4*	*90.5%*

Expenses included in the calculation of net rental income represented €16.5 million in 2015, an increase of 61.5% as compared with €10.2 million in 2014 (a seven-month fiscal year), during a period when gross rental income increased by 135.8%.

Operating expenses

Operating expenses increased from €15.5 million in 2014 (a seven-month fiscal year) to €32.8 million in 2015, an increase of 111.6%. The following table breaks down operating expenses in 2014 and 2015.

Operating expenses of the Carmila Group			
(in € millions)	Fiscal year ended December 31,		
	2015	2014 (7 months)	Percent Change (%)
Personnel costs	(16.0)	(8.6)	86.0%
Other income from services	8.7	3.7	135.1
Other external costs	(26.7)	(10.8)	147.2%
Management, administration, and other revenues	1.1	0.3	266.7%
Operating expenses	**(32.8)**	**(15.5)**	**111.6%**

Personnel costs

The Carmila Group's personnel costs increased by 86.0% in 2015, from €8.6 million in 2014 (a seven-month fiscal year) to €16.0 million in 2015. Aside from the effect of the seven months of activity in 2014, the increase in personnel costs was due to the 35-FTE employee increase in Carmila's headcount and the full-year inclusion in 2015 of new employees hired in 2014.

Other external costs

Other external costs in 2015 totaled €26.7 million, as compared with €10.8 million in 2014 (a seven-month fiscal year).

Fair value adjustments

Net fair value adjustments on investment properties was a net increase of €179.6 million in 2015, as compared with a net decrease of €198.6 million in 2014. The negative amount recorded in 2014 primarily reflects the difference between the fair value (including transfer taxes) for which the assets were initially recorded on the balance sheet and their fair value (excluding transfer taxes) at the end of the fiscal year. As discussed above with respect to 2015, concerns about the Spanish economy at the end of 2014 led to a postponement of the fair value adjustment for properties in Spain as determined by the Group's appraisers as of December 31, 2014. The result was a reduced adjustment in 2014, leading to an outsized effect from the write-down of transfer taxes and resulting in additional increased fair value in 2015.

Operating income

Operating income went from a loss of €118.8 million in 2014 (a seven-month fiscal year) to income of €397.5 million in 2015, due in particular to positive fair value adjustments on investment properties, as described above.

Net financial income (expense)

The following table shows the components of interest income (expense) in 2014 and 2015.

Net financial income (expense) of the Carmila Group			
(in € millions)	**Fiscal year ended December 31,**		
	2015	**2014 (7 months)**	**Percent Change**
Cost of net financial debt	**(38.8)**	**(13.8)**	**181.3%**
Other financial income and expenses	(1.8)	(1.6)	11.8%
Net financial income (expense)	**(40.6)**	**(15.4)**	**163.8%**

Cost of net financial debt increased by 181.3%, from €13.8 million in 2014 (a seven-month fiscal year) to €38.8 million in 2015. Other than the effect of the shorter 2014 fiscal year, the increase in net cost of financial indebtedness in 2015 reflects interest owed on debt incurred to finance acquisitions in 2014 and 2015.

Income taxes

Income taxes increased from €3.7 million in 2014 to €31.6 million in 2015. Income tax due increased from €1.8 million in 2014 to €2.5 million in 2015, while the deferred income tax expense increased from €1.9 million in 2014 to €29.0 million in 2015, due to the decision not to recognize the fair value adjustment in Spain in 2014, but to postpone it until December 31, 2015.

Net income

The Carmila Group recorded consolidated net income of €325.3 million in 2015 and a consolidated net loss of €137.9 million for the seven-month fiscal year in 2014.

Net income, Group share totaled €324.8 million in 2015, compared to a net loss, Group share of €134.9 million in 2014.

10. LIQUIDITY AND CAPITAL RESOURCES

The following discussion presents an analysis of the Carmila Group's financial condition as of December 31, 2015 and 2016. An analysis of Cardety's financial condition as of the same dates is presented in Chapter 10 of Cardety's 2015 and 2016 Registration Documents.

10.1 OVERVIEW -- CARMILA GROUP

The Carmila Group's primary sources of liquidity are its operating cash flows and borrowings. As rents and charges are invoiced to tenants quarterly in France and in Italy, monthly in Spain, and generally in advance, the Carmila Group's working capital requirements relating to ongoing activities are structurally low.

The Carmila Group principally uses its sources of liquidity in order to (i) finance renovation, works and maintenance; (ii) finance expansions and restructurings of its shopping centers and acquisitions; (iii) repay credit lines and pay the related interest; and (iv) distribute dividends. Because New Carmila has elected to be treated as a SIIC, it will be required to distribute (as dividends) at least 95% of its tax-exempt income from rental activity, 100% of the dividends paid by its subsidiaries that have elected to be taxed as SIICs, and at least 60% of its capital gains from disposals of properties or of certain investments in real estate companies. See Section 4.4.7, "The New Carmila Group will be subject to risks in France relating to restrictions under the tax regime applicable to Listed Real Estate Investment Companies (*Sociétés d'Investissement Immobilier Cotées*, or "**SIIC**"), to a potential change in the rules under that regime, or to the loss of its status under the regime".

As of December 31, 2016, the Carmila Group's net financial indebtedness was €2,147.2 million. Its gross financial indebtedness was €2,218.4 million and its cash and cash equivalents were €71.2 million. The Group's LTV ratio (including transfer taxes and construction in progress) was 41.4% as of December 31, 2016.

The Carmila Group's shareholders' equity, Group share was €2,642.8 million as of December 31, 2016. Its EPRA net asset value (excluding transfer taxes) was €2,773.1 million as of the same date, compared with €2,463.3 million as of December 31, 2015.

10.2 CASH FLOWS

The table below shows the Carmila Group's cash flows for the 2015 and 2016 fiscal years.

Carmila Group Cash Flows			
(in € millions)	**Fiscal year ended December 31,**		
	2016	**2015**	**Percent Change**
			(%)
Cash flows from operating activities	177.7	214.2	(17.0)%
Of which change in working capital requirement	*(29.2)*	*13.6*	
Cash flows from investing activities	(437.1)	(414.9)	5.4%
Cash flows from financing activities	195.1	199.6	(2.3)%
Change in net cash position	**(64.3)**	**(1.1)**	
Opening cash position	119.4[1]	120.6[1]	
Closing cash position	55.1[1]	119.4[1]	

[1] Equal to gross cash and cash equivalents minus bank overdrafts.

Cash flows from operating activities

Cash flows from operating activities decreased by 17.0%, from €214.2 million in 2015 to €177.7 million in 2016, due primarily to a €29.2 million increase in working capital requirements in 2016, as

compared with a €13.6 million decrease in working capital requirements in 2015. The increase in working capital requirements in 2016 as compared with 2015 resulted from the acquisition of the FAN site by Carmila Mallorca, which generated a VAT credit of €30.8 million in December 2016, significantly increasing working capital requirements.

Excluding changes in working capital requirements, the Carmila Group's operating cash flow before cost of net financial indebtedness and taxes remained stable at €208.4 million in 2015, compared to €209.0 million in 2016. This stability reflects the Carmila Group's net income after elimination of non-cash items (in particular fair value adjustments on investment properties), cost of net financial indebtedness and net income tax expense.

Cash flows from investment activities

Net cash outflows from investment activities were €414.9 million in 2015 and €437.1 million in 2016. These cash outflows include investments through the acquisition of shares in real estate companies and investments in the form of acquisitions of properties or other fixed assets. All of these acquisitions are considered acquisitions of isolated investment properties and accounted for in accordance with IAS 40, which means that they are recorded in assets as investment properties together with the associated transaction costs. These real estate investments are analyzed in Section 10.3, "Real Estate Investments".

Cash flows from financing activities

The Carmila Group's net cash flows from financing activities were €199.7 million in 2015 and €195.1 million in 2016. The Group issued €735.0 million in new debt in 2016 (including, in particular, a bond issuance with a nominal amount of €600 million, with €593 million in net proceeds received by the Group) and repaid loans in the amount of €408.2 million. In 2015, the Group issued €623.3 million in new debt (including a first bond issuance with a nominal amount of €600 million, with €593 million in net proceeds received by the Group) and repaid €326.8 million in loans. Carmila paid €64.2 million in an exceptional distribution of premium in 2015 and €77.3 million in 2016. In April 2016, the Group offered its shareholders the option to receive the balance of the 2015 premium distribution in the form of new shares. A majority of such shareholders opted for payment in shares, so that only €13.4 million was paid in cash.

10.3 REAL ESTATE INVESTMENTS

The Carmila Group's real estate investments primarily include (i) acquisitions of properties and of shares in companies whose principal assets are properties; (ii) expansions; (iii) renovations; and (iv) restructurings of lots and maintenance.

The following table breaks down the Carmila Group's real estate investments by type and by country over the 2014-2016 period:

(in € millions)	2014 (7 months)	2015	2016	Total
France				
Renovations	14.1	22.3	11.1	47.5
Expansions	0.0	39.4	69.6	109.0
Acquisitions	979.4	255.8	76.9	1,312.1
Restructurings (including construction by tenants)	1.5	17.7	13.9	33.1
Other [(1)]	2.5	2.4	-	4.9
Maintenance	5.1	4.6	5.4	15.1
Total France[(4)]	***1,002.7***	***342.3***	***176.9***	***1,521.9***
Spain				
Renovations	5.1	9.5	6.7	21.3
Expansions	-	-	-	-
Acquisitions	170.6	0.5	243.3	414.4
Restructurings (including construction by tenants)	0.1	0.2	6.4	6.7
Other [(2)]	12.4[(1)]	-	-	12.4
Maintenance	0.2	0.6	0.2	1
Total Spain	***188.3***	***10.9***	***256.6***	***455.8***
Italy				
Renovations	-	2.4	4.3	6.7
Expansions	-	7.7	0.6	8.3
Acquisitions	0.0	50.4	4.7	55.1
Restructurings (including construction by tenants)	-	0.8	0.0	0.8
Other	-	-	-	-
Maintenance	0.2	2.5	0.6	3.3
Total Italy	***0.3***	***63.8***	***10.2***	***74.3***
Total Carmila Group[(3)(4)]				
Renovations	19.2	34.2	22.1	75.5
Expansions	0.0	47.2	70.1	117.3
Acquisitions	1,150.1	306.7	325.0	1,781.8
Restructurings (including construction by tenants)	1.6	18.7	20.3	40.6
Other	14.9	2.4	-	17.3
Maintenance	5.6	7.8	6.2	19.6
Total[(4)]	**1,191.3**	**416.9**	**443.7**	**2,051.9**

(1) Amounts spent in connection with canopy damage in Nice, reimbursed by insurance in 2016.
(2) "Other" investments in Spain include Carmila España's acquisition of receivables owed by the tenants of certain shopping centers in connection with the Kart I transaction, carried out after the acquisition date of the corresponding properties.
(3) The investments indicated above include the acquisition of fixed assets other than investment properties, which are recorded under a separate line item in the Consolidated Cash Flow Statement. An example would be an investment in shares of companies with real estate assets.
(4) Includes technical plant, machinery and equipment in the amounts of €0.2 million in 2015 and €1.5 million in 2016.

Acquisitions

The Carmila Group's principal acquisitions are described below. The Carmila Group also completed several smaller acquisitions during the periods indicated, including acquisitions of isolated lots or reparcelling of certain assets.

Principal acquisitions in 2014 (seven-month fiscal year). In July 2014, Carmila purchased the Laval shopping center from KKR for €43.5 million. On November 28, 2014, the Carmila Group finalized the acquisition of six regional shopping centers in France (Bay 1, Bay 2, Orléans Place d'Arc, Cité Europe, BAB 2 and Toulouse Labège) from Unibail-Rodamco for a total of €927.6 million, and

acquired three other major shopping centers in Spain, as well as medium-sized stores and individual lots, from the Carrefour Group for a total value of €181.6 (of which €138.2 million was for the purchase of the three major shopping centers in Spain: Holéa, Talavera and the leader shopping center *As Cancelas* in Saint-Jacques de Compostelle, which is co-owned (50% each) with a partner, Realia).

Principal acquisitions in 2015. In 2015, the Carmila Group continued to pursue its strategy of reparcelling and acquiring shopping centers adjoining Carrefour Group hypermarkets with strong development potential, and completed the following significant acquisitions:

- On January 9, 2015, the Carmila Group acquired the Montluçon shopping center from SOFODIC for €20.6 million, including transfer taxes;

- On January 29, 2015, the Carmila Group acquired a portfolio of three shopping centers in Puget-sur-Argens, Mont-Saint-Aignan and Sannois from CBRE Investors for a total of €91.5 million, including transfer taxes;

- On September 30, 2015, the Carmila Group acquired equity securities in the company owning the Geric shopping center in Thionville for an amount of €60.6 million (asset value of €127.8 million, including transfer taxes); and

- On December 31, 2015, the Carmila Group acquired the Ormesson Pince-Vent shopping centers from third parties for a total value of €43.6 million (including the purchase of 50% of the shares of SCI Dominique, which included the refinancing of partner advances).

Principal acquisitions in 2016. In 2016, the Carmila Group carried out several significant acquisitions, reinforcing its presence in Spain and completing an acquisition in France:

- On August 5, 2016, the Carmila Group acquired three major shopping centers in Spain from Hispania Retail Properties (El Mirador in the Burgos province, Montigal in Badalona, and Atalayas, in the center of Murcia), for a total of €76.7 million;

- On December 15, 2016, it also acquired the FAN shopping center in Palma de Majorca from Carrefour Property España for a total of €164.6 million; and

- On February 26, 2016, the Carmila Group became the sole shareholder of SA Financière Geric, the owner of the Thionville shopping center, for an investment of €32 million (value of shares acquired).

Expansions

In 2014, Carmila began a detailed review of its real estate assets in order to implement a program to expand shopping centers with high development potential in partnership with Carrefour Property, a wholly owned subsidiary of the Carrefour Group. In 2016 it completed expansion projects in Bourges, Nevers and BAB 2 in Biarritz (Phase 1) in France. In total, the Carmila Group invested €117.3 million in its expansion program, including €47.2 million in 2015 and €70.1 million in 2016.

Restructurings

The restructuring of a shopping center consists of the reorganization of its merchandising mix in order to optimize the site, improve its attractiveness and increase its yield. In particular, restructuring initiatives can enable the creation of larger lots where medium-sized stores can be located, in order to create denser traffic flows and reinforce the attractiveness of New Carmila's stores. The Carmila Group's restructuring investments were primarily made from 2015 onward, including €18.7 million in 2015 and €20.3 million in 2016.

Renovations

Renovations consist of modernizing and maintaining New Carmila's property portfolio to adapt to the expectations of tenant retailers and end consumers by making its shopping centers more appealing.

Pursuant to the Renovation and Development Agreement, the Carmila Group and the Carrefour Group agreed to carry out an initial renovation program for certain sites in a total contemplated amount of €238.5 million (excluding taxes), of which €74.5 million would be borne by the Carmila Group, with additional renovations to be financed based on the percentages of the assets held by the two groups. As shopping centers have been acquired by the Carmila Group, they have benefited from this major renovation plan in conjunction with the remodeling of the Carrefour Group's hypermarkets, while preserving customer footfall at these sites during the works. During the 2014-2016 period, the Carmila Group renovated 89% of the shopping center sites in its portfolio as of December 31, 2016. Total site renovation investments were €295.7 million, of which €75.5 million was invested by the Carmila Group, with the completion of the program expected by the end of 2017.

- The Carmila Group launched the renovation program in 2014, with 66 Carmila shopping center sites renovated for a total investment by the Carmila Group of €19.2 million.

- The Carmila Group also continued to renovate its properties at a sustained pace in 2015, with 51 Carmila shopping center sites renovated in conjunction with Carrefour Group hypermarkets, for total site renovation investments of €34.2 million by the Carmila Group.

- In 2016, the Carmila Group renovated 52 additional shopping centers in conjunction with Carrefour Group hypermarkets, for total site renovation investments of €22.1 million by the Carmila Group.

10.4 INDEBTEDNESS

10.4.1 Gross financial indebtedness of the Carmila Group

As of December 31, 2016, gross financial indebtedness was €2,218.4 million (including bank overdrafts in the amount of €16.1 million), with two main components:

- €851.5 million in bank debt; and

- €1,200.0 million in bonds.

The Carmila Group also has a commercial paper program for a maximum amount of €600 million, of which €142.0 million was outstanding as of December 31, 2016. Moreover, it had available credit of €746.5 million under its credit facilities as of December 31, 2016.

Bank debt: First Credit Agreement and Second Credit Agreement

Carmila entered into two credit agreements (the "**First Credit Agreement**" and the "**Second Credit Agreement**" and, together, the "**Credit Agreements**") with banking syndicates. The following discussion summarizes the principal terms of the Credit Agreements. See Note 7.2.3 of Carmila's consolidated financial statements for additional information.

The Credit Agreements do not provide for guarantees or security.

The First Credit Agreement

The First Credit Agreement was entered into with a banking syndicate on December 15, 2013 to finance the acquisition of a portfolio of shopping centers from the Klépierre group in May 2014 (see Section 6.5, "History and Development of the Carmila Group"). The First Credit Agreement has been

amended twice, with the most recent modification dated July 30, 2015. It is composed of a €1.05 billion term loan and a €350 million revolving credit facility. It matures on July 30, 2021, and Carmila has the right to extend for one year (this option is exercisable between May 1, 2017 and June 30, 2017). The Carmila Group repaid a portion of the term loan on September 18, 2015, in the amount of €296.2 million. As of December 31, 2016, the outstanding balance under the term loan was €753.8 million, and the revolving credit line had not been drawn.

Drawdowns under the First Credit Agreement are in euros and bear interest at a rate equal to EURIBOR plus a margin. Crédit Agricole Corporate and Investment Bank acts as agent for the financing parties under the First Credit Agreement.

The Second Credit Agreement

The Second Credit Agreement was entered into with a banking syndicate on September 17, 2014 to finance a portion of the shopping center acquisitions from Unibail and Carrefour in November 2014 (see Section 6.5, "History and Development of the Carmila Group"). The Second Credit Agreement has been amended twice, with the most recent modification dated May 31, 2016. It includes a term loan of €496 million fully drawn on November 28, 2014, and a €124 million revolving credit line, increased on May 31 2016 to a maximum available amount of €396.5 million. The Second Credit Agreement matures on September 17, 2019.

A portion of the term loan was repaid in 2016: €296.3 million was repaid on March 30, 2016, €11.3 million was repaid on May 31, 2016 and €98.4 million was repaid on June 16, 2016. As of December 31, 2016, the outstanding balance under the term loan was €90.0 million, and the revolving credit line had not been drawn.

Drawdowns under the Second Credit Agreement are in euros and bear interest at a rate equal to EURIBOR plus a margin. The margin varies based on the loan to value (LTV) ratio. Natixis acts as agent for the financing parties under the Second Credit Agreement.

Change of Control Clauses

The Credit Agreements contain clauses that grant the lenders thereunder the right to accelerate outstanding amounts and cancel their commitments if:

- the Carrefour Group were to reduce its investment in the Carmila Group, directly or indirectly, to less than 20% of the Carmila Group's share capital and/or voting rights; or

- a third party (other than the Carrefour Group) came to hold, directly or indirectly, more than 40% of the Carmila Group's share capital and/or voting rights and the Carrefour Group were to hold less than 33.33%.

These clauses will not be triggered by the Merger.

Financial Covenants

The Credit Agreements require Carmila to comply with certain ratios and financial covenants as of year-end or at the end of a half-year period until the loans are fully repaid:

- The Carmila Group is required to maintain an interest coverage ratio (defined as the ratio of EBITDA (excluding fair value adjustments) to the net cost of financial indebtedness) ("**ICR**") of greater than 2.00 as of each calculation date.

- The Carmila Group is required to maintain a loan-to-value ratio less than or equal to 0.55 as of each calculation date; it is specified in the First Credit Agreement that the ratio may be

greater than 0.55 on a calculation date if it does not exceed 0.6 on the calculation date in question and if the ratio on the prior calculation date did not exceed 0.55, and if Carmila provides a certificate describing the measures that will be taken to ensure that the ratio will not exceed 0.55 on the following calculation date.

- The Carmila Group's secured consolidated indebtedness must not exceed 20% of the fair value of the Carmila Group's real estate assets on any calculation date.

- The fair value of the Carmila Group's real estate assets must be equal to or greater than €1 billion on each calculation date.

The fair value of real estate assets is calculated including transfer taxes and costs for the First Credit Agreement and excluding transfer taxes and costs for the Second Credit Agreement.

Non-compliance with any of these ratios or financial covenants constitutes an event of default under the Credit Agreements, subject to a grace period.

Events of default

The Credit Agreements contain events of default, in particular for non-payment, non-compliance with covenants (including the financial covenants described above), certain cross-defaults (subject to a threshold of €50 million), certain bankruptcy or insolvency events affecting Carmila, conditions relating to the validity or the enforceability of its credit agreements, the loss of SIIC status, or any event having a material adverse effect. If an event of default occurs, the Agent may, and must if so directed by the majority of the lenders under the Credit Agreement in question, take various actions, including accelerating the amounts due under the Credit Agreement in question and cancelling the lenders' commitments, subject to certain grace periods and exceptions.

Bond issuances: 2023 Bonds and 2024 Bonds

General

2023 Bonds: Carmila issued its first bonds on September 18, 2015. The bonds (the "**2023 Bonds**") have a nominal amount of €600 million, bear interest at a rate of 2.375% with payment dates on September 18 of each year, and will mature on September 18, 2023. The net proceeds of the issuance totaled €593 million, of which €296.2 million was used to repay a portion of the term loan under the First Credit Agreement.

2024 Bonds: Carmila completed a second bond issuance on March 24, 2016. The bonds (the "**2024 Bonds**" and, together with the 2023 Bonds, the "**Bonds**") have a nominal amount of €600 million, bear interest at a rate of 2.375% with payment dates on September 16 of each year, and will mature on September 16, 2024.

The Bonds are senior obligations of Carmila, and are not guaranteed or secured. They are admitted to trading on Euronext Paris.

Optional redemption

Carmila may redeem all or some of the Bonds before June 18, 2023, in the case of the 2023 Bonds, or before June 16, 2024, in the case of the 2024 Bonds, at a redemption price equal to the higher of the following amounts: (1) 100% of their principal amount, or (2) the sum of the present values of the amounts due under the Bonds (principal plus interest) plus a margin of 0.3% per year for the 2023 Bonds and of 0.4% per year for the 2024 Bonds, plus accrued and unpaid interest and any other additional amount (relating to tax withholding).

On and after June 18, 2023 and until (but excluding) the maturity date for the 2023 Bonds, Carmila may also redeem all (but not some) of the 2023 Bonds at a redemption price of 100% of their principal amount, plus any incurred and unpaid interest.

On and after June 16, 2024 and until (but excluding) the maturity date for the 2024 Bonds, Carmila may also redeem all (but not some) of the 2024 Bonds at a redemption price of 100% of their principal amount, plus any incurred and unpaid interest.

Moreover, if the principal amount of the 2023 Bonds or the 2024 Bonds is equal to or less than 20% of the initial principal amount of that Series (or of any issuance fungible with that issuance), Carmila will have the right to repay the entire Series (but not only a portion of it) at a purchase price of 100% of their principal amount, plus any incurred and unpaid interest.

Carmila may also repurchase Bonds on the market or in over-the-counter transactions.

Change of Control

Pursuant to the terms of the 2023 Bonds and of the 2024 Bonds, after a "Change of Control Event", as defined in the respective agreements governing the issuances, Carmila must offer to buy back the 2023 Bonds and the 2024 Bonds at a price of 100% of their principal amount, plus any accrued and unpaid interest and any additional amount (a "**Change of Control Offer**"). The Bondholders are not required to tender their bonds in the offer.

Pursuant to the respective agreements governing the issuances of the Bonds, a "Change of Control Event" occurs when a person or persons acting in concert other than the Carrefour Group hold, directly or indirectly, more than 50% of the shares or voting rights attached to Carmila's shares (a "**Change of Control**"); and

(1) Carmila's rating or the Bonds' rating is withdrawn or downgraded from an investment grade to a non-investment grade rating by Standard & Poor's or an equivalent rating agency that has provided a rating at Carmila's request, where the rating agency in question has confirmed in writing and announced publicly that the rating decision was entirely or partly due to the Change of Control, during a period that begins on the date of the first announcement of the change of control or of the announcement of a potential change of control and ends 180 days after the first public announcement of the change of control (but such period may be extended for a maximum of 60 days if one of the rating agencies has publicly announced that it is reexamining its rating) (the "**Change of Control Period**") and such rating is not then modified to return to an investment grade rating, or, in the case of a withdrawn rating, reissued or improved, provided that if more than one rating agency rates the Bonds, no Change of Control will be deemed to have taken place if only one of the rating agencies withdraws or downgrades the Bonds' rating; or

(2) Carmila does not request an investment grade rating for the Bonds or for itself within 60 days following the Change of Control or if Carmila requests such a rating but does not obtain it prior to the end of the Change of Control Period and the rating agency confirms publicly or in writing that its rating decision was due in full or in part to the Change of Control.

These clauses will not be triggered by the Merger.

Event of Default

The respective agreements governing the issuances of the Bonds contain events of default, in particular in the event of a payment default, non-compliance with covenants (including the limit on indebtedness described below), certain cross-defaults, and cross-acceleration relating to loans, issuance agreements, or other instruments of Carmila or its significant subsidiaries (subject to a

threshold of €30 million), certain bankruptcy or insolvency events relating to Carmila or its significant subsidiaries and the dissolution or liquidation of Carmila.

Limit on indebtedness

The Carmila Group must ensure that the sum of the value of the Carmila Group's real estate assets (excluding transfer taxes), any related deferred tax, and the value of its investments accounted for by the equity method minus the amount of the Carmila Group's secured indebtedness remains equal to or greater than the Carmila Group's consolidated indebtedness minus its secured indebtedness, as shown in the annual audited consolidated financial statements or the half-year consolidated financial statements.

Commercial paper program

The Carmila Group has put in place a commercial paper program for a maximum amount of €600 million.

10.4.2 Interest rate hedging

The Carmila Group's objective is to enter into fixed-rate hedges covering approximately 70% to 75% of its gross financial indebtedness. The table below breaks down the Group's hedging instruments by type:

(in € millions)	**Before hedging**	**As a %**	**After hedging**	**As a %**
Fixed rate	1,200	54%	1,610	73%
Variable rate	1,018.4	46%	300	14%
Total gross financial indebtedness	**2,218.4**	**100%**	**1,910**	**86%**

10.4.3 Off balance sheet commitments given by the Carmila Group

Financial guarantees given

Prior to its acquisition by the Carmila Group, Financière Geric, in connection with its bank financing, entered into first ranked mortgages for an initial amount of €13 million. As of the date hereof, the total outstanding amount is €7.7 million.

Commitments given for the completion of construction

In connection with the expansion of Nichelino, Carmila Italia Srl undertook to the municipal government to carry out infrastructure construction for a total amount of €19.3 million.

10.5 SHAREHOLDERS' EQUITY OF THE CARMILA GROUP

As of December 31, 2016, shareholders' equity, Group share, was €2,642.8 million, as compared with €2,415.3 million as of December 31, 2015.

The increase in shareholders' equity, Group share, between December 31, 2015 and December 31, 2016 resulted mainly from 2016 net income, net of an exceptional distribution of premium to shareholders. The Group paid a portion of this distribution in cash and a portion in new shares. See Section 12.2, "Medium Term Objectives".

10.6 PERFORMANCE MEASURES

EPRA Net income and Recurring earnings

In 2016, the Carmila Group recorded a solid ratio of recurring earnings to NAV (7.1% on the basis of EPRA NAV, excluding transfer taxes, at the beginning of the period, and 6.2% on the basis of EPRA NAV, excluding transfer taxes, at the end of the period). The acceleration of development and investment projects impacted both operating expenses and growth in recurring earnings, with the latter increasing slightly (0.5%) in 2016 to €172.3 million (as compared with €171.4 million in 2015).

The following table shows the components of recurring earnings as of December 31, 2016.

(in € millions)	**Recurring earnings**
Consolidated net income	**295.6**
Balance of fair value adjustments less deferred tax liability resulting from fair value adjustments	(136.0)
Other adjustments	2.5
EPRA Earnings	**162.2**
Adjustment for debt issuance costs	6.8
Adjustment for development margin[1]	(1.9)
Exceptional charge related to Thionville	1.9
Non-recurring charges from employee share plans	3.0
Other adjustments	0.4
Recurring earnings	**172.3**

[1] Other non-recurring operating income and expenses or development margins (see Note 8.3 to the Carmila Group's consolidated financial statements included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016").

LTV ratio

The table below presents the LTV ratio as of December 31, 2016.

(in € millions)	**As of December 31, 2016**
Net financial debt (A)	**2,147.2**
Gross financial debt	2,218.4
Cash and cash equivalents	(71.2)
Investment properties, including transfer taxes (B)	**5,186.9**
Fair value of portfolio, including transfer taxes[1]	5,120.0
Works in progress	66.9
Loan-to-value Ratio (A)/(B)	**41.4%**

[1] The real estate portfolio, as accounted for in the consolidated financial statements of Carmila, (i) excludes transfer taxes and (ii) includes investment properties, shares in equity-accounted companies and works in progress.

Interest coverage ratio

The following table presents the ICR as of December 31, 2016.

(in € millions)	**As of December 31, 2016**
Operating income	376.3
Elimination of the fair value adjustment	(157.7)
Elimination of the fair value adjustment of share in companies consolidated by the equity method	(4.7)
Elimination of capital gain	(0.4)
Depreciation of property, plant and equipment[1]	0.7
EBITDA (excluding fair value adjustments) (A)	214.2
Net financial expenses (B)	49.3
Interest Coverage Ratio (A)/(B)	**4.3**

[1] See Note 9.3 to the Carmila Group's consolidated financial statements included in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016".

EPRA Net Asset Value (EPRA NAV)

Since its creation, the Carmila Group's net asset value, calculated using the EPRA method, increased by 16%, in particular due to the effect of (i) multiple asset management measures (renovations, restructurings, improvements in merchandising mix and in financial occupancy rates and marketing initiatives) carried out at its sites; (ii) its ability to carry out value-creating off-market acquisitions; (iii) the reduction of capitalization rates due to the implementation of the renovation program and the decrease in interest rates; and (iv) the reduction of capitalization rates in the real estate market generally.

The following table presents the components of EPRA revalued net assets as of December 31, 2016.

	NAV excluding transfer taxes (EPRA NAV) as of December 31, 2016	
	in millions of euros	*€/share*
Shareholders' equity (Group share)	2,642.8	
Elimination of the fair value recognition of hedging instruments	22.1	
Other adjustments	108.2	
NAV excluding transfer taxes (NAV EPRA)	**2,773.1**	**8.83**
Triple net asset value (NNNAV EPRA)	**2,669.2**	**8.50**
Fully diluted number of shares at year end	*314,094,571*	

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 RESEARCH AND DEVELOPMENT

The Carmila Group does not conduct research and development activities. However, it is constantly seeking innovative solutions as part of its digitalization strategy. The Carmila Group has created "Carmilab", an internal program dedicated to innovation and digital technology. Using digital tools (such as social media, consumer digital pathways and databases) developed in collaboration with Carrefour group teams, Carmilab has fostered 50 multichannel projects in various areas: CRM and data, relational and local marketing, cross-channel, new concepts and new activities.

The New Carmila Group does not hold any patents and has no significant dependence on any trademarks, patents or licenses for the conduct of its business or its profitability.

11.2 INTELLECTUAL PROPERTY

The Group's intellectual property rights consist mainly of rights to distinctive signs such as trademarks or domain names, in particular the semi-figurative brand of the European Union "Carmila", the figurative "M logo" brand and the semi-figurative "Cité Europe" brands, and domain names including, for example, the name "Carmila". These intellectual property rights are registered or are being registered in the countries where they are used by the Group, in order to protect them in a manner appropriate to the activities concerned.

These rights are mainly held by Carmila and, for certain distinctive brands, used only in connection with the activity of a shopping center, by the entity of the Group managing that shopping center.

12. TREND INFORMATION

For a definition of the main financial indicators set forth in this chapter, please refer to Section 9.1, "New Carmila: Pro Forma Financial Information" and to Section 9.3, "Principal Factors Affecting the Carmila Group's Activities and Results".

12.1 RECENT DEVELOPMENTS

Highlights of the first quarter of 2017 for the New Carmila Group included:

- A €45.3 million increase of the appraised value (including transfer taxes and 50% of *As Cancelas* accounted for under the equity method, but excluding works in progress) of the Group's investment properties in operation, from €5,226.3 million as of December 31, 2016 to €5,271.6 million as of March 31, 2017. In France, this increase was relatively limited due to the transfer of certain lots to extension projects. Consequently, the transferred lots were no longer part of the scope of the assets in operation being appraised. However, the increase of the appraised value of assets in Spain and Italy was more significant.

  The Group's quarterly appraisals are based on an update of rental assessment criteria established by its independent appraisers as of December 31, 2016 but do not include all the procedures carried out by such independent appraisers for the purpose of their annual and half-year appraisals (see Section 9.4.1, "Methods of valuing the property portfolio").

- An increase of €57.8 million in the margins (excluding transfer taxes) on development projects under construction (taking into account investment properties under construction, excluding works in progress). A total of nine projects which are anticipated to be completed in the course of 2017 and 2018 were taken into account based on progress in leasing and the start of construction work on such projects.

- The completion of the second phase of the extension of the BAB 2 shopping center in Biarritz, with a 25,000 m^2 rental area for 120 stores and a 99% financial occupancy rate, with the extension opened to the public on April 20, 2017.

12.2 MEDIUM TERM OBJECTIVES

The medium-term objectives of New Carmila, set forth below, are not projections or profit forecasts but result from its strategic approach, as set forth in paragraph 6.3, "Strategy". The aggregates presented below have been prepared based on the accounting principles and methods that the New Carmila Group intends to implement going forward.

These objectives are based on data, assumptions and estimates considered to be reasonable by Cardety and Carmila as of the date of this document, according to their expectations with respect to future economic conditions and the impact expected by the New Carmila Group to result from the successful implementation of its strategy. These data, assumptions and estimates on which the New Carmila Group has based its objectives may change or evolve in the course of the period in question due to uncertainties related to the economic, financial, competitive, tax or regulatory environment, market developments or other factors of which the New Carmila Group is unaware as of the date of this document. The occurrence of one or more risks described in Chapter 4, "Risk factors" may affect the business, commercial position, financial condition, results or prospects of the Group and thus affect its ability to meet the objectives presented below.

The New Carmila Group therefore gives no assurance nor any guarantee that the targets appearing in this section will be met and does not undertake to publish any updates to this information except to the extent required by applicable law and regulations.

General context and assumption for the objectives

For the purposes of its operational planning and the allocation of its resources, the New Carmila Group has prepared a business plan including a number of objectives, relating in particular to growth of rental income, its financial structure, its recurring earnings and dividend distribution.

The performance of the New Carmila Group in the years to come will depend to a large extent on economic and real estate market conditions in the three countries in which New Carmila operates (France, Spain and Italy) and on the Group's business activities. The objectives presented below are based in particular on the following assumptions:

- yields on assets are stable (assuming no change in capitalization rates);
- a capital gains tax rate of 25% in Spain and 27.9% in Italy over the period;
- the consolidated impact of lease indexation equal to zero in 2017, 0.6% in 2018, 1.6% in 2019 and 2.0% in 2020;
- the Group's shopping center expansion program carried out as described in Section 6.6, "Description of the Assets and Activities of the New Carmila Group"; and
- an average three-month EURIBOR rate remaining close to zero.

The Group's investment strategy over the 2017-2022 period is described in Sections 6.3, "Strategy", 6.6, "Description of the Assets and Activities of the New Carmila Group". A significant part of this program is expected to be carried out during the 2017-2020 period, for which the objectives below have been set, with (i) approximately €1 billion to be spent in connection with expansions of shopping centers with strong development potential (37 identified development projects), (ii) approximately €300 million in lot restructurings in New Carmila's shopping centers and (iii) between €300 million and €400 million in targeted acquisitions. These amounts may vary depending upon market conditions, the time required to obtain relevant authorizations and the opportunities for the Group that may emerge.

Objectives for recurring earnings

The New Carmila Group targets double-digit average annual growth in recurring earnings over the 2018-2020 period, excluding costs relating to capital increases resulting from the merger of Carmila and Cardety (the "**Merger**") and a potential share placement, as presented in Section 6.5.2 "Planned Merger of Cardety and the Carmila Group".

This target depends on the assumption that the New Carmila Group will finalize, during the course of 2017, its hiring to augment its personnel, with approximately 10 hires anticipated in order to fully implement the New Carmila Group's operational structure. As a result, at the end of 2017, the necessary teams to implement the New Carmila Group's strategy in the coming years will be in place and well-equipped to achieve anticipated growth through, in particular, the digital strategy, the shopping center expansion pipeline and targeted acquisitions. Certain of the foregoing costs, under the agreements with the Carrefour Group, vary mechanically depending on the Group's rental income (see Chapter 19, "Related Party Transactions").

Objectives in terms of financial structure

The New Carmila Group believes that these growth objectives must be combined with continued efforts to control its loan-to-value ("**LTV**") ratio. The New Carmila Group targets the maintenance of its LTV ratio at approximately 40%, on average, over the 2017-2020 period.

Dividend distribution policy

New Carmila's dividend distribution will depend on various factors (in addition to legal constraints), in particular the Group's results, its financial condition and its efforts to reach the targets described in this section.

The New Carmila Group targets the distribution to its shareholders, beginning with the year ending December 31, 2017, of an annual dividend representing approximately 90% of the Group's recurring earnings per share, paid semi-annually. The distributions of the New Carmila Group will be based on distributable profit, if any, in addition to distributions of premium.

In order to take advantage of the SIIC regime in France, the New Carmila Group is required to distribute a significant portion of its profits to its shareholders (95% of profits originating from rental income at the level of New Carmila, 60% of capital gains and 100% of dividends originating from subsidiaries subject to the SIIC regime (subject to the maximum amount covered by the SIIC regime and of distributable profit)).

13. PROFIT FORECASTS AND ESTIMATES

The following profit forecasts have been prepared based on data, assumptions and estimates that Cardety and Carmila consider to be reasonable as of the date of this document. These data, assumptions and estimates may change or evolve due to uncertainties related to the economic, financial, competitive, tax or regulatory environment, market developments or other factors of which Cardety and Carmila are unaware as of the date of this document. The occurrence of one or more risks described in Chapter 4, "Risk Factors" may affect the business, commercial position, financial condition, results or prospects of the Group and thus affect its ability to meet its objectives.

The New Carmila Group therefore gives no assurance nor any guarantee that the targets appearing in this section will be met. The forecasts below, and their underlying assumptions, have been prepared pursuant to the provisions of (EC) regulation No. 809/2004, as amended, and the ESMA recommendations relating to profit forecasts.

For a definition of the main financial indicators set forth in this chapter, please refer to Sections 9.1, "New Carmila: Pro Forma Financial Information" and 9.3, "Principal Factors Affecting the Carmila Group's Activities and Results".

13.1 ASSUMPTIONS

The Group has prepared its targets for 2017 on the basis of the consolidated financial statements of the Carmila Group as of and for the years ended December 31, 2014, 2015, 2016, the Unaudited Pro Forma Consolidated Financial Information and Cardety's consolidated financial statements as of and for the year ended December 31, 2016 prepared in accordance with IFRS, as well as on the accounting principles and methods applied by Carmila in the preparation of its consolidated financial statements as of and for the years ended December 31, 2014, 2015, 2016, which will continue to be applied in the preparation of the financial statements of the New Carmila Group.

These targets depend principally on the following assumptions:

(i) the planned Merger, as set forth in Section 6.5.2, "Planned Merger of Cardety and the Carmila Group" is completed in accordance with the timetable contemplated in this document and a capital increase in an amount equal to or in excess of €500 million is subsequently completed;

(ii) tax laws remain unchanged in 2017 as compared to 2016 and a capital gains tax rate of 25% in Spain and 27.9% in Italy in 2018;

(iii) rates of return on assets are stable (assuming no change in capitalization rates); and

(iv) the impact of the indexation of leases is equal to zero in 2017, with a consolidated impact equal to 0.6% in 2018.

13.2 GROUP FORECASTS

Based on the assumptions described above, the New Carmila Group targets the following:

(i) gross rental income in excess of €295 million in 2017, or a 4.6% increase compared to pro forma gross rental income in 2016, generated in particular by improvement in the financial occupancy rate, the completion of expansion projects expected in 2017 and the completion of the acquisition plan;

(ii) controlling operating expenses, which it believes will be approximately €50 million in 2017, in particular through the implementation during the course of 2017 of the New Carmila Group's digital platform and the strengthening of its personnel, as described above;

(iii) recurring earnings[27] of between €175 million and €180 million in 2017 (excluding the recognition of badwill related to the Merger, constituting a non-recurring element, as well as the costs relating to (i) the Merger, (ii) the capital increases resulting from the Merger and (iii) a potential share placement), stable as compared to 2016. The New Carmila Group targets recurring earnings in excess of €200 million in 2018 (excluding costs relating to the capital increases resulting from the Merger and a potential share placement); and

(iv) the submission to its general shareholders' meeting of a proposal to distribute a dividend in an amount of €1.50 per share for the year ending on December 31, 2017, with an interim payment in the fourth quarter of 2017 corresponding to 50% of the amount of such dividend.

[27] Recurring earnings are equal to EPRA earnings restated to take into account the non-recurring items that contributed to the consolidated net income for the financial year, *i.e.*, adjusted to take into account capital gains or losses from transfers, debt issuance costs or non-cash financial charges, and other items of a non-recurring nature.

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92066 Paris La Défense Cedex
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DELOITTE & ASSOCIES
185, avenue Charles de Gaulle
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France

Cardety S.A.

Share capital : 25.900.068 euros

58, avenue Emile Zola
92100 Boulogne Billancourt

Statutory auditors' report on the profit forecasts « Recurring earnings » for the years ended 31 December 2017 and 2018

This report contains 3 pages

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

Cardety S.A.

Share capital : 25.900.068 euros

58, avenue Emile Zola
92100 Boulogne Billancourt

Statutory auditors' report on the profit forecasts « Recurring earnings » for the years ended 31 December 2017 and 2018

To the Chief Executive Officer,

In our capacity as Statutory Auditors of your company and in accordance with Commission Regulation (EC) no.809/2004 and the AMF instruction n°2016-04, we hereby report to you on the profit forecasts « Recurring earnings » of Cardety S.A. (the «Profit forecasts») set out in section 13 of the appendix II of the registration document E.

It is your responsibility to compile the Profit forecasts, together with the material assumptions upon which they are based, in accordance with the requirements of Commission Regulation (EC) n°809/2004 and ESMA's recommendations on profit forecasts and the AMF instruction n°2016-04.

It is our responsibility to express an opinion, based on our work, in accordance with Annex I, item 13.2 of Commission Regulation (EC) n°809/2004, as to the proper compilation of these forecasts.

We performed the work that we deemed necessary according to the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes - CNCC) for this type of engagements. Our work included an assessment of the procedures undertaken by management to compile the Profit forecasts as well as the implementation of procedures to ensure that the accounting policies used are consistent with the policies applied by Carmila S.A.S. for the preparation of the historical financial information. Our work also included gathering information and explanations that we deemed necessary in order to obtain reasonable assurance that the Profit forecasts have been properly compiled on the basis stated.

Since Profit forecasts, by nature, are uncertain and may differ significantly from actual results, we do not express an opinion as to whether the actual results reported will correspond to those shown in the Profit forecasts.

In our opinion:

a) the Profit forecasts have been properly compiled on the basis stated; and

b) the basis of accounting used for the Profit forecasts is consistent with the accounting policies of Carmila S.A.S.

This report has been issued solely for the purpose of :

- registering the registration document E with the French financial markets authority (Autorité des marchés financiers – AMF);
- the admission to trading on a regulated market, and/or a public offer, of shares or debt securities with a denomination of less than €100,000 of Cardety S.A. in France and in other EU member states in which the prospectus approved by the AMF is notified

and cannot be used for any other purpose.

The statutory auditors

Paris La Défense, 5 May 2017

French original signed by

KPMG S.A.

Eric Ropert
Associé

Caroline Bruno-Diaz
Associée

Neuilly-sur-Seine, 5 May 2017

French original signed by

DELOITTE & ASSOCIES

Stéphane Rimbeuf
Associé

14. ADMINISTRATIVE AND MANAGEMENT BODIES

14.4 COMPOSITION OF MANAGEMENT AND CONTROL BODIES

A description of the main provisions of Cardety's bylaws is set out in Cardety's 2016 Reference Document. A revised description of these provisions, updated to reflect proposed amendments submitted to the Board of Directors' meeting called to approve the Merger, and in particular those relating to the Board's governance activities and its powers, is set forth in Chapter 16, "Functioning of the Administrative and Management Bodies" and in Chapter 21, "Additional Information". Chapter 16, "Functioning of the Administrative and Management Bodies" also contains a summary description of the main provisions of the proposed amended rules of the Board of Directors and of the specialized committees of the Board of Directors that, if adopted, will become effective upon the completion of the Merger.

14.4.1 Board of Directors

The composition of Cardety's Board of Directors as of the date hereof is set forth in Cardety's 2016 Reference Document.

The following amendments are expected to be submitted to Cardety's general meeting called to approve the Merger (and are subject to the approval of the Merger):

- the extension of the terms of office of directors from three years to four years, provided that that it will directors may be appointed for a shorter period of time in order to permit staggered renewal of the Board in accordance with the recommendations of the Corporate governance code for listed companies published by Afep and Medef (the "**AFEP-MEDEF Code**"); and

- the reorganization of the Board of Directors with the following new directors: Mr. Jérôme Bédier, Mr. Nadra Moussalem, Mr. Laurent Luccioni, Mr. Olivier Lecomte, Mrs. Amal del Monaco (permanent representative of Axa Reim France), Mrs. Nathalie Robin (permanent representative of Cardif Assurance Vie), Mr. Emmanuel Chabas (permanent representative of Prédica) and Mr. Yann Briand (permanent representative of Sogecap).

The table below sets forth the composition of the New Carmila Board of Directors following approval of the Merger, and the principal offices and positions held by such directors outside of Cardety and Carmila over the past five years.

Name; business address	Nationality	Expiration of term of office	Principal position held in New Carmila	Principal offices and positions held outside of Cardety and Carmila over the past five years
Jacques EHRMANN 58, avenue Émile Zola, 92100 Boulogne-Billancourt	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2020	Chairman and Chief Executive Officer	Offices and positions held at the date of this document: - Member of the Board of Directors for Frojal (SA) - CEO at Tamlet (SAS) - Director of Atacadao SA (Brazil) Offices and positions held over the past five years and no longer held: See pages 76-78 of Cardety's 2016 Reference Document
Jérôme BEDIER 33, avenue Émile	French	Ordinary general meeting called to approve the financial	Director	Offices and positions held at the date of this document: - Deputy CEO of Carrefour SA(*) - Chairman of the Board of the Carrefour

Name; business address	Nationality	Expiration of term of office	Principal position held in New Carmila	Principal offices and positions held outside of Cardety and Carmila over the past five years
Zola, 92100 Boulogne-Billancourt		statements for the year ending December 31, 2019		Foundation - Director of Carrefour China Foundation for Food Safety (China) - Directors of Presicarre (Taiwan) - Director of Carrefour Sabanci (listed company in Turkey) - Director of Carmila - Director of the Société Nationale Immobilière – SNI Group - Elected member of the Chambre de Commerce et d'Industrie de Paris Ile-de-France (CCIP) Offices and positions held over the past five years and no longer held: - Chairman of the Board and director of Market Pay - Director of Klépierre
Marie-Noëlle BROUAUX 33, avenue Émile Zola, 92100 Boulogne-Billancourt	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2018	Director	Offices and positions held at the date of this document: Director of the Carrefour Foundation Offices and positions held over the past five years and no longer held: None.
Anne CARRON 33, avenue Émile Zola, 92100 Boulogne-Billancourt	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2019	Director	Offices and positions held at the date of this document: None. Offices and positions held over the past five years and no longer held: None
Francis MAUGER 58, avenue Émile Zola, 92100 Boulogne-Billancourt	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2018	Director	Offices and positions held at the date of this document: - Chairman of Carrefour Property Italia - Carrefour Property España Director - CRFP 8 Chairman - Director, member of the Human Resources Committee and member of the Strategic Committee at Atacadao SA (Brazil) Offices and positions held over the past five years and no longer held: None.
Nadra MOUSSALEM 6, rue Christophe Colomb 75008 Paris	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2019	Director	Offices and positions held at the date of this document: - Director at Edenred[(1)] - Chairman of Colony Capital SAS - Chief Executive Officer of Continental Property Investments - Chairman of Data IV Services – within Data 4 group as corporate representative - Chairman of Data IV France – within Data 4 group as corporate representative - Chairman of DC 115 SAS - Chairman of Holding Sports & Événements - Chairman of Colfilm SAS - Chairman of ColIllkirch France - Chairman of Colkart SAS - Chief Executive Officer of ColSpa - Manager at ColEvreux SCI - Manager at Colnîmes SARL - Manager at ColNozay EURL - Manager at ColNozay SCI - Permanent representative of Colony Capital SAS on the chairmanship of Colkart Investment

Name; business address	Nationality	Expiration of term of office	Principal position held in New Carmila	Principal offices and positions held outside of Cardety and Carmila over the past five years
				Europe - Permanent representative of Colony Capital in the partnership of ColAubergenville SCI - Representative of Colony Capital SAS on the chairmanship of CFI NNN France Portfolio SAS - Permanent representative of Colony Capital SAS on the chairmanship of Colquattro French Portfolio SAS - Permanent representative of Colony Capital SAS in the partnership of ColEden SCI - Representative of Colony Capital SAS on the chairmanship of Colbravo SAS - Permanent representative of Colony Capital in the partnership of CFI NNN PIAZZA SCI - Chairman of Data 4 Italy - Services – within Data 4 group as corporate representative - Président de Data 4 Services Italy - Services – within Data 4 group as corporate representative - Executive at Colyzeo Investment Management (UK) - Chairman of Data 4 Services Italy - Chairman of Colyzeo Investment Management - Manager of Colyzeo Investment Advisors Limited - Director at Colkart Investment Europe - Director at Data 4 UK Limited - Director at Data 4 UK Services Limited Offices and positions held over the past five years and no longer held: - Director at Distribuidora Internacional de Alimentacion (D.I.A.) (Spain) - Director at Data4 UK Limited (UK) - Director at Data 4 UK Services Limited (UK) - Manager at SC George V 301 - Manager at SC George V 302 - Director at Sisters Soparfi SA (Luxembourg) - Manager at CT Real Estate (Luxembourg) - Manager at Data Genpar Sarl (Luxembourg) - Chief Executive Officer of Edenred (SA)(1) - Director at ACCOR (SA) (1) - Director at Carrefour (SA) (1)
Nathalie ROBIN *Permanent representative of CARDIF ASSURANCE VIE* 1, boulevard Haussmann 75009 Paris	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2020	Director	Offices and positions held at the date of this document: - Director, member of the Investment Committee and member of the Compensation Committee at Foncière Développement Logements(1) - Member of the Supervisory Board, member of the Investment Committee and member of the Audit Committee at Foncière des Murs(1) - Member of the Strategic Committee at Foncière des Murs Management - Member of the Supervisory Board at Immeo - Member of the Supervisory Board and Censor at BNP Paribas REIM France - Member of the Supervisory Board at Opera rendement - Member of the Supervisory Board at France Investipierre - Member of the Supervisory Board at Capimmo - Member of the Supervisory Board at Dauchez - Director at AEW Immocommercial - Member of the Supervisory Board at CFH

Name; business address	Nationality	Expiration of term of office	Principal position held in New Carmila	Principal offices and positions held outside of Cardety and Carmila over the past five years
				- Member of the Supervisory Board at Placement Ciloger 3 - Non-voting director at BNP Paribas REPM France - Member of the Supervisory Board at FLI - Member of the ICADE Santé Oversight Committee - Director at BNP Paribas Diversipierre - Member of the Supervisory Board at Preim Healthcare - Member of the Supervisory Board at Accès Valeur Pierre Offices and positions held over the past five years and no longer held: None.
Yann BRIAND *Permanent representative of SOGECAP* 17 bis Place des Reflets 92919 Paris La Défense 2	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2020	Director	Offices and positions held at the date of this document: - Director at Oteli France - Director at BG1 SA Offices and positions held over the past five years and no longer held: None.
Emmanuel CHABAS *Permanent representative of PREDICA* 50-56 rue de la Procession 75724 Paris	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2020	Director	Offices and positions held at the date of this document: - Director at Foncière Développement Logement - Member of the Supervisory Board at Foncière des Murs - Member of the Supervisory Board at Immeo SE - Chairman of the Board of Directors at Camp Invest OPPCI - Chairman of the Board of Directors at Iris Invest OPPCI - Chairman of the Board of Directors at Foncière Hypersud - Director at OPPCI B2 Hotel Invest - Member of the Supervisory Board at SCPI Unipierre Assurances - Director at OPCI Lapillus from Météore Italy SRL - Director at Météore Greece SA, - Director at Météore Alcala - Director at Siltel SA - Manager of SCI IMEFA 1, SCI IMEFA 2, SCI IMEFA 3, SCI IMEFA 4, SCI IMEFA 5, SCI IMEFA 6, SCI IMEFA 8, SCI IMEFA 9, SCI IMEFA 10, SCI IMEFA 11, SCI IMEFA 12, SCI IMEFA 13, SCI IMEFA 16, SCI IMEFA 17, SCI IMEFA 18, SCI IMEFA 20, SCI IMEFA 22, SCI IMEFA 25, SCI IMEFA 32, SCI IMEFA 33, SCI IMEFA 34, SCI IMEFA 35, SCI IMEFA 36, SCI IMEFA 37, SCI IMEFA 38, SCI IMEFA 39, SCI IMEFA 42, SCI IMEFA 43, SCI IMEFA 44, SCI IMEFA 45, SCI IMEFA 47, SCI IMEFA 48, SCI IMEFA 49, SCI IMEFA 50, SCI IMEFA 51, SCI IMEFA 52, SCI IMEFA 53, SCI IMEFA 54, SCI IMEFA 57, SCI IMEFA 58, SCI IMEFA 60, SCI IMEFA 61, SCI IMEFA 62, SCI IMEFA 63, SCI IMEFA 64, SCI IMEFA 66, SCI IMEFA 67, SCI IMEFA 68, SCI IMEFA 69, SCI IMEFA 72, SCI IMEFA 73, SCI IMEFA 74, SCI IMEFA 76, SCI IMEFA 77, SCI IMEFA 78, SCI IMEFA 79,

Name; business address	Nationality	Expiration of term of office	Principal position held in New Carmila	Principal offices and positions held outside of Cardety and Carmila over the past five years
				SCI IMEFA 80, SCI IMEFA 81, SCI IMEFA 82, SCI IMEFA 83, SCI IMEFA 84, SCI IMEFA 85, SCI IMEFA 89, SCI IMEFA 91, SCI IMEFA 92, SCI IMEFA 96, SCI IMEFA 97, SCI IMEFA 98, SCI IMEFA 99, SCI IMEFA 100, SCI IMEFA 101, SCI IMEFA 102, SCI IMEFA 103, SCI IMEFA 104, SCI IMEFA 105, SCI IMEFA 107, SCI IMEFA 108, SCI IMEFA 109, SCI IMEFA 110, SCI IMEFA 112, SCI IMEFA 113, SCI IMEFA 115, SCI IMEFA 116, SCI IMEFA 117, SCI IMEFA 118, SCI IMEFA 120, SCI IMEFA 121, SCI IMEFA 122, SCI IMEFA 123, SCI IMEFA 126, SCI IMEFA 128, SCI IMEFA 129, SCI IMEFA 131, SCI IMEFA 132, SCI IMEFA 140, SCI IMEFA 148, SCI IMEFA 149, SCI IMEFA 150, SCI IMEFA 155, SCI LYON TONY GARNIER, SCI VILLEURBANNE LA SOIE ILOT H, SCI IMEFA 158, SCI IMEFA 159, SCI IMEFA 161, SCI IMEFA 162, SCI IMEFA 163, SCI IMEFA 164, SCI IMEFA 165, SCI HDP BUREAUX, SCI HDP HOTEL, SCI HDP LA HALLE, SCI IMEFA 169, SCI IMEFA 170, SCI IMEFA 171, SCI IMEFA 172, SCI IMEFA 173, SCI IMEFA 174, SCI IMEFA 175, SCI IMEFA 176, SCI IMEFA 177, SCI IMEFA 178, SCI IMEFA 179, SCI IMEFA 180, SCI DAHLIA, SCI FEDERALE PEREIRE VICTOIRE, SCI FEDERLOG, SCI FEDER LONDRES, SCI FEDERALE VILLIERS, SCI GRENIER VELLEFAUX, SCI MEDIBUREAUX, SCI MEDIC HABITATION, SCI VICQ D'AZIR VELLEFAUX, SCI VICQ NEUILLY, SCI FEDERPIERRE, SCI LONGCHAMP MONTEVIDEO, SCI FEDERPIERRE MICHAL, SCI FERDERPIERRE CAULAINCOURT, SCI FERDERPIERRE UNIVERSITE, SCI FERDERPIERRE CAPUCINES, SCI 1-3 PLACE VALHUBERT, SCI VILLAGE VICTOR HUGO - Chairman of RESICO - Chairman of CAA RESIDENCE SENIORS - Chairman of IRIS HOLDING FRANCE Offices and positions held over the past five years and no longer held: - Director at Health Property Fund 1 - Director at Shopping Property Fund 1 - Director at Diversipierre
Amal DEL MONACO *Permanent representative of Axa Reim France* Tour Majunga – La Défense 6, place de la pyramide 92800 Puteaux	Spanish	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2020	Director	Offices and positions held at the date of this document: - AXA REIM France (SA) Managing Director - Chairman of the Board of VENDOME LOGISTIQUE (SPPICAV - SA) - Chairman of the Board of VENDOME IMMOBILIER COMMERCIAL (SPPICAV - SA) - Chairman of the Board of AGIPOPCI (SPPICAV - SA) - Supervisory Board member at AXA SELECTIV'IMMOSERVICE (SPPICAV-SAS) - Permanent representative AXA FRANCE VIE du LOGEMENT FRANCAIS (SA à CS et D.) - Director at MARSHEG 1 BV (Netherlands)

Name; business address	Nationality	Expiration of term of office	Principal position held in New Carmila	Principal offices and positions held outside of Cardety and Carmila over the past five years
				- Director at MARSHEG 2 BV (Netherlands) - Director at ETTEN LEUR LOGISTICS INVESTMENTS BV Sàrl (Netherlands) - Director at COINDUPRES BV (Netherlands) - Director at LAFLOU BV (Netherlands) - Director at BATTLEBELOTTE BV (Netherlands) - Director at CORDELIERE 1 BV (Netherlands) - Director at CORDELIERE 2 BV (Netherlands) - Director at CORDELIERE 3 BV (Netherlands) - Director at TOUR DU SOMMEIL BV (Netherlands) - Director at SIR OP BV (Netherlands) - Director at Lao BV (Netherlands) - Director at 22 Bishopsgate B.V. (Netherlands) - Director at Top 22 Bishopsgate B.V. (Netherlands) - Director at 22 Bishopsgate General Partner Limited (UK) - Director at Baylog Holding Limited (UK) - Director at Dagenham BV (Netherlands - Director at Elysées Neuf BV (Netherlands) - Director at Paktkohlestahlden BV (Netherlands) - Director at Krasnapolsky II BV (Netherlands) - Director at Hamba BV (Netherlands) - Director at Lama RE 1 BV (Netherlands) - Director at Lama RE 2 BV (Netherlands) - Director at Lama RE 3 BV (Netherlands) - Director at Lama RE 4 BV (Netherlands) - Director at Lama RE 5 BV (Netherlands) - Director at FRASIA PROPERTY (GP) LIMITED (UK) - Director at FRASIA HOLDINGS SA (Luxembourg) - Director of ONLYOU SL (Spain) - Director of LINDISFARNE SL (Spain) - Director of OLAEN SL (Spain) - Director of RIGLOS SL (Spain) - Director of ZUMARAN SL (Spain) - Director at Ouestia Holding (SA Luxembourg) - Director at Ouestia Property GP Limited (UK) - Chairman of the Board of OTELI FRANCE (SPPICAV - SA) - Director at GRACE HOTEL INVESTMENT Sàrl (Luxembourg) Offices and positions held over the past five years and no longer held: - Director of Asgard Real Estate Private Equity Sarl (SARL Lux)
Laurent LUCCIONI 104, Point Pleasant SW18 1PP London	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2019	Director	Offices and positions held at the date of this document: - Representative of PIMCO BRAVO Sub-Holding Fund I (US), LLC - Representative of HFI VIIGP LLC - Representative of LVS I LLC - Representative of LVS II SPE IV - Representative of LVS II SPE V - Representative of LVS II SPE VI - Representative of Bravo Strategies I LLC

Name; business address	Nationality	Expiration of term of office	Principal position held in New Carmila	Principal offices and positions held outside of Cardety and Carmila over the past five years
				- Representative of Bravo Strategies II LLC - Representative of Bravo Strategies III LLC - Representative of Ulysses Properties General Partner LLC - Representative of B2 FIE III LLC - Representative of Joyce Properties 3 General Partner LLC - Representative of Howth Properties Limited Partnership - Echo Investment SA Director Offices and positions held over the past five years and no longer held: None.
Olivier LECOMTE 91, rue de Crimée 75019 Paris	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2019	Director	Offices and positions held at the date of this document: - Director of the Paris & Co association Offices and positions held over the past five years and no longer held: none
Séverine FARJON 138 bis, rue de Grenelle 75007 Paris	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2018	Director	Offices and positions held at the date of this document: - Director of the Fondation Ville et Patrimoine, foundation of Foncière de Paris - SAS ^{2}AS Chairman - Chairman of RAISE REIM Offices and positions held over the past five years and no longer held: - Independent Director and Chairman of MRM SIIC's Audit Committee
Valérie GUILLEN 17-19 rue Michel Le Comte 75003 Paris	French	Ordinary general meeting called to approve the financial statements for the year ending December 31, 2017	Director	Offices and positions held at the date of this document: - Independent Director and Audit committee member of Terreis (SIIC) - Chairman of SGP Emerige Capital Offices and positions held over the past five years and no longer held: - None.

(1) Listed French companies.

In addition, Mr. Frédéric Bôl, Mr. Laurent Fléchet and Pedro Antonio Arias are non-voting board members.

In accordance with the criteria set out in the AFEP-MEDEF Code, Cardety's Board of Directors, on the recommendation of the Compensation and Nominating Committee, have determined that Nathalie Robin (permanent representative of Cardif Assurance Vie), Yann Briand (permanent representative of Sogecap), Emmanuel Chabas (permanent representative of Prédica), Amal del Monaco (permanent representative of Axa Reim France), as well as the corporate entities of which they are representatives, and Laurent Luccioni, Olivier Lecomte, Séverine Farjon and Valérie Guillen are independent Board members.

The Board of Directors, upon the advice of the Compensation and Nominating Committee of Cardety, has decided that the fact that certain of the directors represent shareholders holding, as of the date of the Merger, more than 10% of the share capital of New Carmila (including Cardif Assurance Vie and Predica, directly and indirectly) does not impact such directors' independence. The Board has in particular considered the absence of control over the Company by such shareholders, the fact that

such shareholders are institutional investors and the absence of any significant business relationship, as well as the absence of potential conflicts of interest.

The Board of Directors will be renewed each year by periodic rotation, beginning with the Annual General Meeting called to approve the financial statements for the year ended December 31, 2018, taking into account the end dates of the directors of The Board on the date the Merger is completed.

Information about the members of the Board of Directors:

Jacques Ehrmann, a graduate of HEC, was appointed General Secretary of the Société des Hôtels Méridien in 1989. He then joined the executive management of Euro Disney (1995-1997), followed by that of Club Méditerranée (1997-2002). In 2003, he joined the Casino Group as chief executive of real estate and development activities. In 2005, he led the creation of Mercialys, a listed shopping center operator linked to the Casino Group. Jacques Ehrmann was its Chairman and CEO for seven years, during which the company doubled in size. Jacques Ehrmann also launched the Green Yellow project at the Casino group, a start-up that became the second-ranked French photovoltaic solar company. In mid-2013, Jacques Ehrmann joined the Carrefour Group Executive Board as Executive Director of the Carrefour Group in charge of Assets, Development and New Ventures. In April 2014, he also became Chairman and CEO of Carmila.

Jérôme Bédier, who studied at the *École nationale d'administration* (National School of Business), worked at the Ministry of Trade and Crafts, first as technical advisor and then as Director of Crafts. From 1991 to 1995, he worked, and then became a partner, at Deloitte & Touche, working on new international advising missions. From 1995 to 2011, he was executive chairman of the *Fédération des entreprises du Commerce et de la Distribution* (the Organization of Commercial and Distribution Companies). He was also on the executive committee of MEDEF, as well as Eurocommerce, where he held the position of vice president. In 2011, he joined Capgemini Consulting as vice president in charge of business development, in particular in commercial and consumer markets. In May 2012, he joined the Carrefour Group as Secretary General, before being appointed as Deputy CEO on February 8, 2015. His responsibilities include the supervision of legal affairs, corporate responsibility, public matters, internal audit, international collaborations and the Carrefour Foundation. He also supervises the geographic business areas of France, China and Taiwan.

Marie-Noëlle Brouaux is an expert in institutional communication and public relations. She began her career in 1985 as the Director of the Communication Department of Crédit Local de France - Caisse des Dépôts et Consignations. In 1987, she was appointed Counselor for External Relations for Michel Giraud, the President of the Regional Council of Ile-de-France (1987-1993 and 1995-1998), whom she accompanied to the Ministry of Labor, Employment and Vocational Training as a Counselor in his Cabinet (1993-1995). From 1999 to May 2012, she was a partner at Euro RSCG C&O, a subsidiary of the Havas Group. She joined the Carrefour Group in 2012, where she was appointed the Group's Executive Vice President of Communications. Mrs. Marie-Noëlle Brouaux graduated from the University of Metz with a degree in literature.

Anne Carron is a graduate of ESSEC (1996) and holds a DESS in law (1997). She was admitted to the Bar of Paris the following year. From 1999 to 2007, she was an attorney specializing in mergers and acquisitions at Linklaters. In 2007, she joined the Carrefour group's legal department as head of international legal affairs and mergers and acquisitions. Since October 1, 2014, she has held the position of Director of Human Resources for the Carrefour group.

Francis Mauger is a graduate of the Ecole hôtelière de Lausanne. He began his career in the hotel and catering sector, including at Accor and Sodexho before joining the Casino group in 1988, where he held various management positions for 20 years. He was Director of the expansion of the Paris restaurant division from 1988 to 1990 before becoming Director of Group Development in 1991. In 1998, he became General Manager of South America, and in 2003, General Manager of Latin America. He joined the Carrefour Group in 2010 as Carrefour Property's Network Manager. He was

appointed Real Estate Director of the Carrefour Group in 2011. Since May 2012, Francis Mauger has been the Executive Vice President of the Development and Real Estate Group.

Nadra Moussalem is a graduate of the Ecole Centrale de Lyon with a Master in Information and Information Technology. Nadra Moussalem, Europe CEO of Colony Capital, is responsible for the identification, valuation, execution and monitoring of the Fund's European investments. Prior to joining Colony Capital in 2000, he worked in the financial engineering department of Axa Conseil in Paris.

Nathalie Robin holds a DESS in real estate law (Paris II). From 1989 to 2001, she was the Real Estate Director at Natio Vie (Groupe BNP). Since 2001, she has been a Real Estate Director of BNP Paribas Cardif.

Yann Briand holds a Master's degree in Urban Planning and Management (Paris IV) and a degree in Corporate Real Estate (Paris I). Since 1999, he has worked at Arthur Andersen, General Electric, Catella and Société Générale in investments, expert advice and consulting. Since 2014, he has been Real Estate Director of Sogecap in charge of investment activities and asset management.

Emmanuel Chabas holds a degree from the ESSEC. He began his career in internal controls management and internal audit at BNP Paribas in 2001. He then joined BNP Paribas Cardif in 2006 as manager of real estate acquisitions. Since September 2015, he has been Manager of Real Estate Investments at Crédit Agricole Assurances.

Amal del Monaco is the Deputy CEO of AXA REIM France and a member of the Executive Committee of AXA IM – Real Assets. She is responsible for management mandates for the accounts of AXA insurance companies. Amal joined AXA IM – Real Assets in 1997, where she worked in different capacities, and was part of the funds management team since 2001. In 2007, she took charge of management of AXA France funds management. A graduate of the University of Granada in 1996, she earned an MBA in International Affairs from the Institut Supérieur de Gestion in 1998. She is also a member of the Royal Institute of Chartered Surveyors and a part of the Cercle des Femmes de l'Immobilier.

Laurent Luccioni is deputy director and a portfolio manager at PIMCO in London, where he supervises the European commercial real estate team. Before joining PIMCO in 2013, he was the European Chairman and CEO of MGPA, the real estate and private equity consulting arm of Macquarie. In addition, he has worked with Cherokee Investment Partners. He has 19 years of experience in the field of investing and financial services and holds an MBA from the Kellogg School of Management of Northwestern University and a PhD in civil and environmental engineering from the University of California Berkeley.

Olivier Lecomte, graduated from the École Centrale Paris. He began his career as an investment banker in London and Paris, first at Société Générale and then at Demachy, Worms & Cie. He then joined the Unibail-Rodamco group, where he occupied, successively from 1994 to 2002, the posts of Director of Development, Chairman of Growth and then co-CEO of the shopping center division and the convention and exhibition center division. From 2010 to 2014, he presided over the Laboratoire Paris-Région Innovation (Paris Lab). He is the co-founder of a biotechnology start-up (Theravectys, based on research from the Institut Pasteur), director of Paris & Co, member of the Supervisory Board of the group overseeing serious adverse reactions at CHU Robert-Debré, member of the steering committee at the Center for Cancer Research Integrity (SIRIC) of the Institut Gustave Roussy and member of the council of the Directeur général d'Assistance Publiques-Hôpitaux de Paris, as well as, since 2003, professor at the École Centrale Paris.

Séverine Farjon, a graduate of the Institut d'Etudes Politiques in Paris and SFAF (Société Française d'analyse Financière), began her career in the financial analysis sector at Fortis Securities before joining the Natixis Group, where she participated in several capital transactions for listed property

companies. From 2007 to 2009, she took on the responsibility of Orco's Investor Relations. In 2011, she joined Cofitem-Cofimur, which became, in 2013, Foncière de Paris, where she handled financial transactions and shareholder relations. Since January 2017, she has been involved in the creation of RAISE REIM, a management company specializing in the management of OPCI.

Valérie Guillen graduated from the Université de Paris IX-Dauphine with a Masters in corporate finance, and began her career in treasury management at Groupe Vivendi before joining finance management at Générale de Santé. She then worked at Massena from 2001 to 2007 where she was responsible for the management of real estate funds and was chairman of the SIIC Foncière Massena, which she grew and then sold to Groupe Crédit Mutuel. In 2007 she joined La Française, where she managed institutional real estate fund development until 2015. In 2016 she joined Promoteur Emerige to form a portfolio management company for Emerige Capital, of which she was Chairman and where she developed the business of third party account management.

Balance in the composition of the Board of Directors

After giving effect to the proposed appointments described above, the New Carmila Board of Directors will include, upon completion of the Merger, eight independent members according to the criteria adopted by New Carmila, out of a total of 14 members, resulting in a majority-independent Board. As a result, New Carmila will comply with the recommendations of the AFEP-MEDEF Code regarding independence of Board members.

The Board of Directors has selected the members to be appointed at the time of the Merger to ensure that the Board of Directors has a diversity of competencies and a balanced representation of men and women in proportions that comply with applicable legal requirements. As of the date of the Merger, six women will be members of the Board of Directors, bringing the proportion of directors of each gender to more than 40%, in accordance with legal requirements.

14.4.2 Chief Executive Officer

In accordance with article 14 of New Carmila's bylaws, New Carmila's general management methods will be submitted to the Board of Directors.

It will be proposed to the Board of Directors that New Carmila will not maintain the separation of functions between the Chairman of the Board of Directors and of the Chief Executive Officer, and that Mr. Jacques Ehrmann should accordingly serve as Chairman of the Board of Directors and Chief Executive Officer of New Carmila from the date of the completion of the Merger and continuing for a period of four years, expiring at the end of the Ordinary General Meeting of New Carmila called to approve its financial statements for the year ending December 31, 2020. Mr. Jacques Ehrmann is currently a director at Cardety; he is also Chairman and CEO at Carmila.

It will also be proposed that Mr. Yves Cadélano and Mr. Géry Robert-Ambroix serve as Deputy CEOs of New Carmila from the date of the completion of the Merger and continuing for a period of four years, expiring at the end of the Ordinary General Meeting of New Carmila called to approve the financial statements for the year ending December 31, 2020. They currently occupy these positions within Carmila.

14.4.3 Strategic and investment committee

The role of the Strategic and Investment Committee will be to review and advise on New Carmila's investment strategy and to monitor investment opportunities, ensuring a consistent approach to investments and divestitures contemplated by New Carmila.

It is expected that the New Carmila Strategic and Investment Committee will consist of the following individuals:

- Nathalie Robin, representative of Cardif Assurance Vie (Chairman);
- Nadra Moussalem;
- Emmanuel Chabas, permanent representative of Predica;
- Jérôme Bédier;
- Jacques Ehrmann; and
- Francis Mauger.

14.4.4 Audit Committee

The role of the Audit Committee will be to advise and assist the Board of Directors with respect to those matters falling within its competence under the Board of Directors' rules of procedure. It will assist the Board of Directors in its review of the accuracy and fairness of the consolidated financial statements of New Carmila and will ensure the quality of internal controls and of the information given to shareholders and the financial markets.

It is projected that the New Carmila Audit Committee will consist of the following individuals:

- Olivier Lecomte (Chairman);
- Yann Briand, permanent representative of Sogecap;
- Valérie Guillen; and
- Jérôme Bédier.

14.4.5 Compensation and Nominating Committee

The role of the Compensation and Nominating Committee will be to advise and facilitate the work of the Board of Directors with respect to those matters falling within its competence under the Board of Directors' rules of procedure and in particular to make proposals concerning the nominations of independent directors to the Board and the New Carmila Group's compensation policy, as well as to evaluate the functioning of the Board of Directors.

It is projected that the New Carmila Compensation and Nominating Committee will consist of the following individuals:

- Séverine Farjon (Chairman);
- Olivier Lecomte;
- Amal del Monaco, permanent representative of Axa Reim France;
- Marie-Noëlle Brouaux; and
- Anne Carron.

14.4.6 Statement concerning the members of the Board of Directors and of general management

To the knowledge of Cardety and Carmila, there is no family relationship as of the date of this document between the members of the Board of Directors who will hold their office on the date of completion of the Merger and the executive management of New Carmila.

To the knowledge of Cardety and Carmila, over the past five years: (i) none of the aforementioned persons has been convicted of or been liable for fraud, (ii) none of the aforementioned persons has been associated with a bankruptcy, receivership or judicial liquidation, (iii) none of the aforementioned persons has been found guilty of a criminal offense or been subject to official public sanction by statutory or regulatory authorities (including professional associations) and (iv) none of the aforementioned persons has been barred by a court from acting as a member of an administrative, management or supervisory body of an issuer or from participating in the management or conduct of the affairs of an issuer.

14.5 CONFLICTS OF INTEREST

To the Company's knowledge, and except for those relationships described in Chapter 19, "Related Party Transactions", there is no potential conflict of interest at the date of this document between the members of New Carmila's Board of Directors and members of its executive management and their private interests, nor of any directors or members who are currently being considered for appointment to such positions.

Except for the shareholders' agreement concluded between Carmila's shareholders and expiring on the date of the completion of the Merger, the Company is not aware of any agreement with shareholders pursuant to which one of the members of the Carmila's Board of Directors or its executive management was appointed as such. The composition of Carmila's Board of Directors as of the date of the Merger was agreed between Cardety and Carmila under the draft merger agreement.

As of the date of this document, there are no restrictions on the future members of New Carmila's Board of Directors or of its general management with respect to the sale of their holdings of New Carmila's share capital, except for the lock-up commitments of certain shareholders with respect to Cardety and Carmila in connection with the Merger and applicable rules relating to the prevention of insider trading and procedural rules imposing stock retention obligations on future members of the Board of Directors and executive management.

15. COMPENSATION AND BENEFITS FOR MEMBERS OF MANAGEMENT

15.1 COMPENSATION AND BENEFITS OF SENIOR EXECUTIVES AND COMPANY OFFICERS

15.1.1 Directors' Fees

Pursuant to the internal regulations of the Board of Directors to be adopted on the date of completion of the Merger, directors' fees paid to directors and Board Committee members in an amount approved by Cardety's general shareholders' meeting will be determined by the Board on the proposal of the Compensation and Nominating Committee. As these fees will take into account participation in Board meetings and the time dedicated to the Board's activities, such fees will be largely variable. Directors participating in Board Committees will receive additional directors' fees, which will also be determined on the basis of their participation at Board Committee meetings.

A proposal is expected to be made to the general shareholders' meeting to set the annual allocation for directors' fees at €570,000, beginning in 2017.

Annual directors' fees will be allocated based on the following principles:

- For the Board of Directors: fixed compensation of €5,000 will be paid to each director, in addition to a variable compensation of €10,000, based on his/her participation in Board meetings and time dedicated to the Board's activities; in addition, compensation of €10,000 will be paid to the director appointed as Lead Director.

  The same compensation guidelines will apply to non-voting members of the Board.

- For the Board Committees: a fixed annual compensation of €5,000 will be paid to each director, in addition to a variable compensation of €10,000, based on his/her participation in the relevant Board Committee meetings and time dedicated to the relevant Board Committee's activities; the Chairman of the Audit Committee and the Chairman of the Compensation and Nominating Committee will each be paid a yearly fixed compensation of €10,000.

15.1.2 Compensation of Company Officers

Guidelines for the compensation of company officers will be proposed by the Compensation and Nominating Committee and approved by the Board of Directors. The role and composition of the Compensation and Nominating Committee are described in a specific paragraph of the section of this document concerning corporate governance. The guidelines, terms and conditions provided in this section with regard to compensation for the year 2017 will remain unchanged after the Merger.

15.1.2.1 Compensation of Mr. Jacques Ehrmann – Chairman and Chief Executive Officer

Mr. Jacques Ehrmann is expected to be appointed Chairman of the Board of Directors and Chief Executive Officer of New Carmila, effective on the date of completion of the Merger.

As of the date of this document, Mr. Jacques Ehrmann is a director of Cardety and has been a director since May 20, 2015. Mr. Jacques Ehrmann did not receive any director's fees as a director of Cardety in 2016.

Mr. Jacques Ehrmann has also acted as Chief Executive Officer of Carmila since its formation. His term of office was renewed by the Board of Directors on May 4, 2017. Mr. Jacques Ehrmann has also

acted as Chairman of Carmila's Board of Directors since April 17, 2014. His term of office as Chairman of Carmila's Board of Directors was renewed on May 4, 2017.

Mr. Jacques Ehrmann also acts as Executive Director of the Carrefour Group in charge of Assets, Development and New Ventures, pursuant to an employment contract with Carrefour.

Half of Mr. Jacques Ehrmann's fixed compensation is paid by Carmila (and will be paid by New Carmila) for his services at Carmila, and half is paid by Carrefour for his services at Carrefour.

The amount of variable compensation received by Mr. Jacques Ehrmann for his services at Carmila will be determined on the basis of performance criteria relating only to the Carmila Group. The variable portion of Mr. Jacques Ehrmann's compensation will be 85% of his gross fixed compensation received from Carmila if 100% of the performance criteria are met and up to 170% of his gross fixed compensation received from Carmila if 200% of the performance criteria are met, with the variable portion adjusted on a linear basis depending on the percentage of performance criteria met.

For 2017, the amount of fixed compensation to be received by Mr. Jacques Ehrmann from Carmila is €353,000. For the same period, the performance criteria used to determine the variable compensation to be paid to him by Carmila have been set out as follows: (i) 50% general quantitative criteria (recurring earnings, consolidated EBITDA (excluding acquisitions), average return on investment for expansion projects and financial occupancy rate); (ii) 20% individual quantitative criteria (change in vacancy rates, rent collection rates, lease renewals, revenues generated by specific activities and acquisition volume); and (iii) 30% qualitative criteria.

The amounts of variable compensation received by Mr. Jacques Ehrmann from Carrefour for his services to Carrefour are determined on the basis of performance criteria established by the Carrefour Group and may not exceed 200% of the fixed compensation paid to him by Carrefour.

Fixed and variable compensation paid by Carmila for work performed by Mr. Jacques Ehrmann within Carmila are reimbursed by Carrefour according to the guidelines above.

Mr. Jacques Ehrmann will not receive a severance package, any indemnity under a non-compete clause or any supplemental retirement benefits at the end of his term of office at Carmila.

15.1.2.2 Compensation of Mr. Yves Cadélano – Deputy CEO

Mr. Yves Cadélano is expected to be appointed Deputy CEO of New Carmila, effective on the date of completion of the Merger.

Mr. Yves Cadélano is currently Deputy CEO of Carmila and has been Deputy CEO since April 17, 2014. His term of office as Deputy CEO of Carmila was renewed by the Board of Directors on May 4, 2017.

Mr. Yves Cadélano is also Director of Operations for real estate promotion, marketing and innovation, specialty leasing and the management of Carmila's shopping centers, as well as Director of Carrefour Property France pursuant to an employment contract with a Carrefour Group entity.

Mr. Yves Cadélano does not receive compensation for his services as Deputy CEO of Carmila.

Half of Mr. Yves Cadélano's fixed compensation under his employment contract is paid by Carmila (and will be paid by New Carmila) for his services as Director of Operations within Carmila, and half is paid by the Carrefour Group for his services to Carrefour Property.

The amount of variable compensation received by Mr. Yves Cadélano for his services to Carmila is determined on the basis of performance criteria relating only to the Carmila Group. The variable portion of Mr. Yves Cadélano's compensation will be 40% of his gross fixed compensation received from Carmila, if 100% of the performance criteria are met, and up to 80% of his gross fixed compensation received from Carmila if 200% of the performance criteria are met, with the variable portion adjusted on a linear basis depending on the percentage of performance criteria met.

For 2017, the amount of fixed compensation to be received by Mr. Yves Cadélano from Carmila is €175,000. For the same period, the performance criteria used to determine the variable compensation to be paid to him by Carmila have been set out as follows: (i) 40% general quantitative criteria (recurring earnings, consolidated EBITDA (excluding acquisitions), average return on investment for expansion projects and financial occupancy rate); (ii) 30% individual quantitative criteria (change in vacancy rates, rent collection rates, lease renewals, revenues generated by specific activities and acquisition volume); and (iii) 30% qualitative criteria.

The amount of variable compensation received by Mr. Yves Cadélano from Carrefour for his services to Carrefour are determined on the basis of performance criteria established by the Carrefour Group and may not exceed 80% of the fixed compensation paid to him by Carrefour.

Fixed and variable compensation paid by Carmila for the operational positions held by Mr. Yves Cadélano within Carmila are billed to Carmila by Carrefour according to the guidelines set out above.

Mr. Yves Cadélano will not receive a severance package, any indemnity under a non-compete clause or any supplemental retirement benefits at the end of his term of office at Carmila.

15.1.2.3 Compensation of Mr. Géry Robert-Ambroix – Deputy CEO

Mr. Géry Robert-Ambroix is expected to be appointed as Deputy CEO of New Carmila, effective on the date of completion of the Merger.

Mr. Géry Robert-Ambroix is currently Deputy CEO of Carmila and has been Deputy CEO since April 17, 2014. His term of office as Deputy CEO of Carmila was renewed by the Board of Directors on May 4, 2017.

Mr. Géry Robert-Ambroix is also Director of Asset and Investment Valuation at Carmila, under an employment contract with Almia Management, a subsidiary of Carmila.

Mr. Géry Robert-Ambroix does not receive compensation for his services as Deputy CEO of Carmila.

Mr. Géry Robert-Ambroix's fixed compensation for 2017 under his employment contract is €350,000.

The variable portion of Mr. Géry Robert-Ambroix's compensation will be 40% of his gross fixed compensation if 100% of the performance criteria are met, and up to 80% of his gross fixed compensation received from Carmila if 200% of the performance criteria are met, with the variable portion adjusted on a linear basis depending on the percentage of performance criteria met.

For 2017, the performance criteria used to determine his variable compensation have been set out as follows: (i) 40% general quantitative criteria (recurring earnings, consolidated EBITDA (excluding acquisitions), average return on investment for expansion projects and financial occupancy rate); (ii) 30% individual quantitative criteria (change in vacancy rates, rent collection rates, lease renewals, revenues generated by specific activities and acquisition volume); and (iii) 30% qualitative criteria.

Mr. Géry Robert-Ambroix will not receive a severance package, any indemnity under a non-compete clause or any supplemental retirement benefits at the end of his term of office at Carmila. Mr. Géry

Robert-Ambroix is subject to a non-compete clause and benefits from the Carmila Group employee pension plan under his employment contract.

15.1.2.4 Compensation of Executive Corporate Officers in 2016

Mr. Jacques Ehrmann Chairman and Chief Executive Officer	**2016**
	in €
Fixed and variable compensation for the year[1]	425,555
Valuation of multi-year variable compensation due for the 2014-2016 period[2]	299,500
Benefits in kind	1,935
Valuation of options granted during the year	N/A
Valuation of free Carmila shares granted during the year	530,000

[1] Amounts paid by Carmila.
[2] Total amount under the multi-year variable compensation plan for the 2014-2016 period, paid in 2017.

Mr. Yves Cadélano Deputy CEO	**2016**
	in €
Fixed and variable compensation for the year[1]	244,835
Valuation of multi-year variable compensation due for the 2014-2016 period[2]	128,624
Benefits in kind	1,482
Valuation of options granted during the year	N/A
Valuation of free Carmila shares granted during the year	187,500

[1] Amounts paid by Carmila.
[2] Total amount under the multi-year variable compensation plan for the 2014-2016 period, paid in 2017.

Mr. Géry Robert-Ambroix Deputy CEO	**2016**
	in €
Fixed and variable compensation for the year [1]	511,991
Valuation of multi-year variable compensation due for the 2014-2016 period [2]	257,247
Benefits in kind	2,871
Valuation of options granted during the year	N/A
Valuation of free Carmila shares granted during the year	375,000

[1] Including incentive and profit sharing compensation.
[2] Total amount under the multi-year variable compensation plan for the 2014-2016 period, paid in 2017.

15.1.3 Share Subscription or Purchase Option Plans and Performance Share Plans

In 2016, Carmila implemented a free share plan for its executives and some of its employees:

- a free share plan requiring employment through at least December 31, 2017;

- a free share plan stipulating (i) continuing employment through June 15, 2018 and (ii) the following performance conditions, at 50% each:
    - improvement in total yield in 2017 (corresponding to the improvement in the triple adjusted net asset value (NNNAV EPRA) (including dividend discounts for the same year), compared to a panel of comparable real estate companies;
    - improvement in the consolidated "Recurring Earnings Per Share" of the Carmila Group relative to the subscription price of one Carmila share.

Pursuant to applicable law, upon completion of the Merger, Cardety will automatically be substituted for Carmila with respect to its obligations to the recipients of free shares. The rights of shares held by these shareholders will be transferred to a corresponding number of Cardety shares calculated by applying the exchange ratio to the number of Carmila shares to which they are entitled under their respective share plans. No allocation or compensation will be given in exchange for fractions of shares.

A new free share plan for executives and employees of the Carmila Group may be established prior to the Merger for a total allocation of 300,000 shares, pursuant to the delegation of authority granted by the general shareholders' meeting held on April 14, 2016.

15.1.4 Benefits for Executive Corporate Officers

Executive Corporate Officers	Employment contract		Supplemental pension plan		Compensation or benefits due or likely to be due in the event of termination or change of position		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Jacques Ehrmann CEO First appointment: Date of the general shareholders' meeting to approve the Merger (June 12, 2017) End of term of office: General shareholders' meeting to approve the 2020 financial statements		✓ (1)		✓		✓		✓
Mr. Yves Cadélano Deputy CEO First appointment: Date of the general shareholders' meeting to approve the Merger (June 12, 2017) End of term of office: General shareholders' meeting to approve the 2020 financial statements		✓ (1)		✓		✓		✓
Mr. Géry Robert-Ambroix Deputy CEO First appointment: Date of the general shareholders' meeting to approve the Merger (June 12, 2017) End of term of office: General shareholders' meeting to approve the 2020 financial statements	✓			✓		✓		✓

(1) Messrs. Jacques Ehrmann and Yves Cadélano are each a party to an employment contract with Carrefour Group.

15.1.5 History of free shares granted

Date of shareholders' meeting	Date of grant	Number of beneficiaries	Terms of exercise	Number of shares					Date of acquisition	Date de of availability
				Number of Carmila shares granted during the year	to Jacques Ehrmann	to Géry Robert-Ambroix	to Yves Cadélano	Free shares granted that remained at the end of the year		
14/04/2016	17/05/2016 Presence Plan	32	Cf. Section 15.1.3	171,810	34,942	19,779	9,889	171,810	31/12/2017	18/05/2018
14/04/2016	17/05/2016 Performance Plan	34	Cf. Section 15.1.3	268,067	34,961	29,683	14,842	268,067	15/06/2018	15/06/2018

Mr. Jacques Ehrmann, Mr. Yves Cadélano and Mr. Géry Robert-Ambroix are also under the obligation to retain the free shares granted to them as follows: 50% of shares granted, representing no more than 1.5 years of gross fixed compensation for Mr. Jacques Ehrmann, and 50% of shares granted, representing no more than one year of gross fixed compensation, for Mr. Yves Cadélano and Mr. Géry Robert-Ambroix.

15.2 COMPLIANCE OF THE TOTAL COMPENSATION OF EXECUTIVE OFFICERS WITH THE RECOMMENDATIONS OF THE AFEP-MEDEF CODE

Cardety currently complies with the Middlenext Corporate Governance Code and intends to comply with all recommendations of the AFEP and MEDEF's Corporate Governance Code for Listed Companies as of the date of the completion of the Merger.

The AFEP-MEDEF Code, with which New Carmila intends to comply, may be consulted online.[28] New Carmila will make copies of this code permanently available to members of its corporate governance bodies.

15.3 PROVISIONS SET ASIDE OR RECORDED BY CARMILA OR ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT PLANS OR OTHER BENEFITS

Carmila has not recorded any provisions for the payment of pensions, retirement plans or other similar benefits for its company officers.

[28] http://www.afep.com/uploads/medias/documents/Code%20de%20gouvernement%20d'entreprise%20des%20soci%C3%A9t%C3%A9s%20cot%C3%A9es%20novembre%202016.pdf

16. FUNCTIONING OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 TERMS OF OFFICE OF MEMBERS OF THE ADMINISTRATRIVE AND MANAGEMENT BODIES

Please refer to Section 14.1, "Composition of Management and Control Bodies" for a description of the terms of office of the future members of the Board of Directors and executive management of New Carmila as of the date of completion of the Merger.

16.2 INFORMATION ON SERVICE CONTRACTS BETWEEN MEMBERS OF THE ADMINISTRATRIVE AND MANAGEMENT BODIES AND THE COMPANY OR ANY OF ITS SUBSIDIARIES

To the knowledge of each of Cardety and Carmila, as of the date of this document, there are no service contracts between future members of the Board of Directors and Cardety or Carmila or any of their respective subsidiaries that provide for the granting of benefits.

16.3 INTERNAL REGULATIONS OF THE BOARD OF DIRECTORS

In accordance with the terms of the Merger Agreement, amendments to the internal regulations of Cardety's Board of Directors will be adopted upon the completion of the Merger. The description of the internal regulations in this document reflects such internal regulation as they are anticipated to be amended upon completion of the Merger.

16.3.1 Participation in the meetings of the Board of Directors by videoconference or other means of telecommunication

Except for meetings called to take decisions for which the Commercial Code does not authorize the use of such methods, Board meetings may be held by videoconference and/or other means of telecommunication, provided, however, that the selected method enables the identification of the participating directors and ensures their effective participation in the meeting. In particular, the method selected must, at a minimum, permit the transmission of the voices of the participants and satisfy technical standards allowing for the continuous, real-time transmission of deliberations among participants. Each participant must be able to take part and hear what is said.

Directors participating in Board meetings by videoconference or other telecommunication shall be deemed present for purposes of calculating the quorum and any required majority.

16.3.2 Prior authorizations by the Board of Directors

Pursuant to the Board's internal regulations and without prejudice to applicable laws and regulations, none of the following decisions (or the principal elements of such decisions) may be validly adopted without first being approved by the Board though a simple majority of the votes of the directors present or represented at the relevant meeting:

(i) any transaction or agreement likely to affect the business strategy of New Carmila and its Subsidiaries or the scope of their activity or their tax treatment;

(ii) any transaction with an immediate or future effect on the share capital of New Carmila or one of its Subsidiaries (including mergers, spin-offs, partial contributions of assets, capital increases or reductions, issuances of securities giving access to the share capital of New Carmila or one of the Subsidiaries, etc.), except internal transactions within the group comprised of New Carmila and its Subsidiaries;

(iii) the approval of the annual budget of New Carmila and its Subsidiaries (including the income statement, balance sheet, annual financing plan and annual investment plan (CAPEX));

(iv) any transaction or commitment with a value of greater than €15 million, in particular:

- any proposed transfer (in the form of a contribution, exchange, acquisition or sale) of real estate or tangible assets or rights, debt claims, leasehold rights or intangible assets by New Carmila or one of its Subsidiaries (the €15 million threshold calculated on the basis of asset value excluding transfer taxes and duties);

- any proposed total or partial transfer (in the form of a subscription, contribution, exchange, acquisition or sale) of securities of any group or company, in law or in fact, by New Carmila or one of its Subsidiaries;

- any proposed investment (CAPEX) on the part of New Carmila and/or the Subsidiaries relating to its or their real estate assets (including expansion and renovation plans); and

- any proposed transaction and any settlement with respect to New Carmila or one of its Subsidiaries in connection with litigation or other disputes.

The prior authorization mentioned in this paragraph (iv) does not apply to transactions within the group comprised of New Carmila and its Subsidiaries.

(v) any proposal involving the granting by New Carmila or one of its Subsidiaries of a loan, cash advance or advance on current account to a person or entity that is not a Subsidiary exceeding a total annual threshold, for New Carmila and its Subsidiaries, together, of €5 million for all loans and advances granted;

(vi) the incurrence of financial debt by New Carmila and its Subsidiaries, including by issuing debt securities (except for intra-group advances granted by New Carmila to the Subsidiaries), any refinancing or any extension, renewal or modification of existing financial indebtedness, in each case, for an amount greater than or equal to €200 million per transaction, with the Chief Executive Officer reporting transactions below this threshold to the Board;

(vii) the granting of guarantees, pledges, undertakings, security interests or liens by New Carmila or its Subsidiaries (i) to third parties for an annual amount greater than or equal to €500,000 per commitment and higher than an annual total amount of €5 million for New Carmila and its Subsidiaries, taken together, or (ii) granted to Subsidiaries for an annual amount equal to or in excess of €10 million per commitment and exceeding an annual total amount of €100 million for New Carmila and its Subsidiaries, taken together;

(viii) the creation or substantial modification of the general framework and financing conditions for activities relating to lease management, asset management, shopping center management, leasing or specialty leasing of real estate assets held by New Carmila and its Subsidiaries in cases where such activities are part of an agreement with a Reference Shareholder (defined as any entity having a significant directly or indirect influence on New Carmila) and/or any Affiliate of such Reference Shareholder and the early termination or the renewal of such agreements (the entry or amendment of these agreements not being required to be submitted to the Board, provided that they comply with the general framework and financial conditions approved by the Board, such that they constitute contracts entered into by applicable the framework previously approved by the Board). The Directors of the Reference Shareholder (other than the Chairman) will not be entitled to vote on these decisions; and

(ix) the entry into, or significant amendment, early termination or renewal of, any agreement mentioned below between (a) New Carmila and/or one of its Subsidiaries and (b) a Reference Shareholder and/or any Affiliate of such Reference Shareholder:

a. the Renovation and Development Agreement;

b. any agreement relating to the provision of administrative and accounting services in an amount exceeding €200,000 per agreement, excluding taxes;

c. any agreement relating to the grant of loans, advances, guarantees, pledges, undertakings, security interests or liens in favor of a Reference Shareholder and/or any Affiliate of such Reference Shareholder;

d. any agreement relating to the transfer (in the form of a contribution, exchange, acquisition or sale) of real property or tangible assets, securities or intangible assets in an amount individually exceeding €2 million euros (excluding taxes and duties); or

e. any other agreement in respect of which the total amount to be paid exceeds €2 million euros, excluding taxes, per year, other than (a) agreements entered into or transactions carried out pursuant to the Renovation and Development Agreement and/or the above-mentioned agreements and (b) agreements entered into in the normal course of business (the normal course of business being deemed to include the maintenance, renovation and development relating to the real estate assets held by New Carmila and its Subsidiaries). The Directors representing the Reference Shareholder (other than the Chairman, except when the agreement in question relates to the exercise of his/her duties or his/her compensation) will not be entitled to vote on these decisions.

For the purpose of the foregoing:

(i) ***Affiliate*** means, with regard to a person or entity, any entity which directly or indirectly, through one or several entities, Controls such person, is Controlled by such person, or is under common Control with such person;

(ii) ***Control*** means, with regard to a person or entity, directly or indirectly holding at least fifty per cent (50%) of the capital and voting rights such person or entity; and

(iii) ***Subsidiary*** means, at any time, any entity directly or indirectly Controlled by New Carmila.

16.3.3 Lead Director

The Board of Directors may appoint a Lead Director from among the independent directors to assist the Chairman in his/her duties regarding the proper functioning of New Carmila's supervisory bodies. In this respect, he/she will examine, in particular, conflicts or potential conflicts of interest that may be related to the directors or the Chairman of the Board and relevant to the Company's interests.

16.3.4 Evaluation of the Board of Directors

The Board shall periodically evaluate its capacity to meet the expectations of shareholders, who have entrusted the Board with the management of New Carmila, including through a review of its composition, organization and functioning, and, in particular, by evaluating the balance of its composition and that of the Committees, as well as periodically considering whether its structure and activities adequately respond to the tasks for which it is responsible.

16.4 COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of New Carmila may create Committees to examine particular matters of its (or its Chairman's) choosing.

Three Committees of the Board of Directors of Cardety have been created: a Strategic and Investment Committee, a Compensation and Nominating Committee and an Audit Committee. They will be renewed as of the completion of the Merger and the Group will ensure that they comply with the recommendations of the AFEP-MEDEF Code, including in terms of their powers and functions, which will be restated.

The Committees' powers and rules, pursuant to Article 1.7 of the Board's internal regulations (which will come into effect upon completion of the Merger), are described below.

16.4.1 Strategic and Investment Committee

16.4.1.1 Duties

The Strategic and Investment Committee, prior to any decision of the Chief Executive Officer (or the Deputy CEOs, as the case may be) and/or of the Board, as applicable, will be in charge of:

- reviewing the investment strategy of New Carmila and of its Subsidiaries and monitoring investment opportunities;
- reviewing, and issuing an opinion on, the annual investment budget;
- issuing an opinion on any investment or divestment transaction in an amount exceeding €15 million;
- examining, and issuing an opinion on the decisions relating to, any proposed investment or divestment requiring the prior authorization of the Board; and
- examining, and issuing an opinion on the decisions relating to, the entry into or the substantial amendment, early termination or renewal of the Renovation and Development Agreement and any agreement to transfer assets in an amount exceeding the amount set out in the Board's internal regulations, between (a) New Carmila and/or one of its Subsidiaries or (b) a Reference Shareholder and/or any Affiliate of such Reference Shareholder. The Directors representing the Reference Shareholder will only take part in the deliberations of the Strategic and Investment Committee relating to such matters in an advisory capacity.

16.4.1.2 Composition

The Strategic and Investment Committee will consist of six members chosen from among the directors and appointed by the Board for their term of office. The Board will appoint the Chairman of the Strategic and Investment Committee.

16.4.1.3 Functioning

At least half of the members of the Strategic and Investment Committee must be present in order for their meetings to be validly held. The members of the Strategic and Investment Committee may participate in the meetings in person or by videoconference and/or telecommunication and may grant proxies to others to represent them.

16.4.2 Audit Committee

16.4.2.1 Duties

As part of its role in supervising matters relating to the preparation and control of accounting and financial information and monitoring the effectiveness of risk monitoring and operational internal controls, the Audit Committee will be in charge of:

- reviewing the accounting methods and the asset valuation methods of New Carmila and its Subsidiaries and monitoring the preparation of financial information by ensuring the relevance and consistency of the accounting methods;

- reviewing the draft financial statements and consolidated financial statements of New Carmila before their presentation to the Board;

- leading the selection process for New Carmila's statutory auditors in accordance with applicable legal and regulatory provisions, and submitting its proposal or opinion, as the case may be, to the Board;

- implementing a pre-approval and monitoring process for audit assignments other than the financial statement audit carried out by the Statutory Auditors, as well as the rules with respect to delegation of authority to the management of New Carmila, as well as ensuring that the statutory auditors' provision of such services (other than the financial statement audit), does not compromise their independence;

- reviewing the agreements mentioned in the provisions of Article L. 225-38 of the Commercial Code, with the exception of those previously reviewed by the Strategic and Investment Committee in accordance with the Board's internal regulations;

- issuing an opinion on:

    - the creation or substantial modification of the general framework and financing conditions for activities relating to lease management, asset management, shopping center management, leasing or specialty leasing of real estate assets held by New Carmila and its Subsidiaries in cases where such activities are part of an agreement with a Reference Shareholder (defined as any entity having a significant directly or indirect influence on New Carmila) and/or any Affiliate of such Reference Shareholder and the early termination or the renewal of such agreements (the entry or amendment of these agreements not being required to be submitted to the Board, provided that they comply with the general framework and financial conditions approved by the Board). The Directors representing the Reference Shareholder will not be entitled to vote on these decisions; and

    - the entry into, or significant amendment, early termination or renewal of, any agreement mentioned below between (a) New Carmila and/or one of its Subsidiaries and (b) a Reference Shareholder and/or any Affiliate of such Reference Shareholder of (i) any agreement relating to the provision of administrative or accounting services in an amount exceeding the amount set out in Board's internal regulations, (ii) any agreement relating to the grant of loans, advances, guarantees, pledges, undertakings, security interests or liens in favor of a Reference Shareholder and/or any Affiliate of this Reference Shareholder and (iii) any other agreement for a total amount exceeding the amount set out in the Board's internal regulations, other than agreements entered into or the transactions carried out pursuant to the Renovation and Development Agreement dated April 16, 2014, entered into with Carrefour, and agreements entered into in the normal course of business. The Directors representing the Reference

Shareholder (other than the Chairman, when the agreement in question relates to the exercise of his duties or his compensation) will be entitled to vote on these decisions.

- monitoring and managing the verification and clarity of the information to be provided to shareholders and the markets;
- monitoring the effectiveness of internal control systems, internal audits and risk management with respect to the preparation and processing of financial and accounting information;
- examining risks and procedures to prevent risks, as well as material off-balance sheet commitments and assessing the significance of deficiencies or failings indicated to the Committee, as the case may be, and informing the Board; and
- regularly reviewing the status of significant litigation.

The Audit Committee will also examine, in reviewing the financial statements, significant transactions which may present a potential conflict of interest. The examination of the financial statements by the Audit Committee will take place alongside the presentation by New Carmila's statutory auditors of the main elements of audit findings (in particular, audit adjustments and significant irregularities in the internal control system identified during their review in connection with the preparation and processing of accounting and financial information) and on the accounting methods used. The review of the financial statements will also be carried out in tandem with management's presentation of New Carmila's exposure to risks, off-balance sheet commitments and accounting methods used.

The statutory auditors will provide any information provided for by law to the attention of the Audit Committee, in particular pursuant to Article L. 823-16 of the Commercial Code.

16.4.2.2 Composition

The Audit Committee will be composed of four members chosen from among the directors, at least three of whom must be independent directors, and appointed, following proposal by the Compensation and Nominating Committee, by the Board for their term of office as directors. The Audit Committee will not include any senior executive corporate officers.

The Chairman of the Audit Committee is appointed by the Board, following the proposal of the Compensation and Nominating Committee. The Board must carry out a specific review of this appointment.

16.4.2.3 Functioning

At least half of the members of the Audit Committee must be present in order for the Committee's meetings to be validly held. The members of the Audit Committee may take part personally in the meetings or may grant proxies to others to represent them.

The opinions of the Audit Committee will be adopted by simple majority of the votes of members present or represented. In the event of a tie, the Chairman of the Audit Committee shall cast the deciding vote.

The opinions of the Strategic and Investment Committee will be adopted by simple majority of the votes of the members present or represented. In the event of a tie, the Chairman of the Strategic and Investment Committee shall cast the deciding vote.

16.5 STATEMENT RELATING TO CORPORATE GOVERNANCE

As from the date of completion of the Merger, New Carmila intends to comply with the recommendations of the Corporate Governance Code for Listed Companies of the AFEP and the MEDEF, in particular in connection with the preparation of the report of the Chairman of the Board of Directors provided for by Article L. 225-37 of the French Commercial Code on the composition of the Board of Directors and the application of the principle of gender balance in the Board's composition, the terms of preparing and organizing the Board's work, and the internal control and risk management procedures implemented by New Carmila.

16.6 INTERNAL CONTROL

16.6.1 General Internal Control System

New Carmila Group's internal control system will be implemented by reference to the internal control procedures of the Cardety Group, which will be adapted to the New Carmila Group's business and closely associated with its risk management system (see Section 4.6.2, "Risk Management").

The internal control system combines a number of methods, procedures and actions adapted to the specific characteristics of the New Carmila Group, which:

- contribute to the internal control of its business, the effectiveness of its operations and the efficient use of its resources; and
- must enable it to appropriately evaluate significant operational, financial and compliance risks of the New Carmila Group that may prevent the Group from attaining its objectives.

In particular, the internal control system aims to ensure:

- compliance with laws and regulations in attempting to achieve economic and financial goals;
- the proper application of instructions and strategies set out by the executive management with respect to internal control and risk management;
- the proper functioning of internal processes, in particular, those relating to the safeguarding of assets; and
- the reliability of financial information.

16.6.2 Internal Control Organization and Participants

16.6.2.1 Internal Control Organization

The Carmila Group has established a formalized control system through various control procedures and measures with a professional code of conduct and clearly defined powers, responsibilities and objectives at each level of the organization, in order to maintain an effective division of tasks:

- the rules applicable within the Carmila Group are reflected in specific operational procedures; they constitute the basis upon which the subsidiaries of the Carmila Group located in the different countries in which the Group is present conduct their internal control procedures; and
- a professional code of conduct is provided to each associate of the Carmila Group and establishes a formal ethical framework through the definition of ethical principles with which all associates must comply in carrying out their professional responsibilities.

16.6.2.2 Direction and Supervision of the Internal Control System

The continuous supervision of internal control procedures is organized at the Carmila Group level so as to prevent or detect problems in a timely manner. The reference used for internal control procedures is the Committee of Sponsoring Organizations of the Treadway Commission or "COSO". On a day-to-day basis, managers ensure the continuous supervision of the effective implementation of the internal control procedures. To this end, remedial action plans are implemented as needed and all significant failures are reported. Executive management is kept informed of these measures and reports and, if appropriate, the Audit Committee can request a statement of failures and the plans put in place to address them.

With respect to internal controls of published accounting and financial information, the operational effectiveness of internal controls with regard to the preparation of financial information is audited by the Statutory Auditors, who report their conclusions and recommendations to the Audit Committee, which then reviews them and, on the basis of this review, issues an opinion to the Board of Directors of the Carmila Group on the proposed approval of the financial statements.

Executive management supervises internal control and risk management procedures by relying on reports of the meetings of the Board of Directors and Audit Committee.

The system in place aims to ensure that the standards applied correspond to regulations in force and are accessible to all persons involved in the preparation of accounting and financial data.

16.6.2.3 Internal Control Actors

The executive management is in charge of the internal control and risk management systems. It is responsible for defining, designing and implementing internal control and risk management systems suitable for the size of the New Carmila Group, its business and its organization.

The executive management initiates all necessary remedial actions to address identified failures and avoid unnecessary, significant risks. It ensures that these actions are properly implemented.

The Board of Directors provides a management report on the main risks and uncertainties with which New Carmila is faced. It keeps itself regularly and thoroughly informed of the essential characteristics of the internal control and risk management procedures. It also acquires an overall understanding of the procedures used to prepare and process financial and accounting information.

In addition, the effectiveness of the internal control system with regard to the preparation of financial information is audited by the statutory auditors, who report their conclusions and recommendations to management.

17. EMPLOYEES

17.1 HUMAN RESOURCES MANAGEMENT

17.1.1 Change in headcount

As of December 31, 2016, the Carmila Group had 153 employees worldwide, compared with 132 employees as of December 31, 2015, an increase of 15.9%.

Changes in Carmila Group's headcount over the last three years are as follows:

	As of December 31		
Employees[29]	**2014**	**2015**	**2016**
France	68	95	113
Spain	27	35	38
Italy	2	2	2
TOTAL	**97**	**132**	**153**

All employees located in France are employed by Almia Management, while those located in Spain are employed by Carmila España and those located in Italy are employed by Carmila Italia.

It is expected that two employees of Cardety will be transferred to Almia Management in connection with the Merger.

New hires

The table below sets forth the number of new hires during the years ending December 31, 2014, 2015 and 2016:

Number of new hires	**2014**	**2015**	**2016**
France	22	37	45
Spain	28	8	6
Italy	0	0	0

The Carmila Group has sustained its hiring in the last three years, in line with the growth in its business and, after taking into account the departures referred to below, the introduction of new teams since 2014.

[29] Excluding employees made available to the Carmila Group companies (Jacques Ehrmann and Yves Cadélano in France - see Section 15.1.2, "Compensation of Company Officers" - and an employee in Italy).

Departures

The table below sets forth the number of employee departures during the years ending December 31, 2014, 2015 and 2016:

Number of departures	2014	2015	2016
France	13	10	27
Spain	1	1	2
Italy	0	0	0

17.1.2 Headcount breakdown

Headcount breakdown by contract type

The table below breaks down the Group's headcount by type of employment agreement as of December 31, 2014, 2015 and 2016:

	As of December 31		
Headcount breakdown by type of employment agreement	**2014**	**2015**	**2016**
Open-ended employment agreements	96	126	139
Fixed term employment agreements	1	3	6
Other (work-study contracts)	0	3	8
TOTAL	**97**	**132**	**153**

Employees of the Carmila Group are mainly hired under open-ended employment agreements.

Headcount breakdown by occupation

The table below breaks down the Group's headcount by occupation as of December 31, 2014, 2015 and 2016:

	As of December 31		
Workforce breakdown by occupation	**2014**	**2015**	**2016**
Managers	93	123	137
Technicians and supervisory personnel	2	7	15
Salaried employees	2	2	1
TOTAL	**97**	**132**	**153**

Headcount breakdown by age group

The following table breaks down the Group's headcount by age group as of December 31, 2014, 2015 and 2016:

	As of December 31		
Headcount breakdown by age group	**2014**	**2015**	**2016**
25 years and under	2	6	14
26-35 years	37	47	55
36-45 years	35	51	54
46 years and older	23	28	30
TOTAL	**97**	**132**	**153**

The increase in the number of employees was relatively balanced across different age groups from year-end 2014 to 2016, with the exception of employees under 25 years of age, who benefited in France from commitments related to the employment contract and whose numbers have accordingly increased at a higher rate than that of employees in other age groups (see "—Measures to combat discrimination" below).

Headcount breakdown by gender

The table below breaks down the Group's headcount by gender as of December 31, 2014, 2015 and 2016:

	As of December 31		
Workforce breakdown by gender	**2014**	**2015**	**2016**
Women	39	53	65
Men	58	79	88
TOTAL	**97**	**132**	**153**

Between the end of 2015 and 2016, the proportion of women in the Carmila Group's workforce increased by 6%.

17.1.3 Human resources policy

Labor relations

The subsidiaries of the Carmila Group are subject to various statutory and regulatory requirements in terms of employee representation depending on the countries in which they are located. The Carmila Group complies with local requirements for employee representation and union representation.

In France, New Carmila Group employees benefit from an active labor relations dialogue. They are represented by personnel delegates and a works council. In 2014, the Group entered into an agreement on the collective status of employees in addition to the provisions of the National Collective Agreement on Real Estate of September 9, 1988.

Agreements relating to annual mandatory wage negotiations, as well as other agreements, have been entered into over the last three fiscal years, as discussed further below.

In general, the New Carmila Group believes it has highly satisfactory labor relations with respect to its employees and their representatives. The Carmila and Cardety Groups have never experienced any labor conflict or strike.

Workplace equality

The following measures relate to the New Carmila Group employees who are located in France.

Measures to promote gender equality

Employees of the Carmila Group benefit from an agreement on gender equality and quality of workplace life, entered into in April 2016.

This agreement reaffirms the measures already in place to facilitate work-life balance (janitorial services, financial aid for childcare expenses) and provides for additional measures to facilitate the resumption of work after a suspension of an employment contract and the management of work on back-to-school days. The agreement also includes measures to facilitate part-time and full-time transitions, or the teleworking of pregnant employees.

Measures to promote the employment and the integration of people with disabilities

In 2016, Almia Management conducted a study to identify possible courses of action to promote the employment of disabled employees. As a result of this study, Almia Management had itself listed on the mailing lists reserved for disabled workers seeking employment, and hired a disabled worker at the beginning of the 2017 fiscal year. Steps have also been taken to work with disabled worker aid centers (*établissements et services d'aide par le travail* or "ESAT").

Measures to combat discrimination

As part of the offering of work contracts, the Carmila Group undertook, among other things, to recruit a minimum of 20% of employees under the age of 30 and, in order to facilitate their integration, set up the appointment of an advisor for each young employee. The Group has also taken steps to hire additional elderly employees.

In addition, training modules on fighting discrimination have been made available to employees in charge of hiring and the management of careers, as well as managers.

Compensation policy

The table below sets forth the total compensation paid by the Carmila Group (excluding employee benefits) for the years ending December 31, 2014, 2015 and 2016:

(in millions of euros)	**As of December 31**		
	2014	**2015**	**2016**
Gross compensation	4.3	8.0	8.7
Variable compensation	0.1	2.2	2.1
TOTAL	4.4	10.2	10.8

All supervisors and managers under open-ended employment contracts receive individual variable compensation calculated according to the achievement of economic objectives linked to their company and to individual goals. The maximum amount of variable compensation depends on the status and occupation of the employee and varies from 18% to 50% of the employee's gross annual compensation.

Absenteeism

The table below sets forth the absenteeism rate within the Carmila Group for the years ending December 31, 2015 and 2016:

	2015	2016
Absenteeism rate	1.6%	1.9%

Training

The table below sets forth the training activities carried out by the Carmila Group for the years ending December 31, 2014, 2015 and 2016:

	As of December 31		
	2014	2015	2016
Number of employees trained	61	94	110
Total training hours	783	2,065	3,363
Share of the annual budget spent on training in the wage bill	1.2%	1.3%	1.5%

Almia Management's training plan mainly consists of legal education, in particular with respect to commercial leases. A specific program has been developed for shopping center directors, in terms of personal development and the use of Facebook, in particular the active management of the shopping center's Facebook page. Shopping center directors also received training in crisis management. In addition, an e-learning platform is available to employees to provide training.

17.2 SHAREHOLDINGS AND STOCK OPTIONS HELD BY MANAGEMENT AND CERTAIN EMPLOYEES OF THE CARMILA GROUP

For more information on the shares and stock options held by the members of the Board of Directors and executive management of the Company and certain employees of the Carmila Group, please refer to Section 15.1, "Compensation and Benefits of Senior Executives and Company Officers" and to Section 21.1, "Share Capital".

On November 4, 2016, Carmila carried out a capital increase reserved for employees to issue employees 281,157 Carmila shares.

17.3 AGREEMENTS PROVIDING FOR INVESTMENTS BY EMPLOYEES IN THE ISSUER'S CAPITAL

Except for the bonus share plans described in Sections 15.1, "Compensation and Benefits of Senior Executives and Company Officers" and 21.1, "Share Capital", there is no agreement providing for employee investments in Carmila's capital.

In addition, employees of Carmila's French subsidiaries benefit from profit-sharing agreements, employee savings and incentive plans.

Profit-sharing agreements

Pursuant to Article L. 3322 2 of the French Labor Code, the implementation of profit-sharing agreements is required in companies with 50 or more employees and that have a taxable profit of greater than a 5% return on equity.

Almia Management employees have entered into profit-sharing agreements that provide a formula for calculating the profit-sharing reserve based on current operating income before interest and taxes.

Company savings plans and similar plans

Pursuant to Articles L. 3323 2 and L. 3323 3 of the French Labor Code, companies with profit sharing plans are also required to maintain company savings plans. A group or company savings plan is a collective savings system offering employees of the companies belonging to the plan the ability, with the help of their employers, to build investment portfolios. In particular, it can receive amounts under a profit sharing or incentive agreement, as well as voluntary contributions. Amounts invested in a company savings plan cannot be withdrawn for five years, except in the early withdrawal cases provided for by law.

Almia Management employees have entered into a group savings plan as well as a group retirement savings plan. Arrangements for the payment of voluntary contributions by employees are provided for in these agreements.

In accordance with article L. 3332-25 of the French Labor Code, the investor has the possibility to liquidate the assets available on the plan in order to raise stock options granted under the conditions stipulated in articles L. 225-177 or L. 225-179 of the French Commercial Code. The shares subscribed or purchased by the investor are then paid into the savings plan and are only available after the end of 5 years from this payment.

Incentive plans

Almia Management employees are able to participate in an incentive plan. An incentive plan is an optional mechanism whose purpose is to enable a company to give employees, collectively, an interest in a company's results of operations or performance through the payment of immediately payable bonuses, defined using a calculation formula contingent on the company's results or performance, pursuant to Article L. 3312-1 of the French Labor Code.

18. MAIN SHAREHOLDERS

18.1 SHAREHOLDERS

As of the date of this document, Carmila's share capital is held as follows:

Shareholders	Number of shares and voting rights	Percentage of share capital and voting rights
CRFP 15[(1)]	133,059,201	42.42%
Colkart[(2)]	41,641,819	13.28%
CAA Kart 2[(3)]	36,506,840	11.64%
C Commerce 2[(4)]	35,015,557	11.16%
SAS Sogecar 2[(5)]	18,999,061	6.06%
LVS II France II SAS[(6)]	18,999,061	6.06%
SAS Kart-One[(7)]	17,507,778	5.58%
Kart SBS SAS 2[(8)]	6,578,954	2.10%
Kartam Associée[(9)]	5,065,266	1.61%
Executives and employees[(10)]	281,157	0.09%
TOTAL	**313,654,694**	**100%**

(1) CRFP 15 is controlled by Carrefour.
(2) Colkart is controlled by Colony.
(3) CAA Kart 2 is controlled by Predica.
(4) C Commerce 2 is controlled by Cardif.
(5) SAS Sogecar 2 is controlled by Sogecap.
(6) LVS II France II SAS is controlled by Pimco.
(7) SAS Kart-One is controlled by Axa.
(8) Kart SBS SAS 2 is controlled by Blue Sky Group.
(9) Kartam Associée is controlled by Amundi.
(10) These shares were subscribed by certain executives and employees from the Carmila Group as part of a capital increase reserved for employees.

As of the date of the Merger, New Carmila's share capital is expected to be held as follows:

Shareholders	Number of shares and voting rights	Percentage of share capital and voting rights
CRFP 13 (Carrefour) [1]	46,209,234	42.45%
Colkart[2]	13,880,606	12.75%
CAA Kart 2[3]	12,168,946	11.18%
C Commerce 2[4]	11,671,852	10.72%
SAS Sogecar 2[5]	6,333,020	5.82%
LVS II France II SAS[6]	6,333,020	5.82%
SAS Kart-One[7]	5,835,926	5.36%
Kart SBS SAS 2[8]	2,192,984	2.01%
Kartam Associée[9]	1,688,422	1.55%
Primonial [10]	1,016,798	0.93%
Swiss Life[11]	918,025	0.84%
Treasury shares	8,900	0.01%
Executives and employees	93,708	0.09%
Others	516,788	0.47%
TOTAL	108,868,229	100.00%

[1] Following the simplification of the shareholding structure at the time of the merger, this stake will be held through CRFP 13 SAS, a company controlled by Carrefour.
[2] Colkart is controlled by Colony
[3] CAA Kart 2 is controlled by Predica.
[4] C Commerce 2 is controlled by Cardif.
[5] SAS Sogecar 2 is controlled by Sogecap.
[6] LVS II France II SAS is controlled by Pimco.
[7] SAS Kart-One is controlled by Axa.
[8] Kart SBS SAS 2 is controlled by Blue Sky Group.
[9] Kartam Associée is controlled by Amundi.
[10] Investments held by Charles de Gaulle Neuilly and CapImmo, who have declared that they are acting in concert.
[11] Investments held by Delta Immo and SwissLife Dynapierre, who have declared that they are acting in concert.

18.2 SHAREHOLDER VOTING RIGHTS

As of the date of this document, each Carmila share entitles its holder to one vote at the meetings of Carmila shareholders, except as otherwise provided for in Carmila's bylaws.

Pursuant to Cardety's bylaws, each Cardety share will continue to be entitled to one vote after the completion of the Merger, and double voting rights contemplated by the non-mandatory statutory and regulatory provisions of Article L.225-123 of the French Commercial Code will not be permitted.

18.3 SHAREHOLDERS' AGREEMENTS

On April 16, 2014, Carrefour, CRFP 15, Colkart Investment S.C.S., Colkart SAS, Cardif, C Commerce 2, Prédica, CAA Kart 2, Sogecap, SAS Sogecar 2, SCI Vendome Commerces, SAS Kart-One, LVS II Lux VII, LVS II France II SAS, Stichting Blue Sky Active Private Real Estate Europe II Fund, Kart SBS SAS 2, Amundi Group SA, Kartam 1 and Kartam Associée entered into a shareholders' agreement with respect to their respective interests in Carmila, in order to establish the

structure of governance of Carmila and its subsidiaries and to set forth the conditions upon transfer, either direct or indirect, of shares that they and their associates or affiliates hold in Carmila's capital.

This agreement will be terminated as of the date of the Merger's completion.

18.4 AGREEMENTS WHICH MAY LEAD TO A CHANGE OF CONTROL

To Carmila's knowledge, there is no agreement at the date of this document that could result in a change of control over Carmila at a date subsequent to the Merger.

19. RELATED PARTY TRANSACTIONS

Carmila and its subsidiaries have entered into several agreements with Carrefour Group entities, with the principal ones relating to:

- renovation and development of shopping centers;
- lease management and property management services; and
- support functions.

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

The appropriate procedures with respect to regulated agreements have been followed to the extent applicable, in particular for:

- the Renovation and Development Agreement (see Section 19.1, "Renovation and Development Agreement"); and
- services support agreements (see Section 19.3, "Service Agreements").

In connection with the Merger, the parties plan to maintain all of the existing contractual relationships between the Carmila Group and the Carrefour Group. To that effect, the Renovation and Development Agreement (as defined below), entered into on April 16, 2014 for a term of ten years, would be extended for a period of three years, until December 31, 2027. The other agreements described below, which were entered into on April 16, 2014 for a term of five years, would be extended by one year, until December 31, 2020. The entry into and modification of these agreements are subject to specific rules in the New Carmila Group's internal regulations of the Board of Directors. For a description of the review of the agreements entered into between Carrefour Group entities and the Board of Directors and its committees, see Sections 16.3.2, "Prior authorizations by the Board of Directors", 16.4.1, "Strategic and Investment Committee" and 16.4.2, "Audit Committee". For a discussion of amounts paid under these agreements, see Note 12 to the Carmila Consolidated Financial Statements in Section 20.1 "Consolidated Financial Statements for 2014, 2015 and 2016".

In connection with the Merger, the existing contractual relationships between Cardety and the Carrefour Group will be reviewed and updated on a case-by-case basis; in particular, the lease management agreements between Cardety and the Carrefour Group will be terminated and Cardety will accede to the lease management agreement between Carrefour Property Gestion and Carmila France and its subsidiaries. The economic terms of these agreements are not anticipated to change in the context of the Merger, except for those contained in service agreements that will cover a larger scope of services due to the Merger of Cardety and Carmila.

19.1 RENOVATION AND DEVELOPMENT AGREEMENT

On April 16, 2014, Carmila and Carrefour entered into the Renovation and Development Agreement with the objective of implementing a joint strategy in France, Spain and Italy to reinforce the attractiveness and optimize the value of the sites that are co-owned by the Carmila Group (shopping centers) and the Carrefour Group (hypermarkets and parking lots) (where applicable, with third parties).

The purpose of the Renovation and Development Agreement is to establish the terms for the implementation and financing of renovation and expansion projects at the identified sites. The scope of the Renovation and Development Agreement covers an initial list of the Carmila Group's shopping

centers in France, Spain and Italy as of the date of entry into the agreement and, unless the parties agree otherwise, covers any new site owned or developed jointly with the Carrefour Group.

19.1.1 Renovation projects

In connection with the Renovation and Development Agreement, Carmila and Carrefour undertook to complete, within five years, an initial renovation program covering 167 shopping centers, for a total contemplated amount of €238,500,000 (excluding transfer taxes), of which €74,500,000 would be invested by Carmila, or approximately 30% of the total contemplated amount. The Renovation and Development Agreement provides that the first renovations of shopping centers anchored by Carrefour hypermarkets (*i.e.*, the 167 shopping centers as well as any other shopping center anchored by a Carrefour hypermarket that is acquired by the Carmila Group beyond the total contemplated amount) will be paid for by the Carmila Group and the Carrefour Group *pro rata* based on their respective shares of property expense obligations (for sites divided into lots) or based on their respective ownership percentages (for sites held through co-ownership). This renovation program for 167 shopping centers is nearly complete (see Section 6.6.2.1, "A nearly completed renovation plan").

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

19.1.2 Development projects

Pursuant to the Renovation and Development Agreement, and in addition to an initial list of 37 shopping center development projects in France, Carmila and Carrefour may propose shopping center expansion plans that they wish to undertake. The proposed project is reviewed and established jointly by a partnership committee and then presented to the decision-making bodies of Carmila and Carrefour. Financing costs and the margin realized on each development project are split equally (50% each) between the Carmila Group and the Carrefour Group. For purposes of carrying out a development project, Carmila and Carrefour may (i) form a special purpose company held as a joint venture, in which Carmila has the right to acquire, upon completion of the development project, the 50% share held by Carrefour Property, and Carrefour also has an option to sell its stake to Carmila, or (ii) use other alternative methods, such as a sale by Carrefour to Carmila of the real estate parcels held by Carrefour with an additional price corresponding to Carrefour Property's development margin for that development project or other projects.

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

19.1.3 Other provisions

19.1.3.1 Reciprocal rights of first refusal

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

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

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

19.1.3.2 Reciprocal priority right

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

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

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

19.1.3.3 Other rights

The Renovation and Development Agreement also includes several rights and obligations binding on Carrefour and Carmila, such as rights to preferential treatment for Carrefour in the case of leases for certain real estate properties or in connection with Carmila's marketing or re-letting of certain assets. Carmila is also prohibited from leasing certain premises inside shopping centers governed by the Renovation and Development Agreement (*i.e.*, any premises with gross leasable area of greater than 300 m^2) for use as a hypermarket, supermarket, hard discount grocery store or click-and-drive grocery store.

19.2 LEASE MANAGEMENT AND PROPERTY MANAGEMENT AGREEMENTS

19.2.1 Management of leasing activities in France

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

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

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

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

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

In return for these services, Carmila France and each of its relevant subsidiaries pays Carrefour Property Gestion annual compensation equal to 3.5% of annual net rents collected, with net rents being defined as rents excluding taxes, charges and insurance, and excluding revenues relating to specialty leasing. For example, €6,603 thousand euros were paid for such services in 2016.

In addition, Carrefour Property Gestion has agreed to the management by Almia Management, an affiliated of the Carmila Group, of its shopping centers in France for which Carrefour Property Gestion is the designated property management entity or chairman of the relevant urban property association, or shopping center director. In these instances, Almia management manages the shopping center's relations with its customers as well as, in particular, the management of regulatory compliance, leases and internal regulations, representation of leaseholders, marketing for the shopping centers and temporary demonstrations in the centers. In return for these services, Almia Management was paid compensation of €6,292 thousand in 2016.

19.2.2 Management of real estate activities in Spain

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

As consideration for the performance of these services, Carmila España pays Carrefour Property España annual compensation equal to 3.6% of annual net rents collected, with net rents defined in the same manner as for the agreements in France.

Certain services, in particular the commercial optimization of properties, that are not covered by the agreement, are performed by Carmila España on its own behalf, as well as for the benefit of Carrefour Property España and other Carrefour Group entities in Spain pursuant to exclusive agreements with Carmila España, and in consideration for which Carmila España receives annual compensation of €10,000 per property.

19.2.3 Management of leasing activities in Italy

Carmila Italia has entered into an exclusive lease management agreement with Carrefour Property Italia covering the same services as those provided for in connection with real estate management activities in France, as described above, in addition to lease management and business lease management. This agreement, which has an initial term of five years, will be extended until December 31, 2020 and will include design and urban planning services. Since January 1, 2017, asset management and marketing services initially provided by Carrefour Property Italia pursuant to this agreement are now performed by Carmila Italia, including (i) optimization of the properties' merchandising mix and (ii) renewal of leases and marketing of vacant premises or premises that become vacant.

As from January 1, 2017, Carmila Italia pays Carrefour Property Italia, in consideration for all of these services, (i) annual compensation equal to 1.3% of annual net rent collected, with net rent defined as indicated above, and (ii) €79,000 for design and urban planning services.

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

19.3 SERVICE AGREEMENTS

The Carmila Group has entered into several service agreements with the Carrefour Group pursuant to which Carrefour or its affiliates undertake to provide assistance, advice, and services to Carmila and its subsidiaries relating to accounting, tax, legal, administrative, and insurance matters. As consideration for these services, the Carmila Group paid the Carrefour Group fees totaling €2,449.9 thousand in 2016.

19.4 MARKETING AND SPECIALTY LEASING AGREEMENTS IN SPAIN

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

Carmila España also provides specialty leasing services to Carrefour Property España and other Carrefour Group entities in Spain under separate agreements entered into with each of the Carrefour Group entities. Carmila España's compensation under these agreements is set by reference to a two-tranche sliding scale corresponding to revenues received from tenants, for which the thresholds vary from one shopping center to the next, pursuant to which Carmila España receives 15% of revenues corresponding to the first tranche and, where applicable, 40% of revenues corresponding to the second tranche, or €600,000 for 2016.

20. FINANCIAL INFORMATION CONCERNING THE ASSETS, FINANCIAL POSITION AND RESULTS OF THE COMPANY

20.1 CONSOLIDATED FINANCIAL STATEMENTS FOR 2014, 2015 AND 2016

20.1.1 Consolidated financial statements for 2014, 2015 and 2016

The consolidated financial statements of the Carmila Group for the years ended December 31, 2014, 2015 and 2016 are included in Annex B, "Consolidated financial statements for 2014, 2015 and 2016".

20.1.2 Statutory auditors' report on the consolidated financial statements for 2014, 2015 and 2016

The statutory auditor's report on the consolidated financial statements for 2014, 2015 and 2016 is included in Annex B.

20.2 PRO FORMA FINANCIAL INFORMATION

20.2.1 Pro forma Financial Information

Pro forma financial information is provided in Annex C, "Pro forma financial information".

20.2.2 Statutory auditors' report on the *pro forma* financial information

The statutory auditor's report on the *pro forma* financial information is provided in Annex C of this document.

20.3 STATUTORY AUDITORS' FEES

The following table sets forth the fees paid to the statutory auditors for the years ended December 31, 2014, 2015 and 2016:

	KPMG S.A.			EXCO (formerly ACE)			TOTAL(*)		
In € thousands	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Audit									
Statutory audit, certification and review of individual and consolidated financial statements	**480**	**473**	**510**	**60**	**87**	**89**	**540**	**567**	**657**
- Carmila	*162*	*99*	*105*	*19*	*38*	*39*	*181*	*137*	*144*
- Subsidiaries	*318*	*374*	*405*	*41*	*49*	*50*	*359*	*430*	*513*
Other diligence and services directly related to the mandate of the statutory auditors	**18**	**142**	**28**	**-**	**-**	**-**	**18**	**149**	**28**
- Carmila	*-*	*142*	*28*	*-*	*-*	*-*	*-*	*142*	*28*
- Subsidiaries	*18*	*-*	*-*	*-*	*-*	*-*	*18*	*7*	*-*
Other services rendered by the network to global consolidated subsidiaries									
Legal, tax, corporate	-	-	-	-	-	-	-	-	-
- Carmila	-	-	-	-	-	-	-	-	-
- Subsidiaries	-	-	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-	-	-
- Carmila	-	-	-	-	-	-	-	-	-
- Subsidiaries	-	-	-	-	-	-	-	-	-
TOTAL	**498**	**615**	**538**	**60**	**87**	**89**	**558**	**716**	**685**
- Carmila	*162*	*241*	*133*	*19*	*38*	*39*	*181*	*279*	*172*
- Subsidiaries	*336*	*374*	*405*	*41*	*49*	*50*	*377*	*437*	*513*

(*) Auditing activities related to internal legal controls for subsidiaries of Carmila were also performed by Pierre Dieterling for a cost of €14,000 for the year ended December 31, 2015 and €58,000 for the year ended December 31, 2016.

20.4 DIVIDEND DISTRIBUTION POLICY

The dividend distribution policy is set forth in Section 12.2, "Medium Term Objectives".

20.5 ARBITRATION AND JUDICIAL PROCEEDINGS

In the ordinary course of its business, the Carmila Group is involved in administrative and judicial proceedings and is subject to administrative audits from time to time. The Carmila Group recognizes provisions in its financial statements when, on the closing date, it has is subject to a current, legal or implied obligation as a result of a past event for which it is probable that an outflow will be necessary to settle the obligation, the amount of which can be reliably estimated. A description of the provisions recorded for legal proceedings as of December 31, 2016 is included in note 8.9 of the Carmila Consolidated Financial Statements in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016".

As of the date of this document, to the Company's knowledge, there are no governmental, judicial or arbitral disputes or proceedings (including any proceedings, to Carmila's knowledge, that are pending or threatened) that could have or recently have had a material impact on the results or financial condition of Carmila and/or the Carmila Group.

20.6 SIGNIFICANT CHANGES IN THE FINANCIAL OR BUSINESS SITUATION

To Carmila's knowledge, there has not occurred, since December 31, 2016, any significant change in the business or financial condition of the Carmila Group other than as described herein.

21. ADDITIONAL INFORMATION

21.1 SHARE CAPITAL

21.1.1 Share capital subscribed and share capital authorized but not issued

As of the date of this document, Cardety's share capital is €25,900,068, divided into 4,316,678 shares with a par value of six (6) euros each, fully subscribed and paid-up and of the same category.

As of the date of this document, Carmila's share capital is €313,654,694, divided into 313,654,694 shares with a par value of one (1) euro each, fully subscribed and paid up and of the same category.

The table below lists the financial resolutions submitted to Cardety's General Shareholders' Meeting of June 12, 2017, the adoption of which is subject to the condition precedent of the completion of the Merger:

Resolution	Subject of the resolution	Maximum nominal amount	Term of the authorization
36	Authorization to be granted to the Board of Directors to trade in the shares of New Carmila[1]	See section 21.1.3	18 months
37	Delegation of authority to be granted to the Board of Directors to approve the capital increase of New Carmila or another company by issuance of shares and/or securities giving immediate or future access to the share capital, with preferential subscription rights[1]	€500 million for capital increases[2] €2 billion for the issuance of debt securities	26 months
38	Delegation of authority to be granted to the Board of Directors to approve the capital increase of New Carmila or another company by issuance of shares and/or securities giving immediate or future access to the share capital, to be issued by public offering without preferential subscription rights[1]	€165 million for capital increases[2] €1 billion for the issuance of debt securities	26 months
39	Delegation of authority to be granted to the Board of Directors to approve the capital increase of New Carmila or another company by issuance, without preferential subscription rights, of shares and/or securities giving immediate or future access to the share capital to be issued through a private placement under Article L. 411-2 of the French Monetary and Financial Code	€165 million for capital increases[2] [3] €1 billion for the issuance of debt securities	26 months
40	Authorization granted to the Board of Directors to issue shares and/or securities giving immediate or future access to shares to be issued by New Carmila as consideration for the contributions in kind, composed of equity securities or securities giving access to the share capital[1]	€85 million for capital increases[2] €1 billion for the issuance of debt securities	26 months
41	Determination of the issuance price, which is not to exceed 10% of the share capital per year, as part of a capital increase by issuance of equity shares without preferential subscription rights[1]	No more than 10% of the share capital per year	26 months
42	Delegation of authority to be granted to the Board of Directors to approve the capital increase by way of incorporation of premiums, reserves, benefits or other resources[1]	€500 million	26 months
43	Delegation of authority to be granted to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights[1]	Limit stipulated by applicable regulations (currently 15% of the initial issuance) [2] [4]	26 months
44	Delegation of authority to be granted to the Board of Directors to approve the capital increase of New Carmila by issuance of shares and/or securities giving immediate or future access to the share capital, without preferential subscription rights, reserved for members of company savings plans[1]	€85 million[2]	26 months [1]

Resolution	Subject of the resolution	Maximum nominal amount	Term of the authorization
45	Delegation of authority to be granted to the Board of Directors to allot existing free shares or free shares to be issued to some or all employees and corporate officers of the group[1]	No more than 0.5% of the share capital[2] [5]	38 months
46	Authorization to be granted to the Board of Directors to reduce the share capital by cancelling treasury shares[1]	No more than 10% of the shares making up the Company's share capital	26 months
47	Delegation granted to the Board of Directors to carry out a capital increase of New Carmila by issuance, without preferential subscription rights, of share warrants giving immediate or future access to shares of the Company, reserved for investment service providers acting in the context of a securities offering[1] and [6]	€50 million[2]	18 months

[1] Subject to the condition precedent of the adoption of the first, second, and third resolutions submitted to said shareholder's meeting (i.e., (i) the review and approval of the merger by absorption of Carmila by Cardety, (ii) the approval of the capital increase of the Company as consideration for the contributions under the Merger and the approval of the amount of the merger premium and (iii) the approval of the allocation of the merger premium).
[2] The maximum total nominal amount of the capital increases that may be carried out by virtue of this delegation will count towards the total maximum limit set at €700 million.
[3] The maximum total nominal amount of the capital increases that may be carried out by virtue of this delegation will count towards the maximum limit for the nominal amount of capital increases by issuance of shares and/or securities giving immediate or future access to the share capital, to be issued by public offering without preferential subscription rights, which is set at €165 million by the 38th resolution.
[4] The nominal amount of capital increases approved by this resolution will count towards the maximum limit stipulated in the resolution under which the initial issuance was approved.
[5] The total number of existing shares or shares to be issued, granted by virtue of this delegation to executive corporate officers of New Carmila, may not represent more than 0.2% of the share capital as of the date of the decision of the Board of Directors.
[6] This issuance of share warrants may only occur if the Board of Directors of New Carmila uses the delegation of authority specified in the 37th resolution.

21.1.2 Securities Not Representing Share Capital

As of the date of this document, Cardety and Carmila have not issued any securities not representing share capital.

21.1.3 Shares Controlled by the Company, Treasury Shares and Purchase by the Company of Its Own Shares

As of the date of this document, Carmila does not hold any of its shares either directly or indirectly.

A proposal to authorize the Board of Directors to implement a share repurchase program with respect to shares of New Carmila, under the conditions set forth below, for an 18-month term as of the date of completion of the Merger, pursuant to Article L.225-209 of the French Commercial Code and in accordance with the General Regulations of the AMF, will be submitted to Cardety's General Shareholders' Meeting scheduled on June 12, 2017. This authorization will replace the authorization previously granted by Cardety's General Shareholders' Meeting to trade in Cardety's shares.

Transaction	Term of the authorization	Maximum nominal amount	Maximum number of shares
Share repurchase program	18 months	€50 million	10 % of the New Carmila's share capital

These shares may be acquired at any time within the limits authorized by applicable legal or regulatory provisions, including during a takeover bid and/or exchange offer initiated by New Carmila or relating to New Carmila's securities, for the following purposes:

- the implementation of any stock option plan pursuant to articles L. 225-177 *et seq.* of the Commercial Code or any similar plan;

- the allocation or sale of shares to employees as part of their profit-sharing plan and/or the implementation of any employee savings plan as permitted by applicable law, in particular articles L.3332-1 *et seq.* of the French Labor Code;

- the allocation of free shares in pursuant to articles L.22-197-1 *et seq.* of the Commercial Code;

- generally satisfying obligations under option plans or other allocations of shares to employees or employee representatives of the issuer or an affiliated company;

- delivery of shares upon exercising voting rights attached to securities granting access to the issuer's share capital via redemption, conversion, exchange, presentation of a bond or any other manner;

- cancellation of all or a part of repurchased securities, provided that the Board is acting under valid authorization from the General Shareholders' Meeting, or an Extraordinary Shareholders' Meeting, that permits it to reduce the share capital by cancellation of acquired shares in connection with a share repurchase program; or

- support of the secondary market or the liquidity of the shares of New Carmila under a liquidity agreement that conforms to the charter of ethics recognized by the AMF and in accordance with market practice administered by the AMF.

This program is also intended permit any activity that that may in future be approved or recognized by law or by the AMF or any other objective in compliance with applicable regulations. In the event of its undertaking of such activities, New Carmila would inform its shareholders by way of a press release.

The maximum purchase price of the shares as part of this repurchase program is set at €50 (or the equivalent amount in any other currency on the same date).

21.1.4 Securities Giving Access to the Share Capital

As of the date of this document, there are no outstanding securities that are exchangeable, convertible or that include warrants with respect to shares of Cardety or Carmila or their respective subsidiaries.

21.1.5 Terms Governing Rights of Acquisition and/or Obligations Attached to Subscribed but not Paid-Up Capital

None.

21.1.6 Share Capital of Group Companies Subject to Options or Option Agreements

None.

21.1.7 Historical Share Capital

Cardety's historical share capital is set forth in Chapter 21 of its 2016 Registration Document.

As part of the Merger, Cardety will issue 104,551,551 new shares that will serve as consideration for the merger through a €627,309,306 capital increase.

21.2 ARTICLES OF INCORPORATION AND BY-LAWS

Certain provisions of Cardety's by-laws will be amended. These amendments relate mostly to (i) the extension of directors' terms from three to four years and the inclusion of an option to shorten terms in order to allow for the staggered renewal of the Board of Directors, in accordance with the recommendations of the AFEP/MEDEF Code, (ii) the option to appoint non-voting directors to assist the Board of Directors and (iii) a number of editorial amendments and amendments in response to new provisions of the Civil Code or provisions concerning the Company's distributions.

The description below concerns the main stipulations of the by-laws as modified and effective as of the Completion Date of the Merger, in the event that the above-mentioned modifications are approved by Cardety's General Shareholders' Meeting of June 12, 2017.

21.2.1 Corporate Purpose (Article 3 of the By-laws)

Pursuant to Article 3 of its by-laws, New Carmila's main purpose is to acquire any site, property rights, building or group of buildings or to construct commercial or industrial buildings or groups of buildings for leasing or rental purposes; to directly or indirectly hold interests in legal entities whose purpose is to acquire or construct sites, property rights, buildings or groups of commercial or industrial buildings for leasing or rental purposes; and, more generally, to hold and operate sites, property rights, commercial or industrial buildings or groups of buildings for leasing or rental purposes, particularly shopping centers located in France and abroad and, for this purpose:

- to acquire by any means (including through exchange or contribution or any other type of transfer), lease and/or construct or develop any sites, buildings, assets and property rights for leasing or rental purposes; and any other activities associated with or related to the abovementioned business, directly or indirectly, acting alone or through an association, joint venture, group or company with any other persons or companies;

- to engage, by any means, in transactions relating to its purpose by way of acquisition of interests or shareholdings, by any means and in any form, in any French or foreign real estate, industrial, financial or commercial company or group, in particular by way of acquisition, creation of new companies, subscription or purchase of securities or corporate rights, contributions, mergers, alliances, joint ventures, economic interest groups or otherwise, as well as to administer, manage and control these interests or shareholdings;

- on an ancillary basis: to manage or administer buildings directly or through any legal entity, to engage, as borrower or lender, in all financing transactions necessary or useful to the completion of the financing transactions necessary or useful to the completion of the transactions falling within the scope of its corporate purpose and to grant any security, guarantees and, more generally, to carry out any transactions authorized under Article L.511-7 3 of the French Monetary and Financial Code;

- also on an ancillary basis: to exchange or dispose of securities or interests held or assets or real estate rights acquired or built for leasing or rental purposes in accordance with new Carmila's main purpose by way of sale, contribution or otherwise; and

- generally, all civil, commercial, financial and industrial transactions and all transactions in movable or real property relating directly or indirectly to the purpose of the Company and any similar or connected purpose likely to facilitate the completion thereof or promoting its extension or development (including, in particular, concerning buildings or groups of buildings for leasing or rental purposes, other than for commercial purposes).

21.2.2 Fiscal year (Article 6 of the By-laws)

The fiscal year of New Carmila lasts for twelve months, starting on January 1 and ending on December 31 of each year.

21.2.3 Board of Directors and Executive Management

21.2.3.1 Members of the Board of Directors (Article 12 of the By-laws)

New Carmila is managed by a Board of Directors consisting of three to eighteen members, subject to derogations provided for by law in the event of a merger.

The Board of Directors will be renewed on a rolling basis, so that a certain number of members of the Board of Directors are renewed each year. Directors will serve four-year terms, except that the General Shareholder's Meeting may appoint one or more directors for a term of less than four years in order to ensure the staggered renewal of directors' seats.

The number of members of the Board of Directors over the age of 70 cannot exceed one third of the members in office.

21.2.3.2 Chairman (Article 13 of the By-laws)

The Board of Directors elects a Chairman from among its members, who must be a natural person. The Chairman organizes and supervises the work of the Board of Directors and reports on its activities to the General Shareholders' Meeting. He oversees the proper functioning of the Company's corporate bodies and ensures, in particular, that the directors are able to fulfill their duties.

21.2.3.3 General Manager (Article 14 of the By-laws)

Depending on the decision made by the Board of Directors, the executive management of New Carmila is the responsibility of either the Chairman of the Board of Directors or a natural person appointed by the Board of Directors as General Manager. The General Manager is given broad powers to act under all circumstances in the name of New Carmila. He/she exercises these powers within the limits of the Group's corporate purpose and subject to the powers expressly granted to the General Shareholders' Meetings and the Board of Directors by law and under the by-laws. The General Manager represents New Carmila in its relationships with third parties.

21.2.3.4 Convening Notices and Deliberations of the Board of Directors (Article 12.3 of the By-laws)

The Board of Directors meets as often as required to properly serve the interests of New Carmila. The Chairman convenes meetings of the Board of Directors. When the Board of Directors has not met for more than two months, one third (or more) of the members of the Board of Directors may request that the Chairman convene a meeting with respect to a specified agenda. The General Manager may also request that the Chairman convene the Board of Directors with respect to a specified agenda. Unless the Board's internal regulations, established in accordance with these by-laws, require a larger majority, the decisions of the Board of Directors are adopted by a majority of its present or represented members. In the event of the tie, the chairman of the applicable meeting does not have a deciding vote.

21.2.3.5 Powers of the Board of Directors (Article 12.4 of the By-laws)

The Board of Directors determines New Carmila's business strategy and ensures its implementation. Subject to the powers expressly attributed to the General Shareholders' Meetings and within the scope

of the Group's corporate purpose, it handles all matters relating to the proper operation of New Carmila and settles all matters concerning New Carmila through its deliberations.

The Board's internal regulations, which will become effective on the date of completion of the Merger, will set the limits of the General Manager's powers and identify the transactions for which the Board's authorization is required.

21.2.3.6 Compensation of the Directors (Article 16 of the By-laws)

Members of the Board of Directors may be compensated through attendance fees in an amount determined by the General Shareholders' Meeting, which remains effective until the General Shareholders' Meeting determines otherwise.

The Board may allocate these attendance fees among its members in a manner that it deems appropriate. In particular, it may allocate a larger share to directors who are members of committees.

21.2.3.7 Non-voting Members (Article 17 of the By-laws)

The General Meeting may appoint non-voting directors (natural persons or legal entities) to assist the Board of Directors. Non-voting directors may be, but are not required to be, chosen from among New Carmila's shareholders, and no more than three may be appointed. Non-voting directors are invited to all the deliberations of the Board of Directors, but only in an advisory capacity. They may provide their observations during meetings of the Board, but may not be substituted for Board members.

21.2.4 Rights, Privileges and Restrictions with respect to Shares

21.2.4.1 Voting rights (Article 10 of the By-laws)

Each share will entitle its holder to a vote, notwithstanding any non-mandatory legal or regulatory provision to the contrary (including the double voting right provided for by Article L.225-123 of the Commercial Code).

21.2.4.2 Limitation of voting rights

No provision of the by-laws will limit the voting rights attached to the shares.

21.2.4.3 Preferential Subscription Rights

New Carmila shares will carry preferential subscription rights to capital increases under the conditions set out in the Commercial Code.

21.2.4.4 Participation in General Shareholder's Meetings (Article 19 of the By-laws)

Shareholders may attend meetings in person or by proxy. Any shareholder may be represented or vote by mail, in accordance with the terms and conditions provided for by applicable law.

The ability to participate in General Shareholder's Meetings is subject to the registration of the shares in the name of the shareholder or intermediary registered on the shareholder's behalf two business days before the applicable meeting at 12:00 midnight, Paris time, either in the registered share accounts held by New Carmila or in the bearer share accounts held by the authorized intermediary. For holders of bearer shares, the certificate of participation justifying the ownership of their shares will be issued by the authorized intermediary holding their account and will allow them to participate in General Meetings.

Upon the decision of the Board of Directors in its convening notice, any shareholder may also participate and vote in General Shareholder's Meetings by videoconference or any other means of

telecommunication, including by Internet, provided that the means of communication permits the identification of the shareholder in question in accordance with the terms and conditions set out by applicable law and regulations.

21.2.4.5 Identifiable Bearer Shares (Article 8 of the By-laws)

New Carmila may use means authorized by applicable law and regulations for the identification of holders of shares conferring an immediate or future right to vote in its General Shareholder's Meetings, and apply any sanctions related to such shares.

Holders who fail to comply with requests for information within the time period provided for by applicable laws and regulations or who transmit incomplete or inaccurate information as to their capacity or as to the owners of the shares or the quantity of shares held by each of them, securities giving current or future access to the share capital and on behalf of whom such holders are registered by book-entry, will be stripped of voting rights for any General Shareholder's Meeting held before such identification is corrected, and the payment of any corresponding dividend will be deferred until such date.

21.2.4.6 Modification of Shareholders' Rights

Shareholders' rights may be modified under the conditions set out by applicable legal and regulatory provisions. The by-laws do not contain a specific provision providing for modifications of shareholders' rights beyond such laws or regulations.

21.2.4.7 Terms of Convening and Conducting Ordinary and Extraordinary General Shareholders' Meetings (Articles 20 and 22 of the By-laws)

The deliberations of ordinary and extraordinary general shareholders' meetings are subject to the quorum and majority conditions prescribed by law and such meetings exercise the powers granted to them under law. They will be convened by the Board of Directors under the conditions and within the time frame set out by law.

21.2.4.8 Crossing of Statutory Thresholds (Article 8 of the By-laws)

In addition to the thresholds provided for by applicable legal and regulatory provisions, any natural person or legal entity, acting alone or in concert, that comes to hold a number of shares equal to or greater than 1% of the share capital or of voting rights, or any multiple of this percentage, up to 30% of the share capital or voting rights, must inform New Carmila of the total number of shares and voting rights held, as well as the number of securities giving future access to the share capital and voting rights potentially attached to these shares, and the shares that such person may acquire by virtue of an agreement or financial instrument, in each case by registered letter with acknowledgement of receipt within five trading days after crossing the applicable threshold.

The obligation to inform New Carmila also applies in cases where the interest of the relevant holder of share capital or voting rights falls below the thresholds mentioned above.

Subject to the foregoing, the obligation to report the crossing of thresholds under the bylaws is governed by the same obligations provided for under applicable law and regulations, including legal or regulatory provisions with respect to assimilation with previously owned shares.

Upon the request, recorded in the minutes of the General Shareholders' Meeting, of one or several shareholders holding at least 5 % of the capital or voting rights of New Carmila, the sanctions provided for by law in the event of failure to declare the crossing of legal thresholds will also apply in the event of a failure to declare the crossing of thresholds provided for by New Carmila's by-laws.

21.2.5 Financial Statements (Article 23 of the By-laws)

21.2.5.1 Legal Reserve

No less than 5% of the profits for the year, adjusted for any prior year losses, are allocated to a reserve fund referred to as the "legal reserve." This allocation is no longer required once the legal reserve reaches 10% of New Carmila's share capital. The obligation will apply once more if, for any reason, the legal reserve falls below such percentage of New Carmila's share capital.

21.2.5.2 Approval of dividends

Upon the approval of New Carmila's annual financial statements and in the event of the availability of distributable amounts, the General Shareholders' Meeting determines amounts to allocated to shareholders in the form of dividends.

In addition to distributing profit, the General Shareholders' Meeting may decide to distribute amounts withdrawn from available reserves by expressly indicating the specific reserves from which those amounts are to be withdrawn. However, dividends must first be paid out of the distributable profits for the fiscal year in question.

The General Shareholders' Meeting called to approve the annual financial statements may grant an option to the shareholders to receive all or part of their dividends or interim dividends in cash or shares.

The Board of Directors may, subject to applicable legal or regulatory provisions, distribute interim dividends in cash or in shares, including in the course of a fiscal year. In addition, the General Shareholders' Meeting may decide, for some or all dividends, to distribution interim dividends, reserves or premiums or, for any capital decrease, that the distribution of these dividends, reserves or premiums or such capital decrease will be carried out in kind by delivery of assets or securities from New Carmila's portfolio.

Upon the proposal of the Board of Directors, the General Shareholders' Meeting may also decide, for any distribution of profits or reserves, to grant assets in kind, including tradable shares. In the event of the grant of tradable shares not listed on a regulated market or an organized multilateral trading facility or whose listing on such a market or multilateral trading facility is not carried out as part of such distribution, shareholders will have the choice of a payment of the dividend in cash or in shares.

21.2.5.3 Control of the issuer

There will be no provision in the by-laws of New Carmila, nor in the Board's internal regulations, that may delay, differ or prevent a change of control of New Carmila.

22. SIGNIFICANT AGREEMENTS

As of the date of this document, no agreement (other than agreements entered into in the ordinary course of business) containing provisions entailing an obligation or significant commitment on the part of any of the entities of the Carmila Group for the New Carmila Group as a whole has been entered into by Carmila or any entity of the Carmila Group, with the exception of the agreements described in Section 6.7.2, "Principal Agreements with Carrefour Group Entities", Section 10.4, "Indebtedness" and Chapter 19, "Related Party Transactions".

23. INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTERESTS

Certain market data appearing in Chapter 6, "Business Description" originate from third-party sources. The Company certifies that this information has been accurately reflected and that, to the Company's knowledge, in light of the information published or provided by these sources, this information includes no significant omission altering its scope.

The assets of the Carmila Group have been assessed in expert appraisal reports prepared by Catella and Cushman & Wakefield, which are independent experts. A brief description of the valuation methods used by such experts is provided in Section 9.4.1, "Methods of valuing the property portfolio", and the report on the expert valuation of real estate prepared by the independent appraisers for the Carmila Group is provided in Annex A, "Detailed Presentation of the Operating Asset Base of the New Carmila Group as of December 31, 2016".

24. DOCUMENTS AVAILABLE TO THE PUBLIC

Copies of this document are available free of charge at the Company's registered office (58, avenue Emile Zola – 92100 Boulogne-Billancourt). This document can also be consulted on the Company's website (www.carmila.com/fr) and the website of the French *Autorité des marchés financiers* (www.amf-france.org).

25. INFORMATION ON EQUITY INTERESTS

Information concerning the companies in which Carmila holds a portion of capital likely to have a significant impact on the assessment of its assets, its financial condition or its results is provided in note 8.3 of Carmila's Consolidated Financial Statements in Section 20.1, "Consolidated Financial Statements for 2014, 2015 and 2016".

ANNEX A – DETAILED PRESENTATION OF THE OPERATING ASSET BASE OF THE NEW CARMILA GROUP AS OF DECEMBER 31, 2016

Name of center, city	Year of acquisition	Total number of lots	New Carmila Group Gross leasable area (m²)
France			
Carmila			
Angers - Saint Serge	2014	28	5,178
Angoulins	2014	31	4,795
Athis Mons	2014	25	5,737
Auch	2014	10	922
Auterive	2014	16	6,668
Bab 2 - Anglet	2014	97	18,688
Bay 1	2014	27	8,526
Bay 2	2014	109	20,733
Bayeux Besneville	2014	7	584
Bourges (avec extension)	2014	49	6,665
Brest Hyper	2014	47	18,003
Chambourcy	2014	72	21,041
Champs Sur Marne	2014	17	1,773
Chateauroux	2014	21	3,492
Cholet	2014	30	5,329
Conde Sur Sarthe	2014	35	9,070
Etampes	2014	3	878
Evreux	2014	17	8,041
Flins Sur Seine	2014	17	8,104
Gennevilliers	2014	18	2,349
Goussainville	2014	23	3,171
Gueret	2014	14	3,286
Herouville St Clair	2014	56	13,648
La Chapelle St Luc	2014	43	17,591
La Roche Sur Yon	2014	11	1,378
Laval	2014	38	7,202
Le Mans	2014	19	1,945
L'Hay Les Roses	2014	10	517
Libourne	2014	19	4,146
Limay	2014	8	327
Lorient	2014	33	11,674
Mondeville HE	2014	28	29,833
Montereau	2014	9	867
Montesson	2014	58	13,268
Montluçon	2015	41	3,514
Nantes Beaujoire	2014	35	4,479
Nantes St Herblain	2014	11	1,467
Nevers-Marzy	2014	52	19,907
Orleans Place d'Arc	2014	71	13,479
Ormesson	2015	105	16,888

Name of center, city	Year of acquisition	Total number of lots	New Carmila Group Gross leasable area (m²)
Ormesson SCI Dominique	2015	3	4,076
Paimpol	2014	13	4,371
Pau Lescar	2014	50	5,575
Perpignan Claira	2014	77	20,709
Quimper - Le Kerdrezec	2014	38	8,503
Rennes Cesson	2014	39	6,727
Saint-Jean-De-Luz	2014	14	2,593
Sannois	2015	36	3,802
Saran - Orleans	2014	50	9,537
Sartrouville	2014	37	5,604
Sens Maillot	2014	7	1,848
Sens Voulx	2014	7	590
St Andre Les Vergers	2014	7	1,096
St Brieuc - Langueux	2014	41	9,041
Stains	2014	25	2,967
Thionville	2016	141	22,298
Tarnos	2014	24	4,010
Toulouse Labège	2014	122	21,761
Toulouse Purpan	2014	45	16,552
Tournefeuille	2014	20	5,665
Vannes - Le Fourchêne	2014	58	9,224
Villejuif	2014	30	4,112
Aix-en-Provence	2014	41	8,317
Amiens	2014	21	4,421
Annecy Brogny	2014	26	4,348
Antibes	2014	34	4,835
Auchy les Mines	2014	28	2,762
Bassens (Chambéry)	2014	20	2,649
Beaucaire	2014	32	6,827
Beaurains 2	2014	11	4,364
Beauvais	2014	17	3,300
Berck SCI de l’Arche	2014	21	2,269
Berck sur Mer	2014	7	5,354
Besançon / Chalezeule	2014	9	1,365
Bourg-en-Bresse	2014	18	3,923
Calais / Beau Marais	2014	23	5,099
Calais / Coquelles	2014	167	49,754
Charleville-Mézières, La Croisette	2014	24	2,491
Château Thierry	2014	11	649
Châteauneuf-les-Martigues	2014	23	12,734
Condé Sur L'Escaut	2014	8	523
Crèches sur Saone	2014	40	10,095
Denain	2014	9	623
Douai Flers (GM)	2014	42	7,019
Draguignan (GM)	2014	27	4,230

Name of center, city	Year of acquisition	Total number of lots	New Carmila Group Gross leasable area (m²)
Échirolles (Grenoble)	2014	34	4,740
Epernay	2014	15	1,043
Epinal	2014	24	19,091
Feurs	2014	7	1,025
Fourmies	2014	18	1,842
Francheville	2014	22	2,421
Francheville hyparmo	2014	22	2,421
Gruchet	2014	32	8,932
Hazebrouck	2014	14	1,295
La Ciotat	2014	16	705
Laon	2014	39	8,037
Liévin	2014	15	2,296
Mably	2014	31	12,797
Meylan (Grenoble)	2014	13	1,602
Mont Saint Aignan	2015	33	3,049
Montélimar	2014	7	7,689
Nice Lingostière	2014	52	7,828
Nîmes Sud	2014	23	2,962
Orange	2014	35	5,183
Port De Bouc	2014	27	6,028
Puget-sur-Argens	2015	50	4,081
Reims / Cernay	2014	25	3,309
Saint-Martin-au-Laërt	2014	12	896
Salaise sur Sanne	2014	13	808
Sallanches	2014	14	1,912
Segny	2014	16	2,130
St Egrève	2014	33	7,152
St Jean de Védas	2014	29	3,074
Tinqueux	2014	32	5,919
Trans-en-Provence	2014	31	3,687
Uzès	2014	19	1,278
Vaulx en Velin	2014	50	6,101
Venette	2014	40	6,131
Venissieux	2014	24	4,433
Cardety			
Barentin	2016	10	5,697
Besançon Chalezeule	2012	2	258
Dinan Quevert	2016	17	3,196
Epinay-Sur-Orge	2015	1	54
Flers Saint-Georges-Des-Groseillers	2016	12	1,691
Mondeville	2014	3	2,401
Nanteuil-Les-Meaux (GM)	2015	8	811
Nanteuil-Les-Meaux (PAC)	2014	5	5,347
Pré-Saint-Gervais	2016	19	1,640

Name of center, city	Year of acquisition	Total number of lots	New Carmila Group Gross leasable area (m²)
Quetigny (PAC)	2014	5	7,365
Rethel	2016	16	3,363
Saint-Lô	2016	9	1,085
Salaise-Sur-Sanne	2014	29	6,074
Spain			
Alcala de Henares	2014	27	1,691
Alcobendas	2014	54	3,556
Azabache	2014	37	5,453
Cabrera de Mar	2014	29	14,244
Caceres	2014	17	1,516
Ciudad de la Imagen	2014	25	2,055
El Alisal	2014	41	15,173
El Pinar	2014	38	4,352
La Granadilla	2014	23	907
Leon	2014	21	2,508
Lérida	2014	13	517
Los Angeles	2014	46	6,791
Lugo	2014	22	2,005
Merida	2014	24	2,590
Mostoles	2014	28	3,299
Oiartzun	2014	16	744
Orense	2014	24	4,141
Palma	2014	27	593
Peñacastillo	2014	59	10,241
Plasencia	2014	14	804
Pontevedra	2014	21	1,692
Reus	2014	27	3,040
Rivas	2014	25	2,164
Salamanca	2014	16	792
San Sebastian de los Reyes	2014	27	2,347
Sestao	2014	25	1,326
Talavera / Los Alfares	2014	70	20,605
Tarragona	2014	19	3,463
Torrelavega	2014	19	1,505
Valladolid	2014	34	3,590
Valladolid II	2014	21	3,568
Valverde Badajoz	2014	36	2,688
Villanueva	2014	12	689
Zaragoza	2014	26	4,307
Albacete / Los Llanos	2014	26	5,262
Alfafar	2014	36	7,221
Almería	2014	26	1,031
Alzira	2014	29	7,739
Cartagena	2014	20	1,150

Name of center, city	Year of acquisition	Total number of lots	New Carmila Group Gross leasable area (m²)
Castellón	2014	25	822
Córdoba / Zahira	2014	17	967
Dos Hermanas (Sevilla)	2014	13	1,423
Elche	2014	22	9,824
Finestrat / Benidorm	2014	29	2,235
Gandía	2014	24	2,067
Granada	2014	33	2,695
Huelva	2014	124	33,509
Jerez de la Frontera / Norte	2014	44	6,908
Jerez de la Frontera, Cádiz / Sur	2014	39	3,980
La Línea de la Concepción, Cádiz / Gran Sur	2014	47	9,068
Los Barrios Algeciras	2014	30	2,364
Lucena	2014	15	1,433
Málaga / Los Patios	2014	53	4,338
Málaga / Alameda II	2014	36	8,677
Murcia / Zaraiche	2014	27	2,576
Paterna	2014	23	1,696
Petrer	2014	32	4,037
Sagunto	2014	15	985
San Juan de Aznalfarache, Sevilla	2014	37	4,072
Sevilla / Macarena	2014	26	1,885
Sevilla / Montequinto	2014	17	9,993
Sevilla / San Pablo	2014	35	3,300
Torrevieja	2014	21	1,687
Valencia / Campanar	2014	33	3,160
Villarreal de los Infantes	2014	19	943
Murcia / Atalayas	2016	42	10,024
Montigala	2016	56	10,668
El Mirador	2016	47	9,846
Fan Mallorca	2016	121	40,295
As Cancelas wholly-owned (50% of assets held, based on the equity method)	2014	124	50,262
Italy			
Massa	2014	40	7,288
Burolo	2014	10	952
Vercelli	2014	20	3,085
Paderno Dugnano	2014	73	15,508
Gran Giussano	2014	48	9,338
Thiene	2014	39	6,012
Turin	2014	11	1,127
Limbiate	2015	1	1,923
Assago	2015	2	2,380
Grugliasco	2015	1	3,842
Nichelino wholly-owned (50% of assets held, based on the equity method)	2015	3	4,833

Report of independent external appraisers

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

1.1.1. General context of the valuation

Context and instructions

In accordance with Carmila's instructions ("the Company") as detailed in the signed valuation contracts between Carmila and the valuers, we have valued the assets held by the Company, taking account of their ownership (freehold, ground lease, etc). This Summary Report has been prepared for inclusion in the Company's annual report.
The valuations were undertaken locally by our valuation teams present in each market. In order to estimate the market value for each asset, we have not only taken into consideration domestic retail investment transactions but have also considered transactions on a European level. We confirm that our valuations have been prepared in a similar way to other valuations undertaken in Europe, in order to maintain a consistent approach and to take into consideration all the market transactions and information available.
The valuations are based on the discounted cash flow method and the capitalisation method, which are regularly used for these types of assets.

Our valuations were undertaken as at 31 December 2016.

Reference Documents and General Principles

We confirm that our valuations were undertaken in accordance with the appropriate sections of the January 2014 Edition of the RICS Valuation – Professional Standards (the "Red Book"). This is a valuation basis accepted on an international level. Our valuations are compliant with the IFRS accounting standards and the IVSC standards. The valuations have also been prepared on the basis of the AMF recommendations on the presentation of valuations of real estate assets owned by listed companies, published on 8th February 2010. Furthermore, they take into account the recommendations of the Barthès de Ruyter report on valuation of real estate owned by listed companies, published in February 2000.
We confirm that we have prepared our valuations as external and independent valuers as defined by the Red Book standards published by RICS.

Basis of Valuation

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

1.1.2. Valuation considerations and assumptions

Information

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

Floor areas

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

Environmental analysis and ground conditions

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

Town planning

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

necessary permissions have been obtained.

Titles deeds and tenancy schedules

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

Condition of the assets

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

Taxation

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

1.1.3. Confidentiality and disclosure

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

Jean-Philippe Carmarans
Président
Cushman & Wakefield Valuation France

CATELLA CVA VALUATION ADVISORS

Jean-François Drouets
Président
Catella Valuation

Tony Loughran,
Partner
Head of Valuation & Advisory, Spain

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

Mariacristina Laria
Partner
Head of Valuation & Advisory, Italy

ANNEX B – CONSOLIDATED FINANCIAL STATEMENTS OF 2014, 2015 AND 2016

KPMG Audit ID S.A.S.
Tour Eqho - 2, avenue Gambetta – CS 60055
92066 Paris La Défense Cedex
France

EXCO Paris ACE
5, avenue Franklin D. Roosevelt
75008 Paris
France

Carmila S.A.S.

Share Capital 313.654.694 euros

58, avenue Emile Zola
92100 Boulogne Billancourt

Statutory Auditors' report on the consolidated financial statements

Seven-month period ended December 31, 2014 and years ended December 31, 2015 and December 31, 2016

This report contains 67 pages

KPMG Audit ID S.A.S.
Tour Eqho - 2, avenue Gambetta – CS 60055
92066 Paris La Défense Cedex
France

EXCO Paris ACE
5, avenue Franklin D. Roosevelt
75008 Paris
France

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

Carmila S.A.S.

Share capital : 313.654.694 euros

58, avenue Emile Zola
92100 Boulogne Billancourt

Statutory Auditors' report on the consolidated financial statements

Seven-month period ended December 31, 2014 and years ended December 31, 2015 and December 31, 2016

To the President,

In our capacity as statutory auditors of the company Carmila S.A.S. ("Carmila") and in accordance with Commission Regulation (EC) n°809/2004 in the context of the merger of Carmila by Cardety S.A. (« the Merger »), an offer to the public and an admission to trading on the regulated market of Euronext Paris of equity securities of Cardety S.A. post-Merger, we have audited the accompanying consolidated financial statements prepared for the purpose of the « Document E » and the prospectus, under International Financial Reporting Standards ("IFRS") as adopted by the European Union for the seven-month period ended December 31, 2014 and the years ended December 31, 2015 and December 31, 2016(thereafter the «Consolidated Financial Statements »).

These Consolidated Financial Statements are the responsibility of the President. Our role is to express an opinion on these Consolidated Financial Statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (Compagnie nationale des commissaires aux comptes) related to this engagement; these standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selections, to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is

sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the assets and liabilities and the financial position of Carmila as at December 31, 2014, December 31, 2015 and December 31, 2016, and the results of its operations for the seven-month period and years then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the following matters set out in Notes « 3.2 Publication context » to the Consolidated Financial Statements regarding the context of preparation of the Consolidated Financial Statements and the change in the accounting method for investment properties.

The statutory auditors

Paris La Défense, April 4, 2017	Paris, April 4, 2017
French original signed by	French original signed by
KPMG Audit ID S.A.S.	EXCO Paris ACE
Eric Ropert *Associé*	Emmanuel Charrier *Associé*

FINANCIAL STATEMENTS

as of and for the years ended 31 December 2016, 2015 and 2014

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1. CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS THEN ENDED 31 DECEMBER 2016, 2015 and 2014

Preliminary remarks:

The 2015 and 2016 columns represent the last financial years ended, covering 12 months of activity. The 2014 column covers the period from 1 June 2014 to 31 December 2014, i.e. seven months of activity. The financial statements have been drawn up using the fair value model for the first time.

1.1. Consolidated statement of net income

(in thousands of euros)		2016 12 months	2015 (1) 12 months	2014 (1) 7 months
Gross rental income		**275 683**	**260 348**	**110 367**
Real estate expenses		- 3 863	- 1 730	- 955
Unrecovered rental expenses		- 8 272	- 8 781	- 653
Property expenses (landlord)		- 11 045	- 5 982	- 8 606
Net rental income	***Note 9.1***	**252 503**	**243 855**	**100 153**
Operating expenses	*Note 9.2*	- 41 579	- 32 762	- 15 471
Other operating income	*Note 8.3*	1 948	-	-
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	*Note 9.3*	- 523	- 3 025	- 4 448
Other current operating income and expenses		- 267	- 22	- 435
Income from sale of investment properties		441	- 1 175	-
Increase in the fair value of investment properties		235 500	239 279	60 128
Decrease in the fair value of investement properties		- 77 822	- 59 726	- 258 767
Balance of fair value adjustments	*Note 6*	157 678	179 553	- 198 639
Share of net income of equity-accounted companies	*Note 4.1*	6 094	11 051	54
Operating income		**376 295**	**397 475**	**- 118 787**
Income from cash and cash equivalents		615	1 049	648
Cost of gross financial debt		- 49 877	- 39 850	- 14 442
Cost of net financial debt		**- 49 262**	**- 38 801**	**- 13 794**
Other financial income and expenses		- 3 005	- 1 846	- 1 615
Net financial inome (expense)	***Note 7.1***	**- 52 267**	**- 40 647**	**- 15 409**
Income before taxes		**324 028**	**356 828**	**- 134 196**
Income tax	*Note 10.2*	- 28 380	- 31 553	- 3 731
Consolidated net income		**295 648**	**325 275**	**- 137 927**
Group share		**294 531**	**324 776**	**- 134 908**
Non-controlling interests		**1 117**	**499**	**- 3 019**
Average number of shares comprising Carmila's share capital (non diluted)	*Note 8.8*	309 639 478	303 913 919	303 913 919
Income per share (in euros)		0,95	1,07	- 0,44
Diluted income per share (in euros)		0,95	1,07	- 0,44

(1) Prior year accounts restated due to the adoption of the fair value model

1.2. Statement of other comprehensive income

(in thousands of euros)		2016 12 months	2015 (1) 12 months	2014 (1) 7 months
Consolidated net income		**295 648**	**325 275**	**- 137 927**
Items to be recycled in income subsequently		- 13 907	402	- 25 325
Cash-flow hedges	*Note 7.2*	- 13 907	402	- 25 325
Related tax				
Items not to be recycled in income subsequently		39	- 5	- 33
Revaluation of net liabilities under defined-benefit schemes		39	- 5	- 33
Related tax		-	-	-
Consolidated comprehensive income		**281 780**	**325 672**	**- 163 285**

(1) Prior year accounts restated due to the adoption of the fair value model

1.3. Consolidated statement of financial position

(in thousands of euros)		31/12/2016 12 months	31/12/2015 12 months (1)	31/12/2014 7 months (1)
Goodwill		-	-	-
Intangible fixed assets	*Note 8.1*	4 986	6 133	4 102
Fixed assets	*Note 8.2*	960	439	3
Investment properties	*Note 6*	4 850 443	4 277 682	3 622 723
Investments in equity-accounted companies	*Note 8.3*	48 331	40 120	23 372
Other non-current assets	*Note 8.4*	9 349	24 294	26 400
Deferred taxes	*Note 10.3*	1 592	1 951	9 062
Non-current assets		**4 915 661**	**4 350 619**	**3 685 662**
Trade receivables	*Note 8.5*	98 164	93 880	82 104
Tax receivables	*Note 10.3*	3 648	1 612	14
Other current assets	*Note 8.6*	116 346	61 144	33 006
Cash and cash equivalents	*Note 8.7*	71 243	128 004	127 095
Current assets		**289 401**	**284 640**	**242 219**
Total Assets		**5 205 061**	**4 635 259**	**3 927 881**

(1) Prior year accounts restated due to the adoption of the fair value model

1.3 Consolidated statement of financial position (Continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of euros)		31/12/2016 12 months	31/12/2015 12 months [1]	31/12/2014 7 months [1]
Share capital		313 655	303 914	303 914
Additional paid-in capital		1 844 317	1 926 370	1 990 192
Other comprehensive income		- 38 829	- 24 940	- 25 358
Consolidated retained earnings		229 099	- 114 808	19 350
Consolidated net income - Group share		294 531	324 776	- 134 908
Shareholders' equity – Group share		**2 642 773**	**2 415 311**	**2 153 191**
Non-controlling interests		8 431	40 199	4 736
Shareholder's equity	***Note 8.8***	**2 651 204**	**2 455 510**	**2 157 927**
Non-current provisions	*Note 8.9*	609	1 145	828
Non-current financial debt	*Note 7.2*	2 050 970	1 862 223	1 555 259
Lesee security deposits		67 216	62 796	57 516
Non-current tax liabilities and deferred tax	*Note 10.3*	81 032	56 808	18 712
Non-current liabilities		**2 199 827**	**1 982 972**	**1 632 315**
Fixed asset payables	*Note 8.10*	33 773	45 189	11 077
Trade payables	*Note 8.11*	22 993	24 324	26 439
Current financial debt	*Note 7.2*	167 469	15 484	7 873
Other current liabilities	*Note 8.12*	122 725	105 170	82 906
Current tax liabilities	*Note 10.3*	7 070	6 609	9 344
Current liabilities		**354 030**	**196 776**	**137 639**
Total Liabilities and Shareholders' Equity		**5 205 061**	**4 635 258**	**3 927 881**

[1] Prior year accounts restated due to the adoption of the fair value model

1.4. Consolidated statement of cash flows

(in thousands of euros)		2016 12 months	2015 (1) 12 months	2014 (1) 7 months
Consolidated net income		**295 648**	**325 275**	**- 137 927**
Adjustments				
Elim. of income from companies consolidated by the equity method		- 6 094	- 11 051	- 54
Elim. of depreciation, amortization and provisions		302	2 320	4 480
Elim. of change in fair value adjustment		- 158 073	- 179 553	198 639
Elim. of capital gains / losses and dilution profit or losses		- 2 074	1 175	- 1
Other income and expenses with no cash effect		-	- 140	- 380
Cash flow from operations after cost of net financial debt and tax		**131 353**	**138 026**	**64 757**
Elimination of tax expense/(income)		28 380	31 553	3 731
Eliminaton of cost of net financial debt		49 263	38 804	13 783
Cash flow from operations before cost of net financial debt and tax		**208 996**	**208 383**	**82 271**
Change in working capital requirement	*Note 8.5*	- 29 206	13 641	- 14 256
Change in lesee security deposits and guarantees		3 122	3 933	6 140
Taxes paid		- 5 234	- 11 796	- 6 471
Cash flows from operating activities		**177 678**	**214 161**	**67 684**
Acquisition of investment properties	*Note 6.1*	- 442 219	- 416 647	- 1 191 275
Acquisitions of other fixed assets		- 1 550	- 240	- 10
Change in loans and advances		2 031	1 517	971
Sale of investment properties and other fixed assets		3 691	- 4	-
Dividends received		972	470	1
Cash flows from investing activities		**- 437 075**	**- 414 904**	**- 1 190 313**
Capital increase		2 002	5	509 745
Bonds	*Note 7.2*	592 999	593 034	
New loans	*Note 7.2*	142 000	30 229	671 001
Loan repayment	*Note 7.2*	- 408 230	- 326 795	-
Interest paid		- 57 003	- 33 737	- 18 625
Interest received		613	1 048	423
Dividends distributed to shareholders		- 77 305	- 64 167	- 45 674
Cash flows from financing activities		**195 076**	**199 617**	**1 116 870**
Change in net cash position		**- 64 321**	**- 1 126**	**- 5 759**
Opening cash position		119 441	120 573	126 332
Closing cash position	*Note 8.7*	55 120	119 441	120 573

(1) Prior year accounts restated due to the adoption of the fair value model

1.5. Statement of change in consolidated shareholders' equity

(in thousands of euros)		Capital	Additional paid-in capital	Other comprehensive income	Consolidated reserves	Consolidated income	Total Shareholders' equity – Group share	Non-controlling interests	Total Equity
Position at 31 May 2014 (1)		**236 842**	**1 593 159**	**-**	**19 350**	**-**	**1 849 351**	**8 013**	**1 857 364**
Change in fair value of hedging instruments				- 25 326	-		- 25 326		- 25 326
Actuarial adjustments / Retirement benefits				- 32			- 32		- 32
Consolidated net income- Group share				-	-	- 134 908	- 134 908	- 3 019	- 137 927
Dividends paid			- 45 640		-		- 45 640	- 259	- 45 899
Capital increase	*Note 8.8*	67 072	442 673		-		509 745		509 745
Position at 31 December 2014 (1)		**303 914**	**1 990 192**	**- 25 358**	**19 350**	**- 134 908**	**2 153 191**	**4 736**	**2 157 926**
Change in fair value on hedging instruments				423	-		423		423
Actuarial gains and losses on retirement benefits				- 5			- 5		- 5
Consolidated net income- Group share				-	-	324 776	324 776	499	325 275
Dividends paid			- 63 822	-	- 134 908	134 908	- 63 822	- 366	- 64 188
Changes in consolidation scope				-	750	-	750	35 331	36 081
Position at 31 December 2015 (1)		**303 914**	**1 926 370**	**- 24 940**	**- 114 808**	**324 776**	**2 415 311**	**40 199**	**2 455 511**
Recycling of OCI in income	*Note 7.2*			2 395	-		2 395		2 395
Change in fair value on hedging instruments	*Note 7.2*			- 16 302	-		- 16 302		- 16 302
Actuarial gains and losses on retirement benefits				39	-		39		39
Consolidated net income- Group share						294 531	294 531	1 117	295 648
Dividends paid	*Note 8.8*		- 147 827		324 776	- 324 776	- 147 827	- 1 238	- 149 065
Capital increase	*Note 8.8*	9 741	64 130				73 871		73 871
Payments in shares	*Note 13.3*		1 644				1 644		1 644
Changes in consolidation scope				- 20	19 130		19 111	- 31 648	- 12 537
Position at 31 December 2016		**313 655**	**1 844 317**	**- 38 828**	**229 098**	**294 531**	**2 642 773**	**8 431**	**2 651 204**

(1) Prior year accounts restated due to the adoption of the fair value model

2. KEY EVENTS IN 2016, 2015 and 2014

2.1. Key events in 2016

In France:

- On 26 February 2016, after acquiring the minority shares of Financière Geric for €32 million, the Group is now the sole shareholder of the company, which owns the Thionville (East) shopping centre.
- On 12 May 2016, Carmila and the Klépierre group signed a memorandum of understanding for the final adjustment of the share price of SNC KC8 (Nice shopping centre) for €0.5 million.
- On 29 July 2016, Carmila acquired 14 units at the Pince-Vent shopping centre in Ormesson (East of Paris) for €12.3 million including acquisition costs (€11.5 million excluding acquisition costs).
- On 28 September 2016, Carmila France acquired two large stores under the Babou banner, one in Mondeville for €5.8 million and the other in Nevers for €3.0 million. The transfer costs for these two acquisitions amounted to was €165,000.
- On 6 October, Carmila acquired the premises of the Brico Dépôt in Brest for €5.3 million.
- On 10 November, Carmila acquired, under an off-plan contract (VEFA) from Immobilière Carrefour, the 3,000 sq.m extension of the Bourges shopping centre for €24.7 million.
- On 29 November, Carmila acquired the Saint Brieux-Langueux retail park in Brittany for €0.8 million and a retail park in Nevers Marzy (Centre of France) from Immobilière Carrefour for €6.3 million.
- Throughout 2016, the Group also consolidated its shopping centres by acquiring additional units on existing properties for a total of €16.1 million, including acquisition costs.

In Italy:

- Carmila took part in the capital increase of its subsidiary, Galleria Commerciale Nichelino, for €4.6 million, increasing its equity investment to €7.1 million, and also granted a loan of €0.8 million. Carrefour Property Italia also subscribed to the capital increase, resulting in a dilution of the Group's shareholding and the loss of control over the company. The share capital is now divided equally between the two shareholders.

In Spain:

- On 5 August 2016, the Group acquired three shopping centres (El Mirador near Burgos, Montigalà in Badalona and Atalayas in Murcia) representing a total surface area of approximately 30,000 sq.m GLA, for a total price of €77 million.
- On 15 December 2016, Carmila acquired the FAN shopping centre (57,592 sq.m and 126 stores) in Palma de Majorca from Carrefour Property Espana for €164.6 million, including a projected price adjustment of €7.4 million payable in 2020.

Financing

- On 18 March 2016, Carmila carried out a new bond issue for a notional amount of €600,000,000, with a tenor of 8.5 years, i.e. maturing on 16 September 2024.
- On 31 May 2016, Carmila negotiated an increase in the revolving credit facility signed under the same loan agreement, maturing on 17 September 2019. The committed credit line was increased from €124,000,000 to €396,500,000. There were no draw-downs in the period.
- Carmila SAS established a commercial paper program for up to €600 million. Standard & Poor's rated the programme A2.

2.2. Key events in 2015

In France:

- The acquisition on 9 January 2015 of the shopping centre in Montluçon (Centre of France) for €20.6 million, including acquisition costs.
- The acquisition on 29 January 2015 of a portfolio of three shopping centres in Puget-sur-Argens (South East), Mont-Saint-Aignan (Normandy) and Sannois (Paris region) for €91.5 million, including acquisition costs.
- The acquisition on 30 September 2015 of 65% of the shares of SA Financière Geric, which owns the Thionville (East) shopping centre, and 53.8% of GIE Geric, for a provisional amount of €60.6 million (excluding transaction costs of €1 million).
- The acquisition, in two tranches, of a group of units at Ormesson Pince-Vent from third parties, both in the form of asset acquisitions and share purchase. The acquisitions are valued at €47.6 million.

In Italy:

- The creation of Galleria Commerciale Nichelino Srl, in partnership with Carrefour Property, in order to carry out works to extend the Nichelino shopping centre in greater Turin, adjoining the existing Carrefour hypermarket. The centre includes 42,000 sq.m GLA, a shopping centre with more than 45 stores and a retail park with 14 large stores. On 10 April 2015, Galleria Commerciale Nichelino Srl acquired a plot of land with a riding school (40,213 sq.m) for €6.0 million, including acquisition costs.
- On 29 December 2015, Carmila Holding Italia acquired, from Carrefour Property Italia, large stores in the shopping centres of Vercelli (€2.7 million), Assago (€12.4 million), Grugliasco (€15.4 million) and Limbiate (€5.1 million).

Financing

- An inaugural bond issue of €600 million, with an eight year maturity, i.e. on 18 September 2023, thus increasing the average tenor of debt.

2.3. Key events in 2014 (1 June to 31 December 2014)

In France:

- The acquisition, in November 2014, from Unibail-Rodamco, of five shopping centres and a retail park for €927.6 million; and the acquisition of a shopping centre in Laval for €43.5 million.
- Over €15 million investment as part of the launch of the shopping centre renovation plan.

In Spain:

- Acquisition from Carrefour in Spain, at the end of November 2014, of two shopping centres; a 50% equity investment in a third centre at Saint Jacques de Compostello; and various units in shopping centres already owned by Carmila Espana. This Spanish investment totalled €182.5 million.

3. ACCOUNTING POLICIES AND METHODS

3.1. Group overview

The Carmila Group (the "Group" or "the Carmila Group") is engaged in the business of managing and enhancing the value of shopping centres anchored by the marge stores of the Carrefour Group in France, Spain and Italy.

As of 31 December 2016, it employs 161 people, including 120 in France, 38 in Spain and three in Italy. It owns a portfolio of 193 shopping centres, mainly as a result of the acquisition of 126 sites in France, Spain and Italy from Klépierre and the transfer by Carrefour of 45 sites in France in early 2014, and, at the end of 2014, the acquisition from Unibail-Rodamco of six shopping centres in France, and the transfer from the Carrefour Group of two sites, various units and an equity investment in Spain.

Carmila (the "Company"), which is the Group's parent company, is a SIIC (société d'investissement immobilière cotée, or listed property investment company) under French law. Its head office is 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.

The consolidated financial statements for the years ended December 2015 and December 2016 each cover a 12-month period. The 2014 year covers the period from 1 June to 31 December 2014, as the Company closed its financial year early, on 31 May 2014, in order to opt for SIIC status.

Carmila's share capital is divided among long-term shareholders. At 31 December 2016, the largest shareholder is the Carrefour Group, which has an equity investment of 42.4% 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 Carrefour hypermarkets in France, Spain and Italy. The other 57.6% of the share capital is owned by long-term investors from major insurance companies or front-rank financial players. The biggest of these is the Colony Group, which holds 13.3% of Carmila's share capital.

3.2. Publication context

These consolidated financial statements for the years ended 31 December 2016, 2015 and 2014 have been prepared to meet legal and regulatory obligations, and for the purposes of the planned merger with Cardety SA and the filing of a Document E for approval by the French financial markets regulator (AMF).

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union on 31 December 2016 and were approved by the Chairman of the Company's Board of Directors on 31 March 2017.

These consolidated financial statements, as the Group's historical consolidated financial statements for the financial year ended 31 December 2016, will be submitted for approval by Carmila's shareholders at the general meeting of 4 May 2017.

This set of consolidated financial statements covering a three year span is not intended to replace the historical financial statements for any of the years ended 31 December 2015 and 2014, which were approved by the Chairman of the Company's Board of Directors on 16 February 2016 and 3 March 2015 respectively. Events taking place after the dates on which the financial statements for each of the years presented were approved are not reflected in these consolidated financial statements.

When preparing this set of consolidated financial statements covering three years:

- The Group changed its method of accounting for investment property at historical cost, and adopted the fair value option under IAS 40 - Investment Property applied to the related assets on the balance-sheet. This change in accounting principles was carried out retroactively from 1 June 2014 or from the date of entry of the assets to the Group, if this was after 1 June 2014. (See Note 3.5 on how this change in accounting method took place and its implications).
- Compared with the historical consolidated financial statements for the years ended 31 December 2015 and 2014, these consolidated financial statements include certain changes that improve the relevance and quality of the information presented, mainly relating to:

- The format of the financial statements and, in particular, the statement of net income, in order to take into account the recommendations of the EPRA and facilitate comparison with peers in the sector.
- The presentation of information by business segment, so as to improve the quality of the information provided.
- The reorganisation of the accompanying notes, to compare the statement of accounting principles with the corresponding notes to the financial statements, in line, specifically, with the AMF's recommendations, "Guidelines on the Relevance, Consistency and Readability of Published Financial Statements."

The methods used to prepare these financial statements are described in Note 3 "Principles and Methods of Consolidation" and in the preamble to each of the notes to the consolidated financial statements. The Group's consolidated financial statements are presented in thousands of euros, unless otherwise specified.

3.3. Accounting standards and consolidation methods

IFRS standards applied

The Carmila group's consolidated financial statements 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 on 31 December 2016. All of the texts adopted by the European Union are available on the European Commission website at:

http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

At 31 December 2016, the accounting standards and interpretations adopted for use in the European Union were the same as those published by the IASB and applicable at that date, except for IAS 39, which was only partially adopted. This divergence has no effect on the Group's financial statements.

New standards, interpretations and amendments applied by the Group as of 1 January 2016

- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 1 - Disclosure Initiative
- Amendment to IAS 19 - Employee Contributions
- Amendment to IFRS 7 - Financial Instruments: Disclosures

These amendments had no material effect on the Group's financial statements as of 31 December 2016, 2015 and 2014.

In addition, the Group did not opt for early application of the following texts, adopted by the European Union on 31 December 2016 but which come into force after the year 2016:

- IFRS 15 - Revenue from Contracts with Customers.
- IFRS 9 - Financial Instruments.

Lastly, the standards and interpretations likely to be no longer applicable to the Group at 31 December 2016, published by the IASB but not yet adopted by the European Union at 31 December 2016, are as follows:

- IFRS 16 - Leases.
- Amendments to IFRS 10 and IAS 28 - Sales or Contributions of Assets between An Investor and Its Associate/Joint Venture.
- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IAS 7 - Disclosure Initiative.

- Amendment to IFRS 2 - Clarifications of Classification and Measurement of Share-Based Payment Transactions

Assessment of the effects of applying the new standards:

The process of determining the potential effects of these texts on Carmila's consolidated financial statements is underway. With regard to IFRS 9, IFRS 15 and IFRS 16, the Group is in the process of assessing the potential effects of the first-time application of these new texts, and does not anticipate any material effects on its financial statements.

3.4. Principal estimates and judgments by management

Preparation of the consolidated financial statements involves the assessment of estimates and assumptions by Group management. This 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 to 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 (see Note 6): the Group has its property assets appraised every six months by independent experts, according to the methods described in Note 6. The experts use assumptions for future flows and rates with a direct effect on the value of the buildings.
- Valuation of financial instruments. The Group measures the fair value of the financial instruments that it uses, in accordance with the standard models used on the market and under IFRS 13, as described in Note 7.21.6.
- The amount of provisions for risks and other provisions related to the activity (see Note 8.9).
- The assumptions used to calculate and recognise deferred taxes (see Note 10).

3.5. Change in accounting policy

As of 31 December 2016, the company decided to change the accounting policy applied to its consolidated financial statements. The company chose to apply the fair value model pursuant to IAS 40, according to which all investment properties concerned are valued at the price that would be received for the sale of an asset in an arm's-length transaction between market operators at the valuation date. Adoption of this principle better reflects the value of the Group's rental assets and how this value has changed over time, and facilitates comparison with other actors in the sector. The impact of this change in accounting method on the consolidated statement of net income and the consolidated statement of financial position is presented in Note 16 below for the financial years 2015 and 2014. The methods used to determine the fair value are presented in Note 6 "Investment Property - Effects of Change of Method"). Section 40A of IAS 1 - Presentation of Financial Statements also requires presentation of a third consolidated statement of financial position, prepared on the first day of the comparative financial year. This statement has not been included, as the Group is voluntarily presenting a third consolidated statement of financial position as of 31 December 2014.

The main effects of this change of method on the consolidated statement of net income for 2015 and 2014 and the consolidated statement of financial position as of 31 December 2015 and 2014 are presented below and relate to the following items:

- In the consolidated statement of net income, increases and decreases in fair value replace current depreciation and amortisation or impairment. The proportionate share of the net income of equity-accounted companies is also adjusted for changes in fair value. Deferred tax is recognised if the companies holding the assets are subject to taxation.

- In the consolidated statement of financial position, trade receivables and other current liabilities are adjusted to take account of franchises and rent reductions included in the fair value calculation.

The impact of this change of method are detailed in Note 16.

4. SCOPE AND METHODS OF CONSOLIDATION

4.1. Scope and consolidation methods

Consolidation methods

- **Determination of control**

In accordance with IFRS 10 - Consolidated Financial Statements, an investor controls an entity when it has power over the relevant business, is exposed or is entitled to variable returns due to its relationship with the entity and is able to influence these returns by virtue of its power over it. The Group exercises power over an entity when it has the effective rights that confer on it the current ability to direct the relevant activities, i.e. those activities that materially affect the entity's returns.

- **Subsidiaries**

Subsidiaries are companies controlled by the Group. The Group controls a subsidiary when it is exposed or entitled to variable returns by reason of its links to the entity and has the ability to affect those returns due to the power it holds over that entity. The financial statements of subsidiaries are included in the consolidated financial statements as from the date of effective transfer of control up until such time as that control ceases to exist. The subsidiaries are consolidated in the Group's balance sheet, regardless of the percentage interest held.

- **Jointly-controlled entities**

Joint control means the contractually-agreed sharing of control over an entity that 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 in a joint operation (joint operators) have direct rights to the assets and assume direct obligations related 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 revenues and expenses related to interests in the joint operation.
  - Joint ventures: joint-venturers in a joint venture only have rights over the company's net assets. Joint ventures are recognised using the equity method.

- **Associates**

Pursuant to IAS 28, the equity method applies to all associates over which the Group exerts significant influence, which is presumed when the percentage of voting rights held is greater than or equal to 20%. All equity investments, regardless of the percentage of interest held, are subjected to an analysis to determine whether the Company exerts significant influence.

Under the equity method of consolidation, the Group's equity investment in an associate and joint venture are initially recorded at cost plus or minus any changes in the associate's share of net assets that occur after the acquisition. Goodwill related to an associate is included in the book value of the investment. The share of income for the period is shown under "Net income from companies consolidated by the equity method." On the balance sheet, these equity investments are shown under "Investments in associates."

The financial statements for the associates are prepared for the same reference period as that of the Group, and adjusted where appropriate to ensure conformity 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, among other factors, whether a portfolio of activities is acquired in addition to the property 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 service (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.

All the acquisitions carried out in the reporting period were treated as acquisitions of property assets.

Conversion of foreign companies' financial statements

The Group's financial statements are expressed in thousands of euros.

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

Balance-sheet balances and revenues or expenses resulting from intra-Group transactions are eliminated when the consolidated financial statements are prepared.

Balance-sheet classification

Assets expected to be realized, consumed or transferred as part of the normal operating cycle or in the 12 months following the end of the fiscal year are classified as "current assets," as are assets held for transfer 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 fiscal year are classified as "current liabilities."

The Group's normal operating cycle is 12 months.

Deferred tax is always shown as non-current assets or liabilities.

Income statement classification

The Group has opted to present its proportionate share of the equity-accounted companies under Operating Income as their business is part of ongoing Group operations.

4.2. Description of main partnerships

4.2.1 As Cancelas

The shares and voting rights in 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 control as joint, so the company is therefore recognised at equity.

4.2.2 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%, due to the capital increase of 6 April 2016.

Under the Renovation and Development Agreement signed between Carrefour and Carmila (see 11.3 Reciprocal commitments), the governance for 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 jointly 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 all of the 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 regards Galleria Commerciale Nichelino as being jointly controlled with Carrefour Property Italia, and it is therefore accounted for using the equity method, at 50%.

4.2.3 Financière Geric

Indirectly owned at 35% at the time of the acquisition of Financière Geric in September 2015, GIE Geric was accounted for by using the equity method as on 31 December 2015. On 31 March 2016, the members of GIE Geric acquired the co-ownership share of their property rights, then the GIE purchased their shares of the GIE and cancelled them. GIE Geric was then able to become an SNC, with Financière Geric of the Carmila Group as its sole shareholder. Therefore, taking into consideration these changes in the Group's percentage of ownership, the company is now consolidated in the financial statements from this date.

5. SEGMENT REPORTING

5.1. Definition of 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 are the three countries in which the Group operates:

- France.
- Spain.
- Italy.

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

- Gross Rental Income.
- Net Rental Income per sector.

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

- Capital gains or losses on disposals of investment property.
- Any other non-recurring income or expense.

The Operating 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 three years, no individual lessee represented more than 10% of the Group's Gross Rental Income

5.2. Operating income by operating segment

Income statement by operating segment – 2016

(in thousands of euros)	France	Spain	Italy	2016
Gross rental income	201 171	55 268	19 244	275 683
Real estate expenses	- 2 139	- 1 130	- 594	- 3 863
Unrecovered rental expenses	- 4 746	- 3 516	- 10	- 8 272
Property expenses (landlord)	- 9 384	- 1 280	- 381	- 11 045
Net rental income	**184 902**	**49 342**	**18 259**	**252 503**
Operating expenses	- 30 808	- 7 983	- 2 356	- 41 147
Other operating income	-	-	1 948	1 948
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	- 308	- 40	- 175	- 523
Other current operating income and expenses	- 115			- 115
Operating Income (Unadjusted)	**153 671**	**41 319**	**17 676**	**212 666**
Non-current operating income and expenses	- 584	-	-	- 584
Income from sale of investment properties	445	- 4	-	441
Increase in the fair value of investment properties	125 428	98 027	12 045	235 500
Decrease in the fair value of investement properties	- 72 850	- 3 107	- 1 865	- 77 822
Balance of fair value adjustments	52 578	94 920	10 180	157 678
Share of net income of equity-accounted companies	- 91	6 180	5	6 094
Operating Income	**206 019**	**142 415**	**27 861**	**376 295**

Income statement by operating segment - 2015

(in thousands of euros)	France	Spain	Italy	2015 [1]
Gross rental income	192 437	50 971	16 940	260 348
Real estate expenses	88	- 1 299	- 519	- 1 730
Unrecovered rental expenses	- 5 203	- 3 497	- 81	- 8 781
Property expenses (landlord)	- 4 559	- 1 068	- 355	- 5 982
Net rental income	**182 763**	**45 107**	**15 985**	**243 855**
Operating expenses	- 24 452	- 6 215	- 2 095	- 32 762
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	- 3 000	- 25	-	- 3 025
Other current operating income and expenses	1			1
Operating Income (Unadjusted)	**155 312**	**38 867**	**13 890**	**208 069**
Non-current operating income and expenses	- 23	-	-	- 23
Income from sale of investment properties	- 1 249	73	1	- 1 175
Increase in the fair value of investment properties	130 335	101 810	7 134	239 279
Decrease in the fair value of investement properties	- 49 835	- 8 462	- 1 429	- 59 726
Balance of fair value adjustments	80 500	93 348	5 705	179 553
Share of net income of equity-accounted companies	36	11 014	0	11 051
Operating Income	**234 576**	**143 302**	**19 596**	**397 475**

[1] Prior year accounts restated due to the adoption of the fair value model

Income statement by operating segment - 2014

(in thousands of euros)	France	Spain	Italy	2014 [1] (7 months)
Gross rental income	78 536	22 373	9 458	110 367
Real estate expenses	- 988	299	- 266	- 955
Unrecovered rental expenses	92	- 637	- 108	- 653
Property expenses (landlord)	- 6 892	- 1 046	- 668	- 8 606
Net rental income	**70 748**	**20 989**	**8 416**	**100 153**
Operating expenses	- 9 851	- 4 392	- 1 228	- 15 471
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	28	-	- 4 476	- 4 448
Other current operating income and expenses	- 432	-	- 3	- 435
Operating Income (Unadjusted)	**60 493**	**16 597**	**2 709**	**79 799**
Increase in the fair value of investment properties	21 049	17 771	- 3 468	35 352
Decrease in the fair value of investement properties	- 228 083	- 5 909		- 233 992
Balance of fair value adjustments	- 207 034	11 861	- 3 468	- 198 640
Share of net income of equity-accounted companies		54		54
Operating Income	**- 146 541**	**28 512**	**- 759**	**- 118 787**

[1] Prior year accounts restated due to the adoption of the fair value model

5.3. Breakdown of investment property by country

The appraisal values are as follows:

(in thousands of euros)	31/12/2016	31/12/2015	31/12/2014
	<---------- excluding transfer taxes ---------->		
	Appraisal value	Appraisal value	Appraisal value
France	3 401 956	3 159 081	2 006 798
Spain	734 960	628 324	438 512
Italy	288 290	234 760	218 800
Total Portfolio appraisal	**4 425 206**	**4 022 165**	**2 664 110**
Investment properties valued at cost and works in progress	425 237	255 517	958 613
TOTAL INVETMENT PROPERTIES	**4 850 443**	**4 277 682**	**3 622 723**
Breakdown of Investsment Properties by country			
France	3 582 171	3 361 792	2 879 790
Espagne	979 982	628 320	524 134
Italie	288 290	287 570	218 800
TOTAL IMMEUBLES DE PLACEMENT	**4 850 443**	**4 277 682**	**3 622 723**

5.4. Investments by country

(in thousands of euros)	France	Spain	Italy	2016
Acquisition of investment properties	76 908	243 337	4 725	324 970
Renovation and restructuring capital expenditures	23 537	13 066	4 340	40 943
Extension works on investment properties	69 576	-	568	70 144
Acquisitions of other fixed assets	5 370	192	600	6 162
Total investment	**175 391**	**256 595**	**10 233**	**442 219**

(in thousands of euros)	France	Spain	Italy	2015
Acquisition of investment properties	255 766	527	50 374	306 667
Renovation and restructuring capital expenditures	42 364	9 690	3 158	55 212
Extension works on investment properties	39 439	-	7 726	47 165
Acquisitions of other fixed assets	4 455	644	2 504	7 603
Total investment	**342 024**	**10 861**	**63 762**	**416 647**

(in thousands of euros)	France	Spain	Italy	2014
Acquisition of investment properties	979 444	170 596		1 150 040
Renovation and restructuring capital expenditures	18 134	17 511		35 645
Extension works on investment properties				-
Acquisitions of other fixed assets	5 107	230	253	5 590
Total investment	**1 002 685**	**188 337**	**253**	**1 191 275**

6. INVESTMENT PROPERTY

Accounting policy

The Fair value model

An investment property is one 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 pursuant to the recommendations of the EPRA, investment properties are accounted for and measured individually at cost and subsequently at fair value; any subsequent change is recognised as a profit or a loss.

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

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 work, financial interest, marketing fees and other internal costs for project development are also capitalised.

Eviction compensation paid to the lessee on termination of an enforceable lease is recognised as follows, depending on the case:

- 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 in order to achieve 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 recorded as an expense for the year.

With regard to investment properties under construction (including extensions), capitalised expenses include the cost of works, the cost of borrowings directly related to the construction, and initial tenanting of the extension.

Capitalised financial 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 financial expenses paid for specific borrowings. Capitalisation of interest ceases when the asset under construction is commissioned.

Investment property under construction may be measured 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. Like other assets at fair value, they are appraised at their market value by an independent expert.

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

- All necessary administrative authorizations required for the development have been obtained.
- The construction contract has been signed and the works have begun.
- And the uncertainty regarding the amount of future rents has disappeared.

Appraisal method

Fair value is determined in accordance with the measurement rules set forth in IFRS 13. Given the complexity of property asset valuation and the nature of certain inputs that are publicly unobservable (pace of rental growth, capitalization rate), the fair values have been categorized 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 those determined on the basis of findings by independent experts. Carmila uses experts to measure the value of its assets every six months. 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 to value the assets, and specifically the list of leases, the vacancy rate, rental arrangements and the main aggregates on lessees (such as sales).

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

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

- Net-income capitalization method

This method consists of applying a return rate to the total triple-net revenue for occupied premises and capitalizing 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 lease data base, minus any non-recoverable charges. For vacant premises, a market rent is used that takes into account an appropriate vacancy period.

The rate of return used is that found in the property market for a comparable property, and, in particular, reflects the sales 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 expenses) indexed over time. A resale value is calculated for the property, based on the last indexed rent as of the resale date, minus any related expenses, to which a rate of return 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 experts appointed by Carmila are as follows:

- Cushman & Wakefield, for all three countries.
- Catella, for the French and Spanish assets.

The experts 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.

Investment property is assessed by independent experts on 30 June and 31 December every year.

Lease agreements

When signing long-term lease agreements 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, the future cash-flows of minimum rental payments are discounted. An asset is recognised whilst a counterpart of the same amount

is recorded as a financial liability. Lease instalments paid are allocated between financial expenses and amortisation of the balance of the debt.

Investment properties held for sale

Under the terms of IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, assets under promise or mandate are presented on a separate line in the statement of financial position at the last fair value appraised. The capital gain or loss on the disposal of the investment property, which is the difference between the net value of the sale and the net book value of the asset,is recorded in the Income statement.

6.1. Details of investment properties

(in thousands of euros)	2016	2015	2014
Fair value of investment properties - at beginning of year	**4 277 683**	**3 622 723**	**2 696 699**
Acquisitions	324 970	306 667	1 150 050
Investments	111 975	105 172	39 963
Reclassification of Works in progress	- 22 050		
Capitalised interest	1 209	356	
Disposals and removals from consolidation scope	- 870	- 2 139	
Other movements and reclassifications	- 152		
Adjustment fair value differed		65 350	- 65 350
Change in fair value	157 678	179 553	- 198 639
Fair value of investment properties - at end of year	**4 850 443**	**4 277 682**	**3 622 723**

On 31 December 2014, considering the uncertainty of economic conditions in Spain, the fair value adjustment was limited to the equivalent of the depreciation charge recorded over the period. This deferral of investment property valuation was reversed in 2015 increasing the positive variation of the fair value adjustment that year.

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.

As of 31 December 2016, 91% 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 €2.4 million. The appraisal value of the assets in the balance sheet is adjusted by these amounts.

Based on the value of the assets, excluding transfer taxes and estimated expenses, the average rate of return on the assets was 5.9% at 31 December 2016.

All else being equal, a 25 basis-point increase in yields would reduce the value of the assets, including transfer taxes and expenses (excluding assets under development or recognised at equity and excluding the effect of changes in rents, correlative to the decrease in yield) by €209 million (or 4.1%).

7. FINANCING AND FINANCIAL INSTRUMENTS

Accounting policy

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

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

The Carmila Group has set up a hedging policy for its debt aimed at securing cash flows related to financing requirements represented by debt in euros.

IAS 39 - Financial Instruments: Recognition and Measurement defines three types of hedging relationship:

a) Fair-value hedge: a hedge of the 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 particular risk and could affect profit or loss.
b) Cash-flow hedge: a hedge of the exposure to changes in cash-flows that:
   i. Is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and
   ii. Could affect profit or loss.
c) Hedging of a net investment in a foreign operation, as defined in IAS 21 - Effects of Changes in Foreign-Exchange Rates.

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

The use of cash-flow hedge accounting has the following consequences: at year-end, the swap derivative is recognised on the balance sheet at its market value, while the effective portion of the change in fair value is recorded directly under other comprehensive income (OCI), and the ineffective portion is recorded 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 perfectly hedging the hedged risk, originally 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 directly charged to other financial income and expenses.

Method for determining the fair value of derivatives

The market values of interest-rate instruments are determined on the basis of valuation models that are recognised on the market or by the use of rates established by external financial institutions.

The values estimated by valuation models are based on the discounting of expected future cash-flows for futures instruments and on the Black-Scholes models for optional instruments. These models use criteria based on market data (interest-rate and exchange-rate curves) obtained from recognised financial-data providers.

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).

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 likelihood of default is determined on the basis of available market data for each counterparty (CDS-implied default probability).

7.1. Interest income (expense)

7.1.1. Cost of net debt

(in thousands of euros)	2016 12 months	2 015 12 months	2 014 7 months
Interest expense on financial debt	- 49 655	- 39 852	- 14 432
Other financial expenses	- 222		1
Cost of gross financial debt	**- 49 877**	**- 39 852**	**- 14 431**
Interest income from loans and current accounts	466	579	70
Other financial income	149	472	567
Cost of net financial debt	**- 49 262**	**- 38 801**	**- 13 794**

For 2016, interest expenses on financial debt including the cost of hedging breaks down as follows:

- Interest on bank loans amounts to -€10,045,000, after having deducted the capitalised borrowing costs on the extension projects (€1,209,000).
- Interest on bonds was -€25,299,000, compared with €4,060,000 in 2015.
- A non-recurring financial expense related to the early repayment of borrowings and the amortisation of corresponding issue costs was recorded for -€6,761,000, compared with €6,042,000 in 2015.
- The net charge on hedging derivatives was -€6,285,000, compared with €9,019,000 in 2015.
- The Group amortised the balance after the reversal of swaps for -€2,395,000.

7.1.2 Other financial income and expenses

(in thousands of euros)	31/12/2016 12 months	31/12/2015 12 months	31/12/2014 7 months
Financial income from investments	- 474	8	1
Change in value of financial instruments	426	274	- 548
Other financial income	1	-	1
Other financial expenses	- 2 958	- 2 128	- 1 069
Other financial income and expenses	**- 3 005**	**- 1 846**	**- 1 615**

Other financial expense comprises:

- Changes in the fair value of hedging instruments (ineffective portion and change in cap time values) and of credit risk.
- And commitment fees on undrawn credit lines.

7.2. Current and non-current financial debt

7.2.1 Change in indebtedness

(in thousands of euros)	31/12/2015	Subscription	Repayment	Reclassification	Fair-value adjustment	31/12/2016
NON-CURRENT						
Bonds - non-current	593 263	600 000	-	6 737	-	1 200 000
Bond issue premiums - non-current	-	- 7 001	1 383	- 6 737	-	- 12 355
Borrowings from banks - non-current	1 257 492	-	- 408 230	2 219	-	851 481
Loan and bond issuance fees	- 12 813	- 859	4 569	-	-	- 9 103
Derivatives held as liabilities - non-current	24 283	-	- 17 269	-	13 934	20 948
Total Non-current financial debt	**1 862 225**	**592 140**	**- 419 547**	**2 219**	**13 934**	**2 050 971**
CURRENT						
Borrowings from banks - current	2 198	-	-	- 2 198		-
Accrued interest on loans - current	4 721	4 644	-	- 21		9 344
Other loans and similar debt - current	-	142 000	-	-		142 000
Bank facilities (bank overdrafts)	8 563	7 560	-	-		16 123
Total Current financial debt	**15 482**	**154 204**	**-**	**- 2 219**		**167 467**
Gross debt	**1 877 707**	**746 344**	**- 419 547**	**-**	**13 934**	**2 218 438**

(in thousands of euros)	31/12/2014	Subscription	Repayment	Reclassification	Fair-value adjustment	31/12/2015
NON-CURRENT						
Bonds - non-current		598 429		- 5 166		593 263
Bond issue premiums - non-current						
Borrowings from banks - non-current	1 546 000		- 294 561	- 2 197		1 257 492
Loan and bond issuance fees	- 15 571	- 3 055	5 813			- 12 813
Derivatives held as liabilities - non-current	24 830		- 145		- 402	24 283
Total Non-current financial debt	**1 555 259**	**595 374**	**- 288 893**	**- 7 363**	**- 402**	**1 862 225**
CURRENT						
Borrowings from banks - current		30 000	- 32 234	2 197		2 198
Accrued interest on loans - current	1 351	4 721	- 1 364			4 721
Other loans and similar debt - current						
Bank facilities (bank overdrafts)	6 522	1 584				8 563
Total Current financial debt	**7 873**	**36 305**	**- 33 598**			**15 482**
Gross debt	**1 563 132**	**631 679**	**- 322 491**	**- 5 166**	**- 402**	**1 877 707**

(in thousands of euros)	31/05/2014	Subscription	Repayment	Reclassification	Fair-value adjustment	31/12/2014
NON-CURRENT						
Bonds - non-current						
Bond issue premiums - non-current						
Borrowings from banks - non-current	875 000	671 000				1 546 000
Loan and bond issuance fees	- 11 984	- 5 144	1 557			- 15 571
Derivatives held as liabilities - non-current			- 380		25 210	24 830
Total Non-current financial debt	**863 016**	**665 856**	**1 177**		**25 210**	**1 555 259**
CURRENT						
Borrowings from banks - current						
Accrued interest on loans - current	1 958	1 351	- 1 958			1 351
Other loans and similar debt - current			- 156 636			
Bank facilities (bank overdrafts)	102	5 101				6 522
Total Current financial debt	**2 060**	**6 452**	**- 158 594**			**7 873**
Gross debt	**865 076**	**672 308**	**- 157 417**		**25 210**	**1 563 132**

7.2.2 Bonds

Carmila issued a bond for a notional amount of €600,000,000, received on 24 March 2016 after deducting bank fees and the issue premium, i.e. an amount received by Carmila SAS of €592,998,000. The bonds will mature on 16 September 2024.

On 30 March 2016, the Group made an early repayment of Tranche A of the loan agreement of 17 September 2014 (Kart II) in the amount of €296,300,000, and then, on 31 May 2016 and 16 June 2016, made other repayments in the amount of €11,273,000 and €98,427,000 respectively. After these three repayments, the drawn-down amount of the Kart II agreement was €90,000,000 at 30 September 2016.

On 31 May 2016, Carmila SAS negotiated an increase in the revolving credit facility, signed under the same agreement, from €124,000,000 to €396,500,000. The establishment of this new line was accompanied by the payment of a fee of €279,500. There were no draw-downs in the period.

Carmila SAS also adjusted its hedge position to account for the partial repayment of its bank debt, thus cancelling six swap contracts for a nominal amount of €340,000,000. These reversal operations resulted in the payment of a compensation balance of €19,269,000.

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

In the first quarter of 2016, the Group carried out a second bond issue for a notional amount of €600,000,000 on 18 March 2016, received on 24 March in the net amount of €592,999,000 after deduction of the issue premium and bank fees. This is an 8.5-year bond loan, maturing on 16 September 2024, with a coupon of 2.375%.

7.2.3 Borrowings from banks

On 15 December 2013, Carmila and a pool of banks signed a loan agreement for a total of €1,400,000,000, including €1,050,000,000 for a Facility A Term Loan, which would be used to fund the acquisition of property assets from the Klépierre group, and a five-year revolving line of credit of €350,000,000. Facility A was fully

drawn down in 2014. A rider to this agreement was signed on 30 July 2015, extending the maturity to 30 July 2020, with the option of two further one-year extensions. The first extension, requested in 2016, extended the maturity date to 30 July 2021. The original issue costs of this loan, plus the costs of the rider, totalled €12,295,000. With the partial repayment of €296,173,000 after the bond issue of September 2015, a financial expense for early repayment was charged to the profit and loss in the amount of €2,480,000. The Facility A Term Loan of this of credit was drawn down at 31 December 2015 and 2016 in the amount of €753,827,000.

On 17 September 2014, Carmila and a banking syndicate entered into a second loan agreement to partially finance the acquisition of assets within the scope of Unibail and Carrefour in the autumn of 2014, with a Facility A line of €496,000,000 and a revolving line of credit of €124,000,000. The Facility A line was drawn down in full on 27 November 2014. This loan agreement was signed for five years, maturing on 17 September 2019. In 2016, after the placement of the second bond, the Group partially repaid the drawn-down Facility A in the amount of €406,000,000 (€296,300,000 on 30 March 2016, €11,273,000 on 31 May 2016, and €98,427,000 on 16 June 2016). After these three repayments, the drawn-down amount of this loan was €90,000,000 at 31 December 2016. In the same way as with the previous agreement, these repayments also led to the recognition of a financial expense related to the early repayment for €3,201,000. Lastly, on 31 May 2016 Carmila negotiated an increase in the revolving credit facility, signed under the same loan agreement, from €124,000,000 to €396,500,000.

These two loan agreements are subject to compliance with prudential ratios at the balance-sheet date of each half-year and annual closing:

- Interest cover: the ratio of EBITDA to the net cost of financial debt must be greater than 2.00 on the test dates.

- Loan to value: the ratio of consolidated net financial debt to the fair value of the investment assets (excluding transfer costs) must not exceed 0.55 on the same dates.

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

Under the loan agreements, Carmila may provide security for up to 20% of the total amount of the fair value of the investment property. The latter amount must be at least €1,000,000,000 at any time.

At 31 December 2014, 2015 and 2016, the Group was in compliance with the applicable prudential ratios.

7.2.4 Other loans

In 2015, the Carmila France Group acquired Financière Geric. This company had taken out three amortisable bank loans for a residual total amount of €8,215,000 as of 31 December 2016 (maturing between December 2019 and December 2020). These three loans were repaid in the amount of €2,198,000 during the year. These loans are also accompanied by mortgages up to the outstanding amount, which can be exercised on the assets of the Thionville shopping centre.

The Group is careful to diversify its sources of financing and their maturities, and has set up a commercial paper programme for a maximum amount of €600,000,000. The first issues took place in early December 2016 and the outstanding amount at the end of December was €142,000,000 with maturities of one to three months. This programme is backed by committed credit lines with banks of prime standing under the loan agreements of 15 December 2013 and 17 September 2014.

At 31 December 2016, Carmila had €746,500,000 of credit facilities, with:

- A revolving line of credit for €350,000,000, not drawn-down, available under the loan agreement signed on 15 December 2013 and amended on 14 April 2014, maturing on 30 July 2021.

- As part of the Kart II loan agreement of 17 September 2014, the Company obtained a revolving line of credit for €124,000,000, which was increased on 31 May 2016 to an available line of €396,500,000, not drawn-down at the balance sheet date and maturing on 17 September 2019.

7.2.5 Breakdown of financial debt by maturity date

At 31 December 2016, the principal term are as follows:

	Closing	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	-12 355	-1 587	-1 627	-1 668	-1 715	-5 758
Bonds	**1 187 645**	**-1 587**	**-1 627**	**-1 668**	**-1 715**	**1 194 242**
Borrowings from credit institutions - non-current	851 481	2 396	2 427	92 432	399	753 827
Accrued interest on current loans	9 344	9 344				
Other loans and similar debt - current	142 000	142 000				
Loan and bond issue fees	-9 103	-1 916	-1 944	-1 898	-1 749	-1 596
Bank and bond borrowings	**2 181 367**	**150 237**	**-1 144**	**88 866**	**-3 065**	**1 946 473**
Derivatives held as liabilities - non-current	20 948				20 948	
Bank facilities (bank overdrafts)	16 123	16 123				
Gross debt by maturity date	**2 218 438**	**166 360**	**- 1 144**	**88 866**	**17 883**	**1 946 473**

7.2.6 Hedging transactions

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

Carmila is exposed to the risk of a change in interest rates on its variable-rate borrowings. The aim of the interest rate risk management policy in place is to limit the impact of changes in interest rates on current and future income and cash flows using interest-rate derivatives, caps or swaps.

The fixed interest rate position represented 73% of gross debt at 31 December 2016 (compared with 72% at end-2015 and 62% at end-2014), and hedging instruments represented 71% of gross variable-rate debt. More specifically, at 31 December 2015 Carmila had entered into 13 swap contracts and four cap contracts. At 31 December 2016, after the reversal of six swap contracts, Carmila retained:

- Seven swap contracts with a set interest rate for a notional amount of €410,000,000, with maturities ranging from June 2020 to September 2025.
- Four cap agreements, capping Carmila's debt, for an unchanged nominal amount of €300,000,000, with maturity dates ranging from June 2018 to December 2019.

These hedging contracts, which are still active, have been recognised as cash-flow hedges.

At the same time as its bond issue, the Group revoked six swap contracts in April 2016, representing a notional value of €340,000,000, the fair value of which, before termination, was estimated at -€19,111,000 on the specific repayment date of the underlying liability, corresponding to the effective portion of these instruments and maintained in other comprehensive income (OCI). The compensation balance finally paid on the effective reversal of these six swaps amounted to -€19,269,000; the difference, which corresponds to the ineffective portion of these instruments, was recognised directly in Other financial expenses for the period. From an accounting point of view, the fair value of the terminated instruments is amortised on a straight-line basis over the initial term of the contracts (maturing in the second half of 2024). In 2016, the recycling to profit or loss of this amortisation resulted in a financial expense of -€2,395,000 in other comprehensive income.

In total, the fair value of hedging instruments was -€41,205,000 (including €19,269,000 in OCI) at 31 December 2016, compared with -€24,930,000 at 31 December 2015. Regarding the other, still active, hedging instruments, the fair value adjustment was accompanied by an additional reversal of €2,395,000 in the fourth quarter of 2016, bringing their impact on shareholders' equity to -€22,510,000.

At 31 December 2016, a 100-basis-point increase in the yield curve would result in an increase in the cost of debt of €1,345,000, with the same margin.

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 redeeming 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 €350,000,000 and €396,500,000. At 31 December 2016, neither of these two lines has been drawn-down.

7.3.3 Other financial risks

Fluctuations 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.

The Group does not hold any publicly traded stock and is therefore not exposed to the risk of fluctuations in stock price.

8. DETAIL OF OTHER BALANCE-SHEET ITEMS

8.1. Intangible fixed assets

Accounting policy

IAS 38 - Intangible Assets states that intangible fixed assets with a finite useful life are amortised on a straight-line basis over periods corresponding to their expected useful life. Intangible fixed assets that do not have a finite useful life should not be amortised, but should be tested for impairment, either annually or as soon as there are indications of a loss in value.

(in thousands of euros)	31/12/2015	Provisions/ Reversals during the year	Acquisitions	Reclass. and write-offs	31/12/2016
Software	325		673	-	998
Intangible fixed assets in progress	3		12	-	15
Other intangible fixed assets	16 277		595	- 660	16 212
Intangible fixed assets	**16 605**	**-**	**1 280**	**- 660**	**17 225**
Amt./dep. of software	- 112	- 108	- 225	-	- 445
Amt./dep. of other intang. fixed assets	- 10 360	- 497	- 937	-	- 11 794
Amt./dep. of intangible fixed assets	**- 10 472**	**- 605**	**- 1 162**	**-**	**- 12 239**
Total net value	**6 133**	**- 605**	**118**	**- 660**	**4 986**

(in thousands of euros)	31/12/2014	Provisions/ Reversals during the year	Acquisitions	Reclass. and write-offs	31/12/2015
Software	124		136		325
Intangible fixed assets in progress	2		3		3
Other intangible fixed assets	12 343		2 261		16 277
Intangible fixed assets	**12 469**		**2 400**		**16 605**
Amt./dep. of software	- 12	- 58			- 112
Amt./dep. of other intang. fixed assets	- 8 355	- 1 999			- 10 360
Amt./dep. of intangible fixed assets	**- 8 367**	**- 2 057**			**- 10 472**
Total net value	**4 102**	**- 2 057**	**2 400**		**6 133**

(in thousands of euros)	31/05/2014	Provisions/ Reversals during the year	Acquisitions	Reclass. and write-offs	31/12/2014
Software			124		124
Intangible fixed assets in progress			2		2
Other intangible fixed assets	8 135		480		12 343
Intangible fixed assets	**8 135**		**606**		**12 469**
Amt./dep. of software		- 12			- 12
Amt./dep. of other intang. fixed assets	- 3 392	- 4 606	- 357		- 8 355
Amt./dep. of intangible fixed assets	**- 3 392**	**- 4 618**	**- 357**		**- 8 367**
Total net value	**4 743**	**- 4 618**	**249**		**4 102**

Part of the change in the capitalized Software is investments made by the head office in France. Other intangible fixed assets also include Group head-office production of the IT department architecture.

As part of its acquisition of Financière Geric, the Group recognised an intangible fixed asset pending allocation of €1,559,000 at 31 December 2015. The latter, net of amortisation, was reclassified as investment property in the amount of €660,000 in 2016.

8.2. Fixed assets

Accounting policy

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

Fixed assets in progress are accounted for at cost less any identified loss in value.

(in thousands of euros)	31/12/2015	Provisions during the fiscal year	Acquisitions	Reclassification and write-off	31/12/2016
Land and buildings					
Technical plant, machinery and equipment	443		1 453	488	2 384
Other tangible fixed assets	46		5	-	51
Office equipment and computer equipment	93		182	55	330
Other tangible fixed assets			61		61
Tangible fixed assets in progress	18			- 18	
Fixed assets	**600**		**1 701**	**525**	**2 826**
Amt./dep. of technical plant, machinery and equipmer	- 84	- 97	- 796	- 537	- 1 514
Amt./dep. Office equipment and computer equipment	- 76	- 46	- 947	779	- 290
Amt./dep. of other tangible fixed assets	- 1	- 1	- 60		- 62
Amt./dep. Fixed assets	**- 161**	**- 144**	**- 1 803**	**242**	**- 1 866**
Total net value	**439**	**- 144**	**- 102**	**767**	**960**

(in thousands of euros)	31/12/2014	Provisions during the fiscal year	Acquisitions	Reclassification and write-off	31/12/2015
Land and buildings					-
Technical plant, machinery and equipment			159	166	443
Other tangible fixed assets	3		43		46
Office equipment and computer equipment	45		21		93
Other tangible fixed assets					-
Tangible fixed assets in progress			17	1	18
Downpayments on tangible fixed assets					-
Fixed assets	**48**		**240**	**167**	**600**
Amt./dep. Land and buildings					-
Amt./dep. of technical plant, machinery and equipment		- 41		- 15	- 84
Amt./dep. Office equipment and computer equipment	- 45	- 4			- 76
Amt./dep. of other tangible fixed assets		- 1			- 1
Amt./dep. Fixed assets	**- 45**	**- 46**		**- 15**	**- 161**
Total net value	**3**	**- 46**	**240**	**152**	**439**

At 31 December 2016, tangible fixed assets comprised facilities and office equipment for the head offices in France and Spain, and those of SNC GERIC acquired during the year.

8.3. Investments in equity-accounted companies

Accounting policy

The accounting methods applied are described in section 4.1 Associates.

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.

	31/12/2015	Net Income	Distribution	Capital increase	Changes in consolidation scope	31/12/2016
Investments in equity-accounted companies	40 120	6 094	- 972	7 745	- 4 656	48 331

	31/12/2014	Net Income	Distribution	Capital increase	Changes in consolidation scope	31/12/2015
Investments in equity-accounted companies	23 372	11 051	- 467		6 165	40 120

	31/05/2014	Net Income	Distribution	Capital increase	Changes in consolidation scope	31/12/2014
Investments in equity-accounted companies		54			23 318	23 372

The AS Cancelas shopping centre in Spain, which was acquired in 2014, was recognised at fair value in 2015, then adjusted in 2016.
Galleria Commerciale Nichelino is responsible for the extension plan for the Nichelino shopping centre in Turin, as the co-developer with the Carrefour Group. The project, which is under construction, has been recognised at cost since inception. Due to the change in ownership described in Section 2.1.3 Investments in Italy, the company, which was fully consolidated in the previous year, is now equity-accounted (see section 14.2 Main partnerships). The gain on disposal, resulting from the loss of control, was recognised in operating income in the amount of €1,948,000.
After the restructuring operations described in section 4.2.3 Financière Geric, SNC Geric, which is now wholly owned by the Group, was fully consolidated in Carmila's financial statements as of 31 March 2016, and explains the change in the scope of equity investments recognised using the equity method.

Financial information on equity-accounted entities

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

Equity-accounted companies *(in thousands of euros)*	**31/12/2016**	**31/12/2015**	**31/12/2014**
Investment properties	144 934	120 638	82 706
Other non-current assets	1 354	7 740	1 307
Deferred taxes	124	94	133
Non-current assets	**146 412**	**128 472**	**84 146**
Trade receivables	625	677	738
Other current assets	4 267	8 656	752
Cash and cash equivalents	1 509	2 639	2 112
Current assets	**6 402**	**11 972**	**3 602**
Total Assets	**152 814**	**140 443**	**87 748**

(in thousands of euros)	**31/12/2016**	**31/12/2015**	**31/12/2014**
Shareholders' equity	**96 663**	**85 540**	**46 744**
Equity	**96 663**	**85 540**	**46 744**
External borrowings and debts to associates	29 092	34 210	36 571
Other non-current liabilities	2 012	2 043	1 917
Non-current liabilities	**31 104**	**36 253**	**38 488**
Current liabilities	**25 047**	**18 648**	**2 516**
Total Liabilities and Shareholders' Equity	**152 814**	**140 441**	**87 748**
Gross Rental Income	**2 979**	**8 975**	**107**
Net income	**12 370**	**2 025**	**107**
Dividend distribution	**1 944**	**934**	**-**

The decrease in Gross Rental Income between 2015 and 2016 results from the change of consolidation method of GIE Geric, accounted for by the equity method in 2015 and then fully consolidated as a result of the Group's take over. The Net Income varies with the fair value adjustment of the As Cancelas Spanish asset.

8.4. Other non-current assets

Accounting policy

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

- Financial assets reported at fair value in the income statement.
- Loans and receivables.
- Assets held to maturity.
- Assets available for sale.

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.

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 cash deposits. They are measured at fair value through profit or loss.

(in thousands of euros)	31/12/2015	Acquisitions	Disposals	Provisions during the fiscal year	Reclassi-fication	31/12/2016
Non-consolidated equity investments	20	1				21
Other long-term investments		80				80
Advances to associates or non-consolidated companies	16 500				- 16 500	-
Security deposits	7 774	1 900	- 455			9 219
Other financial assets		81	- 3			78
Other non-current assets	**24 294**	**2 062**	**- 458**	**-**	**- 16 500**	**9 398**
Impairmt. on other non-current assets				- 49		**- 49**
Net value - Other non-current assets	**24 294**	**2 062**	**- 458**	**- 49**	**- 16 500**	**9 349**

(in thousands of euros)	31/12/2014	Acquisitions	Disposals	Provisions during the fiscal year	Reclassi-fication	31/12/2015
Non-consolidated equity investments	30		-		- 10	20
Advances to associates or non-consolidated companies	18 000		- 1 556		55	16 499
Security deposits	7 885	28	- 138			7 775
Other financial assets	485				- 485	-
Other non-current assets	**26 400**	**28**	**- 1 694**	**-**	**- 440**	**24 294**
Impairmt. on other non-current assets				- 49		**- 49**
Net value - Other non-current assets	**26 400**	**28**	**- 1 694**	**- 49**	**- 440**	**24 245**

(in thousands of euros)	31/05/2014	Acquisitions	Disposals	Provisions during the fiscal year	Reclassi-fication	31/12/2014
Non-consolidated equity investments	20	10				30
Advances to associates or non-consolidated companies		18 599	- 599		- 1	17 999
Security deposits	5 521	2 365				7 886
Other financial assets		485				485
Other non-current assets	**5 541**	**21 459**	**- 599**	**-**	**- 1**	**26 400**
Impairmt. on other non-current assets						**-**
Net value - Other non-current assets	**24 294**	**21 459**	**- 599**	**-**	**- 1**	**26 400**

Advances to equity-accounted companies comprise the loan of €16,500,000 granted by Carmila España to As Cancelas, which was reclassified under other current assets (see section 7.7).

The security deposits classified as non-current assets are in their entirety deposits made with the appropriate Spanish administrative authority, which requires that a percentage of the security deposits received from tenants be held by these authorities in a special escrow account. These two categories of assets are classified as loans and receivables.

8.5. Trade receivables and other receivables

Accounting policy

Trade receivables primarily include rents receivable from lessees in shopping centres. Where appropriate, they are subject to impairment, which takes into account the debtor's capacity to honor its debt and the delay for which the receivable is overdue.

Trade receivables consisted primarily of rents, front-end fees and consulting services billed at year-end. 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 IFRC 21 "Levies," accruals were recorded for all property taxes owed for the 2016 fiscal year from January 1 of that year. Simultaneously, a provision for the property taxes rebilled to the tenants, for their share, was recorded as unbilled revenue.

During the period, the progressive build-up of outstanding receivables as a result of acquisitions, the increase in the duration of unpaid receivables, and protection procedures for some French tenants explain the increase in the receivable's depreciation allowance.

(in thousands of euros)	31/12/2016	31/12/2015	31/12/2014
Trade receivables and other receivables	113 044	103 760	88 574
Impairments	- 14 880	- 9 880	- 6 470
Net value - Trade receivables and other receivables	**98 164**	**93 880**	**82 104**

Operating working capital requirements comprise the following items: trade receivables, trade payables, other receivables and other payables.

8.6. Other current assets

(in thousands of euros)	31/12/2016	31/12/2015	31/12/2014
Calls for funds/co-owners (cross-charging, works)	17 603	17 646	8 209
Other receivables	15 948		
VAT receivables	69 736	39 660	25 942
Current financial assets	14 644	1 105	1 057
Receivables on insurance	-	2 281	-
Supplier receivables (rebates, discounts and other credits)	1	460	1 406
Advances and down payments on purchase orders	510	-	-
Employee-related receivables and recoverable payroll taxes	8	7	25
Prepaid expenses	378	2 271	560
Total other current assets	**118 828**	**63 430**	**37 199**
Impairment of other current assets	- 2 482	- 2 286	- 4 193
Other current assets (net)	**116 346**	**61 144**	**33 006**

At 31 December 2016, the change in current financial assets mainly reflects the reclassification under other current assets of the loan granted by Carmila Santiago to AS Cancelas of €16,500,000, of which €2,000,000 was repaid at the end of December, and the elimination of the loan granted by Financière Geric to SNC Geric, which is now fully consolidated (-€505,000).

The effective receipt of an insurance pay-out on a claim explains the decrease in insurance receivables between 2015 and 2016.

The marked increase in VAT receivables mainly relates to VAT on the purchase of the Carmila Mallorca shopping centre, subject to VAT, for €30,845,000.

The "Other receivables" heading is now divided into separate capital calls from co-owners for expenses and for works. The sharp increase in these other receivables was mainly due to capital calls for expenses, which increased by €8.2 million for France alone in the 12 months, while capital calls for medium-term planned works increased by €5.4 million in France and €4.0 million in Spain. In addition, the current account of equity-accounted or unconsolidated equity investments increased by €7,473,000, mainly due to Carmila Italia Holding's receivable on GC Nichelino, which is now accounted for using the equity-method.

8.7. Net cash and cash equivalent

(in thousands of euros)	31/12/2016	31/12/2015	31/12/2014
Cash	69 053	57 760	19 731
Cash equivalent	2 190	70 244	107 364
Gross cash and cash equivalent	**71 243**	**128 004**	**127 095**
Bank facilities	- 16 123	- 8 563	- 6 522
Net cash and cash equivalent	**55 120**	**119 441**	**120 573**

Cash equivalents consist entirely of investments in money-market funds (marketable securities) and cash deposits with leading credit institutions.

8.8. Shareholders' equity

At 31 December 2016, the share capital consisted of 313,654,694 ordinary shares of a single class, each with a nominal value of €1, fully subscribed and paid up.

During 2016:

- A first capital increase took place after the exercise of the option by certain shareholders to convert the premium distribution into new shares in May 2016. As a result, 9,459,618 shares were created.
- An employee shareholding plan was launched for certain categories of employee: subscriptions to the plan, which closed on 7 October 2016, resulted in the creation of 281,157 new shares.

A share-based payment plan was put in place in 2016, as described in Note 13.3.

The Carmila Shareholders' Agreement dated 16 April 2014 includes a liquidity provision for shareholders in the Company, as described under commitments given (Note 11.2.1 Liquidity provision).

8.8.1 Distributions of premiums and capital increases by Carmila

On 8 March 2016, the Board of Directors approved the one-off distribution of a premium totaling €130,683,000, i.e. €0.43 per share. Given the payment already made in November 2015, the remaining amount of €85,096,000 (€0.28 per share) would have been paid after the general meeting of shareholders on 18 April 2016. A majority of shareholders wished to exercise, wholly or in part, the option of receiving this second distribution in the form of new shares, resulting in an increase in Carmila SAS's share capital of €71,704,000; the remainder opted for the full or partial payment of the premium in the amount of €13,392,000.

Subsequently, on 24 November 2016 the Board of Directors decided to approve a one-off distribution of a premium totalling €62,730,938.80, i.e. €0.20 per share, approved during the general meeting of shareholders held on the same date.

These distributions exceed the distribution obligations under the SIIC regime.

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 fiscal year.

8.8.3 Income per share

Income per share is calculated by dividing income 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 income per share is determined by adjusting income attributable to bearers of ordinary shares and the average weighted number of ordinary shares in circulation, as necessary, to accommodate the effects of all potential ordinary dilutive shares, which mainly include convertible bonds and share-purchase options allocated to members of the workforce. Share-based payment plan are considered potentially dilutive if they are "in the currency" (the exercise price used includes the fair value of services rendered in accordance with IFRS 2 Share-based Payment).

8.9. Provisions

Accounting policy

In accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, provisions are posted when, at year-end, 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 advantages. This obligation may be of a legal, regulatory or contractual nature, or it may be implicit. These provisions are estimated on the basis of their type, in view of the most likely assumptions. Amounts are discounted when the impact of the passage of time is significant.

(in thousands of euros)	31/12/2015	Provisions during the fiscal year	Reversals (prov. used)	Reversals (prov. not used)	Actuarial adjustment (OCI)	31/12/2016
Other contingency provisions	875	346	- 614	- 235	-	372
Total Contingency provisions	**875**	**346**	**- 614**	**- 235**	**-**	**372**
Provisions for pensions and retirement benefits	270	23	- 17	-	- 39	237
Total Provisions for charges	**270**	**23**	**- 17**	**-**	**- 39**	**237**
Total non-current provisions	**1 145**	**369**	**- 631**	**- 235**	**- 39**	**609**

(in thousands of euros)	31/12/2014	Provisions during the fiscal year	Reversals (prov. used)	Reversals (prov. not used)	Actuarial adjustment (OCI)	31/12/2015
Other contingency provisions	305	875		- 305		875
Total Contingency provisions	**305**	**875**		**- 305**		**875**
Provisions for pensions and retirement benefits	523			- 258	5	270
Total Provisions for charges	**523**			**- 258**	**5**	**270**
Total non-current provisions	**828**	**875**		**- 563**	**5**	**1 145**

(in thousands of euros)	31/05/2014	Provisions during the fiscal year	Reversals (prov. used)	Reversals (prov. not used)	Actuarial adjustment (OCI)	31/12/2014
Other contingency provisions	473	164	- 100	- 235		305
Total Contingency provisions	**473**	**164**	**- 100**	**- 235**		**305**
Provisions for pensions and retirement benefits	462	28			33	523
Total Provisions for charges	**465**	**28**			**33**	**523**
Total non-current provisions	**938**	**192**	**- 100**	**- 235**	**33**	**828**

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). In 2016, the Group made provisions for two legal disputes (€188,000) and reversed provisions made for two other legal disputes (€235,000) whose outcome was favorable for Carmila. Lastly, a provision of €381,000 was reversed to offset the cost arising from the condemnation against the Group in this dispute.

The Group also recorded a provision for a risk likely to concern several sites simultaneously in the amount of €255,000 in 2014. The provision was reversed for €233,000 in 2016 as the risk no longer existed. Meanwhile, Carmila Italia made a provision of €163,000 for a risk likely to concern several sites over the year.

8.10. FIXED ASSET PAYABLES

Trade payables on fixed assets decreased, mainly reflecting payments made for investments during the year, including the BAB2 (Anglet) extension project borne by SCI des Pontots (see 6.4 Investments by operating segment) and adjustments of unbilled advances on tenant contributions to investments in France (see section 7.3 Investment properties).

8.11. Trade payables

(in thousands of euros)	31/12/2016	31/12/2015	31/12/2014
Trade payables	4 473	3 204	6 642
Trade payables, unbilled	18 520	21 120	19 797
Trade payables	**22 993**	**24 324**	**26 439**

8.12. Other current liabilities

(in thousands of euros)	31/12/2016	31/12/2015	31/12/2014
Prepaid income	62 108	58 222	55 509
Tax liabilities (excluding corporate tax)	27 472	20 983	16 895
Social-security liabilities	8 712	5 866	4 837
Miscellaneous liabilities	24 433	20 099	5 665
Other current liabilities	**122 725**	**105 170**	**82 906**

Deferred income increased due to the increase in advanced billing for the first quarter of 2017 at Carmila France (€1,794,000) and at Financière Geric (€2,073,000).

The increase in outstanding tax liabilities is mainly due to the increase in the VAT liability with Nichelino at Carmila Italia Holding (€3,575,000).

Employee and social-security liabilities increased by €2,846,000, mainly due to a provision for a long term variable incentive, of which only 20% was attributable to prior years, and social security contributions to bonus share-based payment plans.

9. INCOME STATEMENT

9.1. Net rents

Accounting policy

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 runs until the minimum 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 the Note 6 on Cost price of fixed assets).
- 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 fees are received from tenants when they cancel the lease before its contractual term. Such fees 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 the subject of a building 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 (landlord):

These consist of rental charges borne by the landlord, and charges related to works, litigation costs, allowance 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)	31/12/2016 12 months	31/12/2015 12 months	31/12/2014 7 months
Rent	274 513	258 772	109 913
Front-end fees and other indemnities	1 170	1 576	454
Gross Rental Income	**275 683**	**260 348**	**110 367**
Property tax	- 15 395	- 11 920	- 6 067
Rebilling to tenants	11 532	10 190	5 112
Real estate expenses	**- 3 863**	**- 1 730**	**- 955**
Rental charges	- 46 904	- 45 357	- 18 520
Rebilling to tenants	38 632	36 576	17 867
Unrecovered rental expenses	**- 8 272**	**- 8 781**	**- 653**
Management fees	- 264	- 319	8
Rebilling to tenants	30	-	-
Losses and impairment on receivables	- 7 478	- 3 132	- 8 071
Other expenses	- 3 333	- 2 531	- 543
Property expenses (landlord)	**- 11 045**	**- 5 982**	**- 8 606**
Net Rental Income	**252 503**	**243 855**	**100 153**

9.2. Operating expenses

(in thousands of euros)	31/12/2016 12 months	31/12/2015 12 months	31/12/2014 7 months
Personnel costs	- 22 597	- 15 957	- 8 592
Other income from services provision	9 045	8 722	3 657
Other external expenses	- 29 653	- 26 657	- 10 793
Income from management, administration and other activities	1 626	1 130	257
Operating expenses	**- 41 579**	**- 32 762**	**- 15 471**

9.2.1 Personnel costs

Personnel costs represented €22,597,000 in 2016. Most of the increase reflects the addition of 30 full-time-equivalent employees in 2016.

During the year, the Group set up share-based payment plans for directors and some employees. The benefits associated with these plans are accounted for as personnel expenses in the amount of €1,973,000 (including the social security contribution). In addition to this allocation plan, long term incentive bonus, based on multi-annual objectives and maturing in 2016, have been provisioned in the amount of €1,980,000. These two items had no equivalent in previous years (see Note 13.1).

9.2.2 Other income from service provision

Other income from services provided corresponds to the rebilling of overheads, principally to the Carrefour Group (rebilling of a proportional share of the personnel costs of shopping-centre management offices).

9.2.3 Other external expenses

Other external expenses include selling and administrative expenses. The main components are marketing expenses, chiefly relating to the increased use of digital applications, 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 property portfolio, financial communications and advertising fees, travel expenses and directors' fees.

9.2.4 Income from management, administration and other activities

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

9.3. Depreciation, amortisation, provisions and write-downs

(in thousands of euros)	31/12/2016 12 months	31/12/2015 12 months	31/12/2014 7 months
Depreciation allowance for fixed assets and amortisation of intangible fixed assets	- 752	- 2 008	- 4 619
Transfer (to)/from loss and contingency provisions	229	- 1 017	171
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	**- 523**	**- 3 025**	**- 4 448**

Lastly, the net change in provisions for contingencies and liabilities is attributable to changes in risk provisions over the period (see 7.10 Provisions), mainly associated with property disputes with lessees.

10. TAX

Accounting policy

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

In France, the Group benefits from the specific tax regime for listed property investment companies (SIIC). The Group's subsidiaries in Spain and Italy are subject to ordinary taxation in their respective jurisdictions.

French tax regime for listed property investment companies (SIIC)

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

Characteristics of the regime

The specific corporate tax exemption regime for listed property investment companies (SIIC) 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 SIIC subsidiaries.

The option of the SIIC 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 SIIC status.

A 3% tax is applied on dividends paid to shareholders; it is deducted (i) from non-SIIC profits and, on a residual basis, (ii) from SIIC profits, to the extent that the amount distributed exceeds the minimum

required annual distribution.

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 SIIC tax regime

Since its adoption of SIIC status on 1 June 2014, Carmila has defined a SIIC segment that is exempt from tax on property-leasing transactions and sale-related capital gains, and a segment that is taxable for other activities.

Income tax for companies not subject to the SIIC regime and for foreign companies is calculated under conditions of ordinary law. French subsidiaries Financière Geric and SNC Geric have not opted for the SIIC regime to date. Carmila aims to be able to opt for the SIIC regime as soon as possible.

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 book values of assets and liabilities on the balance sheet and their tax values, for those that give rise to taxable results in future periods.

A deferred tax asset, after allocation to existing liabilities, is recognised if it is probable that the entity concerned will have future taxable profits to which such deferred tax assets may be charged.

Deferred tax assets and liabilities are valued using the liability method at the tax rate presumed to be applied during the period in which the asset will be realised or the liability settled, on the basis of tax rates and regulations that have been adopted or are in the process of being adopted before 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.

10.1. Income tax

(in thousands of euros)	31/12/2016 12 months	31/12/2015 12 months	31/12/2014 7 months
Deferred tax	- 24 232	- 29 035	- 1 927
Current tax	- 4 148	- 2 518	- 1 804
Total tax income/(expense)	**- 28 380**	**- 31 553**	**- 3 731**

In 2016, the Group's income tax expense stood at €4,148,000, including €2,300,000 for France and €1,952,000 for Italy. In Spain, the establishment of tax consolidation resulted in savings of €108,000. In France, the tax due comprises corporation tax of €1,876,000 payable by Financière Geric, and the balance corresponding to the withholding tax on the interest charges on Carmila SAS's loan in Italy in the amount of €235,000.

10.2. Tax reconciliation

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

(in thousands of euros)	31/12/16	31/12/15	31/12/14
	12 months	12 months	7 months
Net income of consolidated companies	295 648	325 275	- 137 927
Income tax charge	28 380	31 553	3 731
Share of net incomeof equity-accounted companies	- 4 875	- 11 051	- 54
Pretax net income excluding equity-accounted net income	**319 153**	**345 777**	**- 134 250**
Tax rate applicabke to the Group's mother company	*34,43%*	*34,43%*	*34,43%*
Theoretical income tax (Charge) / Revenue	**- 109 884**	**- 119 051**	**46 222**
Tax exempt income resulting from the SIIC status	77 424	78 581	- 39 302
CVAE			- 36
Permanent différences	2 838	8 554	2 488
Effect of different tax rates	12 621	7 037	1 225
Use of tax loss carry-forward			
Tax loss without deferred tax recognition	- 11 379	- 6 673	- 14 328
Effective tax revenue / (charge)	**- 28 380**	**- 31 553**	**- 3 731**
Effective tax rate	**8,89%**	**9,13%**	**2,78%**

10.3. Current tax assets and liabilities

(in thousands of euros)	31/12/2016	31/12/2015	31/12/2014
Tax credits	3 648	3 648	14
Total tax assets	**3 648**	**3 648**	**14**
Tax liabilities - non-current	15 542	15862	639
Tax liabilities - current	6 855	6 608	9 344
Liabilities related to tax consolidation	215	1	-
Total tax liabilities	**22 612**	**22 471**	**9 983**

At 31 December 2016, tax receivables include €2,545,000 for Spain, €1,017,000 for Italy and €86,000 for Almia Management in France.

The French companies subject to corporate income tax opted for SIIC status on 1 June 2014. The amount of exit tax outstanding on the balance sheet is €320,000 in current tax liabilities (payment scheduled for 15 December 2017). The Group has also provisioned the entire amount of exit tax payable when Financière Geric transitions to the SIIC regime (€20,722,000, including €5,180,000 within one year).

The balance of the "Current tax liabilities" also mainly represents corporation tax liabilities on the companies in Italy and France (mainly Financière Geric).

10.4. Deferred tax assets and liabilities

(in thousands of euros)	31/12/2015	Impact on result	Changes in consolidation scope	31/12/2016
Deferred tax on assets	1 950	- 164	- 2	1 592
Deferred tax on liabilities	40 946	24 954	- 218	65 490
Net balance of deferred tax	**- 38 996**	**- 25 118**	**216**	**- 63 898**
Breakdown of deferred tax by nature				
Properties	- 40 749	- 24 940	218	- 65 471
Tax losses	1 730	- 155	- 2	1 573
Financial instruments	-	-	-	-
Other items	23	- 23	-	-
Net balance of deferred tax	**- 38 996**	**- 25 118**	**216**	**- 63 898**

11. OFF-BALANCE-SHEET COMMITMENTS

11.1. Commitments received

11.1.1 Obligations under commitments to sell

- On 29 January 2015, Carmila France acquired a shopping arcade in Puget-sur-Argens under a building lease.

Immobilière Carrefour is the beneficiary under a building lease signed on 19 September 1989, a commitment to sell and a right of first refusal, granted by the lessor and covering the property complex where the arcade is located. In 1991, this property complex was converted to co-ownership status to permit the sale of subdivided units within the shopping arcade. However, the benefits of the commitment to sell and the right of first refusal were expressly reserved to Immobilière Carrefour.

By letter dated 24 November 2014, Immobilière Carrefour committed to exercise its purchase option at the end of the lease, such that, on this date, Carmila France would be lessee upon construction of units in the shopping arcade. In this case, and subject to the rules governing co-ownership, Immobilière Carrefour will offer the co-owners (including Carmila France) full ownership of the units, at the same price per sq.m.

- On 31 December 2015, Carmila France acquired a shopping centre in Ormesson. On this date and as part of this operation, Carmila France benefited from a six-month period of exclusivity granted by Société Civile Immobilière de Pince Vent to acquire a cinema and retail complex. During this period, the parties undertook to negotiate and conclude the terms and conditions of the unilateral commitment to sell. The period of exclusivity has been extended to 30 June 2017.

- On 22 December 2015, Immobilière Carrefour and Carmila also signed a reciprocal commitment, under which Immobilière Carrefour undertook to sell and Carmila France to buy, subject to conditions precedent, a new space that will contain a commercial shell at Nevers Marzy. Since the date of the signature of the official deed of sale on 28 September 2016, Carmila became the owner and beneficiary of this asset.

11.1.2 Indemnities

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 an indemnity obligation granted by the vendors.

11.1.3 Bank guarantees

In addition to the security deposits paid, some leases may be associated with bank guarantees received from lessees (€8,854,000 in Italy, in particular).

11.2. Commitments given

11.2.1 Liquidity provision

The Carmila Shareholders' Agreement of 16 April 2014, signed by the Company's shareholders, includes a liquidity provision stating that, unless the company is listed on the stock exchange within six years, the shareholders other than Carrefour may demand cash payment for a percentage of their shares not to exceed 10% of the share capital per year.

This provision does not, however, constitute a unilateral promise to buy, in light of changing jurisprudence, which has barred enforcement of such a provision. Moreover, since the conditions for fulfilling the obligation to be listed on the stock exchange have not been defined, the company largely controls how its shares will be floated on the exchange.

11.2.2 Financial guarantees granted

Prior to its acquisition by the Group, Financière Geric granted prime mortgages for an initial amount of €13,000,000 as part of its bank financing.

11.2.3 Commitments given to carry out works

Carmila Italia Srl, as part of the extension of Nichelino, has been engaged by the municipal authorities to carry out infrastructure works with a total funding envelope of €19,272,000.

12. TRANSACTIONS WITH RELATED PARTIES

All of the agreements below were signed with the Carrefour Group on the completion date of 16 April 2014. The term of these agreements is set at five years, until 15 April 2019.

France:

(in thousands of euros)	31/12/2016 (12 monts)	31/12/2015 (12 months)	31/12/2014 (8,5 months)
Agreement on Renovation and development		na	na
Agreement on staff availability			
Exclusive mandate - Carrefour Property Gestion Lease and asset management	6 603,5	6 385,3	2 109,0
Service agreement between Carmila France and Carrefour Administratif France Services in the fied of insurance management, legal (both corporate and litigations), tax, accounting, payroll, treasury back-office	630,0	587,0	216,0
Service agreement between Carmila and Carrefour Accounting, tax, legal assistance, insurance coverage	62,0	62,0	43,9
Service Agreement between CPF Asset Management and Carmila France Legal real estate services, human ressources, management accounting, janitor services	511,0	511,0	362,0
Total billed to Carmila and susidiaries in France	7 806,5	7 545,3	2 730,9
Shopping mall Director mandate received from Carrefour Property Gestion Agreement billed by Almia Management	-6 291,7	-5 510,0	-2 853,0
Exclusive mandate with Carrefour Property France, Immobilière Carrefour, Hyparlo, Sogara and Cardety Lease negociations and specialty leasing activty	-29,7	-108,7	-140,3
New extension or other development leases negociation fees Billed by Almia Management	-27,1	-9,3	
Total billed by Carmila in France	-6 348,4	-5 628,0	-2 993,3
Billing net in FRANCE (expense)	1 458,0	1 917,3	-262,4

12.1. Reciprocal commitments

On 16 April 2014, the Carrefour group and Carmila signed an agreement entrusting functions or services performed by Carrefour to Carmila. In addition, the two parties 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 totaling €238,500,000, of which: €161,000,000 is borne by Carrefour, €74,500,000 is borne by Carmila, and €3,000,000 is borne by third-party co-occupants or co-owners.

In this context, Immobilière Carrefour and Carmila France signed a reciprocal commitment on 22 December 2015, under which Immobilière Carrefour undertook to sell and Carmila France to buy, subject to conditions precedent, the extension of the shopping centre at Bourges, for an estimated amount of €20.4 million. The extension works began on 13 April 2015, and the parties agreed that the acquisition by Carmila could only take place when the work was complete and the new premises were open to the public.

On 30 December 2016, Immobilière Carrefour and Carmila also signed a reciprocal commitment, under which Immobilière Carrefour undertook to sell and Carmila France to buy, subject to conditions precedent, for a price of €69,200,000, a new space that will contain a commercial shell at Evreux. This commitment will expire on 30 June 2017.

Spain:

(in thousand of euros)	31/12/2016 (12 months)	31/12/2015 (12 months)	31/12/2014 (8,5 months)
Exclusive mandate - Carrefour Property España	**1 563,3**	**1 377,2**	**947,0**
Lease management			
Service contract - Centros Comerciales Carrefour	**555,3**	**561,4**	**318,0**
Insurance, legal assistance, tax, accounting, cash management, IT, payroll, janitor services			
Service contract - Carrefour Property España	**265,6**	**260,5**	**241,7**
Technical and construction, Human ressources			
Total charged to Carmila in Spain	**2 384,3**	**2 199,1**	**1 506,7**
Exclusive mandate - Carrefour Property España, Carrefour Norte, Carrefour Navarra	**-55,4**	**-156,0**	**-110,5**
Asset management			
Exclusive mandate - Carrefour Property España, Carrefour Navarra, Carrefour Norte	**-579,7**	**-589,9**	**-253,3**
Specialty leasing	-531,3	-499,6	-232,7
Management of leasable areas comprised within common areas	-48,4	-90,3	-20,6
Net amount charged - Spain	**1 749,2**	**1 453,2**	**1 142,9**

Italy:

(in thousands of euros)	31/12/2016 (12 mois)	31/12/2015 (12 mois)	31/12/2014 (7 mois)
Service contract with GS S.p.A.- General	**306**	**274**	**181**
Legal assistance, tax, accounting, technical maintenance			
Service contract with GS S.p.A. - Nichelino Project	**0**	**22**	
Design Nichelino project			
Service contract with Carrefour Property Italia S.r.l.	**97**	**78**	**69**
Management accounting, project investment, janitor services			
Service contract with Carrefour Italia Finance S.r.l.	**25**	**21**	**14**
Services in treasury management			
Exclusive mandate with Carrefour Property Italia S.r.l.	**47**	**72**	**56**
Management of leasable areas comprised within common areas, Specialty leasing			
Exclusive mandate with Carrefour Property Italia S.r.l.	**682**	**668**	**381**
Lease and asset management and lease negociations			
Net amount charged - Italy	**1 157**	**1 135**	**701**

13. EMPLOYEE REMUNERATION AND BENEFITS

13.1. Personnel costs

See §9.2.1.

13.2. Workforce

At 31 December 2016, the Carmila Group had 161 employees, including 120 in France through its Almia Management subsidiary, 38 in Spain and three in Italy.

13.3. Employee benefits

The Group's employees enjoy benefits during their period of employment (such as paid leave, sick leave, profit-sharing and long-service medals) and post-employment benefits with defined contributions and benefits (including retirement bonuses and benefits).

13.3.1 Retirement plans

Accounting policy

Defined-contribution schemes

Defined-contribution schemes are systems 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, supplemental 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 fiscal years for which the participant accrued rights under the program:
    - The share of this total benefit allocated to fiscal 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 the services) represents the likely increase in obligations as a result of the additional year of service that the participant will have performed as of the end of the financial year. Depending on their nature, charges related to the cost of the services are recorded either under EBIT or under other financial 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 rate of return from investment-grade (AA) euro-zone bonds with a maturity equal to the valued obligation (with reference to the rate for iBOXX Euro Corporate bonds maturing in 10 years or more).

At 31 December 2016, 2015 and 2014, the Group applied the principal actuarial assumptions shown below:

- Discount rate: 1.21% in 2016 (1.90% in 2014 and 2015)
- Change in compensation: 2.0% in 2016 (up 2.0% in 2014 and in 2015).
- Retirement age: between 166 and 172 quarters, depending on the generation.

The provision for pensions and retirement benefits recorded under non-current liabilities was €465,000 at end-2014. In 2015, the retirement indemnity rights for executive employees benefiting from the agreement of the previous employer were changed. Combined with the departure of certain employees, the financial year ended with a reversal of provisions of €258,000. In 2016, a change in the rights of executives subject to the Carrefour agreement resulted in a reversal of provisions of €78,000, reducing the impact of the new rights. At the end of 2016, the provision amounted to €237,000 (see Note 8.9).

13.3.2 Equity settled share-based plan

Accounting policy

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 granting date. It is recorded as personnel expenses, with a corresponding increase in shareholders' equity in 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 fulfill 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 realisation 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.

During the year, the Group set up bonus share-based payment plans for directors and some employees. The cost is spread over the vesting period (period of work to be done by the employee prior to exercising the options granted to him or her).

There were two types of share-based payment plan in effect at 31 December 2016, granted on 16 June 2016:

- Attendance plan, whose criteria only relates to the presence of employees in the Group at the vesting date (31 December 2017). The number of options granted is 171,810 (maximum).
- Performance plan that incorporates, as well as the presence criterion outlined above, the fulfillment of conditions relating to the Group's economic performance. Of these performance plans:
  - 50% relates to the fulfillment of conditions linked to the change in the full rate of return in 2017 (based on the triple-net asset value indicator as defined by EPRA) versus a comparable panel of property companies.
  - 50% relates to the fulfillment of conditions linked to the change in recurring earnings per share in 2017 compared with the original subscription price.

  The number of options granted is 268,067 (maximum)

The assumptions adopted are a grant date of 30 June 2016, a share value at the valuation date of €7.71, maturity that varies according to the plans and the persons concerned within these plans, an estimated risk-free rate of zero, and assumptions about dividend rates, turnover rates and achievement of performance plan conditions (which are regarded as non-market performance conditions). Based on the valuation method and assumptions presented, the fair value of the options for the various plans was determined. The off-market conditions of service and performance stipulated in the agreements have not been taken into account in the fair-value measurement.

The benefits granted were amortised over the allocation period and recognised in personnel expenses, with a corresponding increase in shareholders' equity of €1,644,000 in 2016 (see Note 1.5). The exercise of plans for which the presence and performance criteria have been met would increase the number of shares by 439,877 maximum.

14. ADDITIONAL INFORMATION

14.1. Relations with the statutory auditors

(in thousands of euros)	KPMG	EXCO (formerly ACE)	Other	31/12/2016
Fees billed for legal audit	**510**	**89**	**58**	**657**
Carmila	105	39		144
Fully consolidated subsidiaries	405	50	58	513
Other work and services directly related to the statutory audit	**28**	**-**	**-**	**28**
Carmila	28			28
Fully consolidated subsidiaries	-			-
Total	**538**	**89**	**58**	**685**

(in thousands of euros)	KPMG	EXCO (formerly ACE)	Other	31/12/2015
Fees billed for legal audit	**473**	**87**	**7**	**567**
Carmila	99	38		137
Fully consolidated subsidiaries	374	49	7	430
Other work and services directly related to the statutory audit	**142**		**7**	**149**
Carmila	142			142
Fully consolidated subsidiaries			7	7
Total	**615**	**87**	**14**	**716**

(in thousands of euros)	KPMG	EXCO (formerly ACE)	Other	31/12/2014
Fees billed for legal audit	**480**	**60**		**540**
Carmila	162	19		181
Fully consolidated subsidiaries	318	41		359
Other work and services directly related to the statutory audit	**18**			**18**
Carmila				
Fully consolidated subsidiaries	18			18
Total	**498**	**60**		**558**

14.2. Subsequent events

None.

15. LIST OF CONSOLIDATED COMPANIES

Companies	2016			2015			2014		
	Percent. of interest	Percent. of control	Consol. method	Percent. of interest	Percent. of control	Consol. method	Percent. of interest	Percent. of control	Consol. method
CARMILA	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
CARMILA France	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Almia Management	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI du Centre Commercial de Lescar	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI de l'Arche	50,00 %	50,00 %	IG	50,00 %	50,00 %	IG	50,00 %	50,00 %	IG
Hyparmo SARL	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI des Pontots	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
Bay 1 Bay 2 SAS	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
SCI Carmila Anglet	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
SCI Carmila Coquelles	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
SCI Carmila Labège	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
SCI Carmila Orléans	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
SNC GERIC	100,00 %	100,00 %	IG	-	-	NI			
GIE GERIC (equity-accounted)	-	-	NI	35,03 %	53,84 %	MEE			
Financière Geric	100,00 %	100,00 %	IG	65,07 %	65,07 %	IG			
SCI Dominique	100,00 %	100,00 %	IG	50,00 %	50,00 %	IG			
SCI Carmila Bourges	100,00 %	100,00 %	IG	-	-	NI			
SCI Carmila Evreux	100,00 %	100,00 %	IG	-	-	NI			
SCI Sothima	100,00 %	100,00 %	IG	-	-	NI			
SAS Louwifi	100,00 %	100,00 %	IG	-	-	NI			
CARMILA Espana SA	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Santiago SLU	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
AS Cancelas	50,00 %	50,00 %	MEE	50,00 %	50,00 %	MEE	50,00 %	50,00 %	MEE
Carmila Talavera	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Huelva	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Mallorca	100,00 %	100,00 %	IG	-	-	NI	100,00 %	100,00 %	IG
CARMILA Italia Srl	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
CARMILA Holding Italia Srl	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Galleria Commerciale Nichelino Srl	50,00 %	50,00 %	MEE	100,00 %	100,00 %	IG	50,00 %	50,00 %	IG
Carmila Assago SRL	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
Carmila Grugliasco SRL	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
Carmila Limbiate SRL	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
Carmila Milano Nord SRL	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG			
Carmila Thiene SRL	50,10 %	50,10 %	MEE	50,10 %	50,10 %	IG			

16. PRESENTATION OF EFFECTS RELATING TO CHANGE IN METHOD

YEAR 2015

CONSOLIDATED STATEMENT OF NET INCOME

(in thousands of euros)		31/12/2015 Model at amortised cost	Restatement of fair value	31/12/2015 Fair value model
Gross rental income		**260 348**		**260 348**
Real estate expenses		- 1 730		- 1 730
Unrecovered rental expenses		- 8 781		- 8 781
Property expenses (landlord)		- 5 982		- 5 982
Net rental income	***Note 9.1***	**243 855**	**-**	**243 855**
Operating expenses	*Note 9.2*	- 32 762		- 32 762
Depreciation allowance and provisions for investment properties		- 115 246	*115 246*	-
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	*Note 9.3*	- 3 251	*226*	- 3 025
Other current operating income and expenses		116	*- 1 313*	- 1 197
Upward adjustment to asset values			*239 279*	239 279
Downward adjustment to asset values			*- 59 726*	- 59 726
Balance of value adjustments	*Note 6*		*179 553*	179 553
Share of net income of equity-accounted companies (a)		1 013	*10 038*	11 051
Operating income		**93 725**	***303 750***	**397 475**
Income from cash and cash equivalents		1 008	41	1 049
Cost of gross financial debt		- 39 850		- 39 850
Cost of net financial debt		**- 38 842**		**- 38 801**
Other financial income and expenses		- 1 805	*- 41*	- 1 846
Net financial income (expense)	***Note 7.1***	**- 40 647**		**- 40 647**
Income before taxes		**53 078**	***303 750***	**356 828**
Income tax	*Note 10.2*	- 3 057	*- 28 496*	- 31 553
Consolidated net income		**50 021**	***275 254***	**325 275**
Group share		**49 941**	***274 835***	**324 776**
Non-controlling interests		**79**	***420***	**499**

ASSETS

(in thousands of euros)		31/12/2015 Model at amortised cost	Restatements of fair value	31/12/2015 Fair value model
Intangible fixed assets	*Note 8.1*	6 032	*101*	6 133
Fixed assets	*Note 8.2*	439	-	439
Investment properties	*Note 6*	4 109 959	*167 723*	4 277 682
Investments in equity-accounted companies	*Note 8.3*	30 082	*10 038*	40 120
Other non-current assets	*Note 8.4*	24 294	-	24 294
Deferred taxes	*Note 10.3*	2 814	*- 863*	1 951
Non-current assets		**4 173 620**	**488 720**	**4 350 619**
Trade receivables	*Note 8.5*	94 779	*- 899*	93 880
Tax receivables	*Note 10.3*	1 612	-	1 612
Other current assets	*Note 8.6*	61 355	*- 211*	61 144
Cash and cash equivalents	*Note 8.7*	128 004	-	128 004
Current assets		**285 750**	**- 1 110**	**284 640**
Total Assets		**4 459 370**	**175 889**	**4 635 259**

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of euros)		31/12/2015 Model at amortised	Restatements of fair value	31/12/2015 Fair value model
Share capital		303 914	-	303 914
Additional paid-in capital		1 926 370	-	1 926 370
Treasury stock		-	-	-
Other comprehensive income		- 24 940	-	- 24 940
Consolidated retained earnings		14 496	- 129 304	- 114 808
Consolidated net income - Group share		49 941	274 835	324 776
Shareholders' equity – Group share		**2 269 781**	**145 531**	**2 415 312**
Non-controlling interests		35 221	4 978	40 199
Shareholders' equity	***Note 8.8***	**2 305 002**	***150 509***	**2 455 511**
Non-current provisions	*Note 8.9*	1 145	-	1 145
Non-current financial debt	*Note 7.2*	1 862 223	-	1 862 223
Lesee security deposits		62 796	-	62 796
Non-current tax liabilities and deferred tax	*Note 10.3*	30 894	*25 914*	56 808
Non-current liabilities		**1 957 058**	**25 914**	**2 199 827**
Fixed asset payables		45 189	-	45 189
Trade payables	*Note 8.10*	24 324	-	24 324
Current financial debt	*Note 7.2*	15 484	-	15 484
Current provisions		-	-	-
Other current liabilities	*Note 8.11*	105 703	- 533	105 170
Current tax liabilities	*Note 10.3*	6 610	- 1	6 609
Current liabilities		**197 310**	**- 534**	**196 776**
Total Liabilities and Shareholders' Equity		**4 459 370**	**175 889**	**4 635 259**

YEAR 2014

(in thousands of euros)		31/12/2014 Model at amortised cost	Restatement of fair value	31/12/2014 Fair value model
Gross rental income		**110 367**		**110 367**
Real estate expenses		- 955		- 955
Unrecovered rental expenses		- 653		- 653
Property expenses (landlord)		- 8 606		- 8 606
Net rental income	***Note 9.1***	**100 153**	**-**	**100 153**
Operating expenses	*Note 9.2*	- 15 479	*8*	- 15 471
Depreciation allowance and provisions for investment properties		- 49 753	*49 753*	
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	*Note 9.3*	- 4 448		- 4 448
Other current operating income and expenses		- 435		- 435
Upward adjustment to asset values			*60 128*	60 128
Downward adjustment to asset values			*- 258 767*	- 258 767
Balance of value adjustments	*Note 6*		*-198 639*	- 198 639
Share of net income of equity-accounted companies (a)		54		54
Operating income		**30 092**	***49 761***	**- 118 787**
Income from cash and cash equivalents		648		648
Cost of gross financial debt		- 14 442		- 14 442
Cost of net financial debt		**- 13 794**		**- 13 794**
Other financial income and expenses		- 1 615		- 1 615
Net financial income (expense)	***Note 7.1***	**- 15 409**		**- 15 409**
Income before taxes		**14 683**	***- 148 878***	**- 134 195**
Income tax	*Note 10.2*	863	*- 2 868*	- 3 731
Consolidated net income		**13 820**	***- 151 746***	**- 137 926**
Group share		**13 725**	***- 148 633***	**- 134 908**
Non-controlling interests		**96**	***- 3 115***	**- 3 019**

ASSETS

(in thousands of euros)		31/12/2014 Model at amortised cost	Restatements of fair value	31/12/2014 Fair value model
Intangible fixed assets	*Note 8.1*	4 102		4 102
Fixed assets	*Note 8.2*	3		3
Investment properties	*Note 6*	3 754 163	*- 131 440*	
Investments in equity-accounted companies	*Note 8.3*	23 372		23 372
Other non-current assets	*Note 8.4*	26 400		26 400
Deferred taxes	*Note 10.3*	2 822	*6 240*	9 062
Non-current assets		**3 810 862**	**- 125 200**	**3 685 662**
Trade receivables	*Note 8.5*	82 104		82 104
Tax receivables	*Note 10.3*	14		14
Other current assets	*Note 8.6*	33 006		33 006
Cash and cash equivalents	*Note 8.7*	127 095		127 095
Current assets		**242 219**		**242 219**
Total Assets		**4 053 081**	**- 125 200**	**3 927 881**

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of euros)		31/12/2014 Model at amortised	Restatements of fair value	31/12/2014 Fair value model
Share capital		303 914		303 914
Additional paid-in capital		1 990 192		1 990 192
Treasury stock		-		-
Other comprehensive income		- 25 358		- 25 358
Consolidated retained earnings		770	18 580	19 350
Consolidated net income - Group share		13 725	- 148 633	- 134 908
Shareholders' equity – Group share		**2 283 243**	**- 130 053**	**2 153 191**
Non-controlling interests		4 377	359	4 736
Shareholders' equity	***Note 8.8***	**2 287 620**	***- 129 694***	**2 157 927**
Non-current provisions	*Note 8.9*	828		828
Non-current financial debt	*Note 7.2*	1 555 259		1 555 259
Lesee security deposits		57 516		57 516
Non-current tax liabilities and deferred tax	*Note 10.3*	14 219	*4 493*	18 712
Non-current liabilities		**1 627 822**	**4 493**	**1 632 315**
Fixed asset payables		11 077		11 077
Trade payables	*Note 8.10*	26 439		26 439
Current financial debt	*Note 7.2*	7 873		7 873
Current provisions		-		-
Other current liabilities	*Note 8.11*	82 906		82 906
Current tax liabilities	*Note 10.3*	9 344		9 344
Current liabilities		**137 639**		**137 639**
Total Liabilities and Shareholders' Equity		**4 053 081**	**- 125 201**	**3 927 881**

ANNEX C –PRO FORMA FINANCIAL INFORMATION

KPMG S.A.
Tour Eqho - 2, avenue Gambetta – CS 60055
92066 Paris La Défense Cedex
France

DELOITTE & ASSOCIES
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France

Cardety S.A.

Share capital : 25.900.068 euros

58, avenue Emile Zola
92100 Boulogne Billancourt

Statutory auditors' report on the pro forma financial information for the year ended 31 December 2016

This report contains 3 pages

KPMG S.A.
Tour Eqho - 2, avenue Gambetta – CS 60055
92066 Paris La Défense Cedex
France

DELOITTE & ASSOCIES
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.

This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

Cardety S.A.

Share capital : 25.900.068 euros

58, avenue Emile Zola
92100 Boulogne Billancourt

Statutory auditors' report on the pro forma financial information for the year ended 31 December 2016

To the Chief Executive Officer,

In our capacity as Statutory Auditors of your company and in accordance with Commission Regulation (EC) n°809/2004 and the AMF instruction n°2016-04, we hereby report to you on the pro forma financial information of Cardety S.A. for the year ended December 31, 2016 set out in section 20.2.1 of the appendix II and section 4 of the registration document E.

The pro forma financial information has been prepared for the sole purpose of illustrating the impact that the merger of Carmila S.A.S. by Cardety S.A. announced on March 2, 2017, the distribution, to be carried out respectively by Cardety S.A. and Carmila S.A.S. between the date of the merger treaty and the date of completion of the merger, and the acquisition of the assets Massena by Cardety S.A., carried out on April 28, 2016 (together, the "Operations") might have had on the balance sheet as at December 31, 2016 and the income statement for the year ended December 31, 2016 of Cardety S.A had they taken place with effect from January 1, 2016. By its very nature, this information is based on a hypothetical situation and does not represent the financial position or performance that would have been reported, had the Operations taken place at an earlier date than the actual or contemplated date.

It is your responsibility to prepare the pro forma financial information in accordance with the provisions of Commission Regulation (EC) n°809/2004 and ESMA's recommendations on pro forma financial information and the AMF instruction n°2016-04.

It is our responsibility to express an opinion, based on our work, in accordance with Annex II, item 7 of Commission Regulation (EC) n°809/2004, as to the proper compilation of the pro forma financial information.

We performed those procedures that we deemed necessary according to the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes - CNCC) for this type of engagements. These procedures, which donot include audit or a review of the financial information used as a basis to prepare the pro forma financial information, mainly consisted in ensuring that the information used to prepare the pro forma information was consistent with the underlying financial information, as described in the notes to the pro forma financial information, reviewing the evidence supporting the pro forma adjustments and conducting interviews with the management of Cardety S.A., to obtain the information and explanations that we deemed necessary.

In our opinion:
a) the pro forma financial information has been properly compiled on the basis stated; and
b) the basis is consistent with the accounting policies of Carmila S.A.S.

This report has been issued solely for the purposes of:

- registering the registration document E with the French financial markets authority (*Autorité des marchés financiers* –AMF),
- the admission to trading on a regulated market, and/or a public offer, of securities of Cardety S.A. in France and in other EU member states in which the prospectus approved by the AMF is notified;

and cannot be used for any other purpose.

The statutory auditors

Paris La Défense, 5 May 2017

French original signed by

KPMG S.A.

Eric Ropert
Associé

Caroline Bruno-Diaz
Associée

Neuilly-sur-Seine, 5 May 2017

French original signed by

DELOITTE & ASSOCIES

Stéphane Rimbeuf
Associé

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

The unaudited pro forma consolidated financial information of Cardety ("**Merged entity**") comprises an unaudited pro forma consolidated balance sheet as of December 31, 2016, an unaudited pro foma consolidated income statement for the year ended December 31, 2016, notes explaining pro forma accounts and pro forma key indicators (together called "**Unaudited Pro Forma Consolidated Financial Information**"). The objective is to show the combined impact of the operations described below:

- On March 2, 2017, Cardety and Carmila announced their intention to merge with Cardety acquiring Carmila, and Carmila contributing to Cardety all its assets as they stand on the final day of the merger. As a counterpart, Cardety agrees to take over the full debt of Carmila as it will stand on the final day of the merger. The merger will be carried out in accordance with articles L.236-1 and following and R.236-1 and following of the French Commercial Code.

- Dividend distributions will take place for both Cardety and Carmila between the date of agreement on the terms of the merger and the date the merger is completed.

- The acquisition by Cardety of the Massena Portfolio including assets in Barentin, Saint-Lô, Flers, Dinan, Rethel and Pré-Saint-Gervais.

(jointly referred to as the "**Transaction**")

In the merger, Carmila will transfer to Cardety the entirety of its net assets. Carmila shareholders will receive one Cardety share in exchange for three Carmila shares as a remuneration of the merger.

Considering the framework of the merger, Cardety is thus considered as the acquiring entity and Carmila as the acquired entity from a legal standpoint.

Nevertheless and in view of accounting principles, the IFRS3 applicable in the accounting of such a business combination requires determining which entity should be considered as the acquiring entity from an accounting point of view, whatever the qualification of the acquirer is from a legal point of view. Given the situation, the management of both Cardety and Carmila has come to the conclusion that the transaction should be considered as a reversed merger from an accounting standpoint with Carmila being the acquiring entity and Cardety the acquired entity.

In this context, the Unaudited Pro Forma Consolidated Financial Information has been prepared from:

- Carmila's consolidated financial statements, prepared in accordance with the international financial reporting standards (IFRS) in force in the European Union and certified by KPMG and Exco on April 4th, 2017 without any additional comments
- Cardety's consolidated financial statements, prepared in accordance with the international financial reporting standards (IFRS) in force in the European Union and certified by KPMG and Deloitte on March 2nd, 2017 without any additional comments
- And, considering the acquisition of the Massena assets by Cardety, the purchase qualified as an acquisition of isolated assets, from specific information covering the period January 1st though April 27th 2016 that is not issued from audited accounts or subject to a limited review.

The Unaudited Pro Forma Consolidated Financial Information has been prepared according to the accounting principles and methods used for the preparation of the annual consolidated financial statements of Carmila as of and for the year then ended December 31, 2016.

If some assumptions used may need to be updated once the merger is acted, the managements of Cardety and Carmila estimate that the preliminary calculation of the fair value of the assets to be acquired and liabilities to be acknowledged are based on reasonable assumptions and more specifically on real estate appraisals as of December 31, 2016. These preliminary fair values are likely to change over time as the merger takes place.

The adjustments made to the Unaudited Pro Forma Consolidated Financial Information are limited to the adjustments directly related to the transaction or those that could be justified by facts.

The Unaudited Pro Forma Consolidated Financial Information has been prepared without including facts that cannot be ascertained at the date of this document such as

- Synergies, or savings that could result from the merger
- Tax impacts that could result from the transaction
- Potential impacts of the merger on share distribution plans
- Specific elements or potential additional costs such as amounts that could result from change of control clauses that are not expected to have any impact in the long run on the merged entity.

The unaudited pro forma consolidated balance sheet has been prepared assuming the merger took place on December 31, 2016. The unaudited pro forma consolidated P&L statement has been prepared assuming the merger took place on January 1, 2016.

Due to its nature, the Unaudited Pro Forma Consolidated Financial Information reflects a hypothetical situation and should not be viewed as definitive or indicative of the net income or the financial position of the entity, should the merger have taken place on January 1st, 2016 for the unaudited pro forma consolidated P&L statement or the closing balance sheet date of December 31st 2016. The Unaudited Pro Forma Consolidated Financial Information does not provide an indication of future results and financial structure of the Merged Entity.

The Unaudited Pro Forma Consolidated Financial Information displays the following key performance indicators:

- Sector analysis of Investment properties and Gross Rental Income,
- Analytical breakdown of capital expenditure,
- Recurring earnings (Adjusted EPRA Earnings)
- Loan-To Value (LTV) and Interest Cover Ratio (ICR)
- EPRA Net Asset Value (EPRA NAV),
- Triple net asset value (NNNAV EPRA).

The merger is subject to the approval of the shareholders meetings of both Cardety and Carmila, the approval of the bonds holders of Carmila and other conditions precedent related to the merger stated in the merger treaty.

The Unaudited Pro Forma Consolidated Financial Information, having been prepared for information purposes alone. Reflect due to their nature a hypothetical situation and should not be viewed as representative of the results or the financial position of the Merged Entity. It does not provide any indication of the future profitability or financial position of the activity.

Regulatory framework

The Unaudited Pro Forma Consolidated Financial Information has been prepared according to the Appendix II of the AMF rules (Autorité des Marchés Financiers) DOC-2016-04 dated October 21st 2016 considering the merger implies a change of Cardety key indicators greater than 25%.

The Unaudited Pro Forma Consolidated Financial Information has been prepared according to the Appendix II of the regulation rule (CE) n°809/2004 from the Commission « Module d'information financière pro forma », the recommendation ESMA 2013/319 of March 20, 2013 of the European Securities and Markets Authority (ESMA) (ex CESR – Committee of European Securities Regulators) and the recommendation DOC-2013-08 issued by AMF on pro forma financial information.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE FUTURE MERGED ENTITY

1.1. Unaudited pro forma consolidated Income statement from January 1st to December 31st, 2016

(in thousands of euros)	Notes	2016 Cardety	2016 Massena	2016 Carmila	Adjustments	2016 Pro Forma
Gross rental income		**5 893**	**671**	**275 683**		**282 247**
Land related expenses		-		- 3 863		- 3 863
Unrecovered rental expenses		- 481	- 55	- 8 272		- 8 808
Property expenses (landlord)		-		- 11 045		- 11 045
Net rental income		**5 412**	**616**	**252 503**	**-**	**258 531**
Operating expenses		- 1 134		- 41 579		- 42 713
Other operating income		-		1 948		1 948
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions		-		- 523		- 523
Other current operating income and expenses		- 162	- 37	- 267		- 466
Income from sale of investment properties		- 27		441		414
Increase in the fair value of investment properties		26 309		235 500		261 809
Decrease in the fair value of investment properties		- 666		- 77 822		- 78 488
Balance of fair value adjustments		25 643		157 678		183 321
Share of net income of equity-accounted companies		-		6 095		6 095
Operating income		**29 732**	**579**	**376 296**	**-**	**406 607**
Income from cash and cash equivalents		-		615		615
Cost of gross financial debt		- 393		- 49 877		- 50 270
Cost of net financial debt		**- 393**		**- 49 262**		**- 49 655**
Other financial income and expenses	*Note 1.3.5*	- 2		- 3 005	2 067	- 940
Net financial interest income (expense)		**- 395**		**- 52 267**	**2 067**	**- 50 595**
Income before taxes		**29 337**	**579**	**324 029**	**2 067**	**356 012**
Income tax		- 149		- 28 380		- 28 529
Consolidated net income		**29 188**	**579**	**295 649**	**2 067**	**327 483**
Group share		**29 188**	**579**	**294 532**	**2 067**	**326 366**
Non-controlling interests				**1 117**		**1 117**

The Massena adjustments are included under the assumption Cardety acquired the portfolio of six assets belonging to Foncière Massena on January 1st 2016 instead of April 28th 2016.

The amount of 2 067 k€ (in the Adjustments column) reflects the impact of this business combination (provisional badwill).

1.2. Unaudited pro forma consolidated Balance sheet at December 31, 2016

ASSETS

(in thousands of euros)	*Notes*	31/12/2016 Cardety	31/12/2016 Carmila	Adjustments	31/12/2016 Pro Forma
Intangible fixed assets		-	4 986		4 986
Fixed assets		-	960		960
Investment properties		129 450	4 850 443		4 979 893
Investment in equity-accounted companies		-	48 331		48 331
Other non-current assets		230	9 349		9 579
Deferred taxes		-	1 592		1 592
Non-current assets		**129 680**	**4 915 661**	**-**	**5 045 341**
Trade receivables		3 566	98 164		101 730
Tax receivables		2 197	3 648		5 845
Other current assets		-	116 345		116 345
Cash and cash equivalents		2 379	71 243		73 622
Current assets		**8 142**	**289 400**	**-**	**297 542**
Total Assets		**137 822**	**5 205 061**	**-**	**5 342 883**

(in thousands of euros)	*Notes*	31/12/2016 Cardety	31/12/2016 Carmila	Adjustments	31/12/2016 Pro Forma
Share capital	*Notes 1.3.3*	25 900	313 655	313 654	653 209
Additional paid-in capital		37 526	1 844 316	- 134 358	1 747 484
Other comprehensive income		-	- 38 829		- 38 829
Consolidated retained earnings		23 110	229 099	- 252 209	0
Consolidated net income - Group share	*Notes 1.3.5*	29 188	294 532	2 067	325 787
Shareholders' equity – Group share		**115 724**	**2 642 773**	**- 70 846**	**2 687 651**
Non-controlling interests		-	8 431		8 431
Shareholder's Equity		**115 724**	**2 651 204**	**- 70 846**	**2 696 082**
Non-current provisions		66	609		675
Non-current financial debt		11 514	2 050 970		2 062 484
Lesee Deposits		1 052	67 216		68 268
Non-current tax liabilities and deferred tax		-	81 032		81 032
Passifs non courants		**12 632**	**2 199 827**	**-**	**2 212 459**
Fixed asset payables		-	33 773		33 773
Trade payables		9 466	22 993		32 459
Current financial debt		-	167 469		167 469
Other current liabilities	*Notes 1.3.7*	-	122 725	70 846	193 571
Current tax liabilities		-	7 070		7 070
Current liabilities		**9 466**	**354 030**	**70 846**	**434 342**
Total Liabilities and Shareholders' Equity		**137 822**	**5 205 061**	**-**	**5 342 883**

The adjustments on Shareholders equity are as follows:

1. The share capital reflects the capital of the accounting acquirer (Carmila) after taking into consideration the parity and the nominal value of the shares of the acquired company (Cardety) in accordance with rules set out by IFRS 3. The theoretical number of shares issued by the accounting acquirer is 313 654 694 divided by 3, which is the exchange parity, and multiplied by 6 euros per share, which is the nominal value of a Cardety share added to Cardety's existing share capital amounting to €25,900,000. The amount of €313,654,694 is therefore deducted from the additional paid-in capital
2. Additional paid-in capital diminishes as a result of the deduction induced by the issuance of the new shares described above along with the badwill (see below Note 1.3.5) However, conversely, the additional paid in capital increases with the amount of the transferred counterpart in excess of share capital amount.
3. Consolidated retained earnings are determined by those of the acquirer after deducting of the dividends expected to be paid prior the effective date of the merger. The restated retained earnings comprise the Other comprehensive income for an amount of €38,829,000 which is the fair value adjustment of the hedging instruments of the accounting acquirer (see Note 7.2.6 in Carmila's 2016 Financial Statements) along with the remaining retained earnings after deducting the dividends expected to be distributed prior to the effective merger and amounting to €62,731,000 and €8,115,000 for Carmila and Cardety respectively (see below Note 1.3.5)
4. The Consolidated net income is the net income of the accounting acquirer Carmila on December 31st 2016 added to the consolidated net income of Cardety at the same date and to the badwill (see below Note 1.3.5),

1.3. Notes to the unaudited pro forma consolidated financial information

1.3.1. Accounting principles

The pro forma financial information is based on the assumption that the two shareholders' meetings approve the merger and that the other conditions precedent for the merger are also met or waived. The assumptions for completion of the merger are as follows:

The pro forma consolidated financial information has been prepared based on:

- Cardety's annual financial statements, prepared in accordance with the international financial reporting standards (IFRS) in force in the European Union and approved by its Board of Directors on March 2nd, 2017 and certified by KPMG and Deloitte on March 2nd, 2017.
- Carmila's consolidated annual financial statements, prepared in accordance with the international financial reporting standards (IFRS) in force in the European Union and approved by its Chairman on April 4th 2017 and certified by KPMG and Exco on April 4th 2017.

In this merger, Cardety is the remaining entity having remunerated Carmila shareholders with the issue of new Cardety shares in such a quantity that former Carmila shareholders will take full control of Cardety. Therefore, this transaction should be analysed as a reverse acquisition by which the legal acquirer is Cardety but the accounting acquirer is Carmila, referring to IFRS 3. This analysis has been conducted in order to comply with the financial rules and more specifically paragraphs B13 to B18 of IFRS 3, "Business combinations".

The pro forma financial information has been prepared and are presented according to Carmila's accounting rules and policies, as described in the Consolidated financial statements as of and for the year ended December 31st, 2016. It should be noted that Carmila's Consolidated Financial statements have been drawn up, for the first time for the 2016 closing using the fair value model applicable to investment properties. Cardety has adopted this model several years ago.

Moreover, this information relies on the assumption that the transaction will be without consequences on the currently applicable SIIC status of the future merged entity.

1.3.2. Business combination

The accounting rules and principles used to account for the merger of Cardety into Carmila are defined by IFRS 3 – Business Combinations. Given the terms of the merger and considering the requirement to be met for the pro forma consolidated financial information, Carmila is considered as the acquirer.

Pursuant to IFRS rules, Cardety is the acquired entity. The implied value of the company, which is very close to its EPRA NAV, is equal to its shareholders' equity pursuant to IFRS, and including the valuation at fair value of its investment properties and its debts.

In addition, transaction costs have not been taken into account in the preparation of the pro forma financial information.

1.3.3. Transferred counterpart

According to the IFRS regulatory framework, the fair value counterpart transferred at the date of the acquisition is determined based on the number of shares that Carmila – the accounting acquirer – should have issued to the benefit of Cardety's shareholders - the acquired entity – from an accounting standpoint - to give the Cardety shareholders the same level of ownership in the future merged entity.

In the Unaudited Pro Forma Consolidated Financial Information, the transferred counterpart has been determined based on the total number of shares existing as a result of the transaction.

Outstanding number of shares at the date of the signing of the merger MOU (March 31, 2017)	313 654 694
Fully diluted number of shares at the date of the signing of the merger MOU (March 31, 2017)	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 MOU (in euros)	8,15
Estimate 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 MOU (March 31, 2017)		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 MOU	[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 calculation of the transferred counterpart is based on the total number of Carmila shares including the equity settled share based plan, amounting to 314 094 571 shares

1.3.4. Sensitivity

Sensitivity to the value of Carmila's share	-10%	-5%	5%	10%
Value of the Carmila share as at the date of the signing of the merger MOU	7,33	7,74	8,56	8,96
Estimate of the transferred counterpart benefiting Cardety (in thousands of euros)	94 986	100 263	110 817	116 094

1.3.5. Impact on the shareholders' equity of Cardety

(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)	107 609
Impact on the shareholders equity as a result of the business combination	(i) = (d) - (h)	**(2 068)**

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

The transferred counterpart amounts to €105,540,000 and is recorded in Shareholder's equity of the accounting acquirer, Carmila. This transferred counterpart gives rise to a badwill of €2,067,000.

1.3.6. Fiscal impacts

The transaction does not give rise to any fiscal cost for either companies.

1.3.7. Dividend distribution

The parties have agreed that the exchange parity of the merger should take into account:

a) The dividend distribution of €0.20 per share by Carmila to its shareholders between the signing date of the merger treaty and the effective date of the merger, amounting to €62,730,938.80 and
b) The dividend distribution of €1.88 per share by Cardety to its shareholders between the signing date of the merger treaty and the effective date of the merger, amounting to €8,115,354.64.

The dividend distribution of both Carmila and Cardety amounts in total to €70,846,293.44 and is deducted from the Shareholder's equity of the merged entity. These dividend distributions have been included in the pro forma Shareholders equity.

1.4. Key performance indicators of the pro forma financial information

The following tables show a selection of unaudited consolidated key performance indicators of Cardety and Carmila. When indicated, the performance indicators have been prepared according to the best practices defined by EPRA (European Public Real Estate Association) in its Best Practices Recommendations (also available online on its website www.epra.com).
These key performance indicators will subsequently be supplied with the merged entity's financial data. The AMF 2013-08 Recommendation requires that the indicators supplied in the Pro Forma Financial Information be relevant for the markets and in line with the indicators expected to be regularly produced by the Issuer for the purpose of its financial communication.

The following pro forma indicators do not include the badwill adjustment (€2,067,000). Since no other pro forma adjustment exists, the Adjustment column has been deleted.

1.4.1. Sector information for the gross rental income:

Cardety's whole activity is based in France. Therefore the breakdown by geographical sector is as follows:

Gross rental income from operating activities *(in thousands of euros)*	**2016 Cardety**	**Massena**	**2016 Carmila**	**2016 Pro Forma**
France	5 893	671	201 171	207 735
Spain			55 268	55 268
Italy			19 244	19 244
Gross rental income	**5 893**	**671**	**275 683**	**282 247**

1.4.2. Sector information for investment properties:

Fair value of investment properties (excluding transfer taxes) *(in thousands of euros)*	**2016 Cardety**	**2016 Carmila**	**2016 Pro Forma**
France	129 450	3 582 171	3 711 621
Spain		979 982	979 982
Italy		288 290	288 290
Fair value of investment properties (excluding transfer taxes)	**129 450**	**4 850 443**	**4 979 893**

1.4.3. Capital expenditure analysis:

Capital expenditures analysis *(in thousands of euros)*	**2016 Cardety**	**2016 Carmila**	**2016 Pro Forma**
Renovations		22 117	22 117
Extensions	6 668	70 144	76 812
Acquisitions	30 490	324 970	355 460
Restructurings		18 826	18 826
Other	133		133
Maintenance		6 162	6 162
Total capital expenditures	**37 291**	**442 219**	**479 510**

This capital expenditure analysis (refer to Note 5.4 in Carmila's 2016 Financial Statements), aims at giving a view on the nature of the specific capital expenditures of the merged company.

1.4.4. Recurring Earnings

RECURRING EARNINGS *(in thousands of euros)*	**2016 Cardety**	**2016 Massena**	**2016 Carmila**	**2016 Pro Forma**
Consolidated net income	**29 188**	**579**	**295 649**	**325 416**
Adjustments	- 25 616	-	- 133 472	- 159 088
Elimination of fair value adjustments	- 25 643	-	- 157 678	- 183 321
Elimination of the fair value adjustment of shares in equity-accounted companies			- 4 698	- 4 698
Differed tax liability resulting from fair value adjustments			25 469	25 469
Elimination of depreciation of property, plant and equipment (1)			749	749
Elimination of income from sale of investment properties	27		- 441	- 414
Amortisation of the interest derivatives unwinding cost (2)			1 969	1 969
Adjustment for EPRA net income recognition of shares in equity-accounted companies (3)			1 351	1 351
Non controlling interests share reversal (4)			- 1 117	- 1 117
Fair value adjustment for investment properties for minority interests in equity-accounted companies (4)			925	925
EPRA Earnings	**3 572**	**579**	**162 177**	**166 328**
Adjustment for debt issuance costs (5)	122		6 761	6 883
Adjustment for development margin (6)			- 1 948	- 1 948
Income from sale of assets and other non recurring expenses (7)			5 309	5 309
Recurring earnings	**3 694**	**579**	**172 299**	**176 572**

(1) See Note 7.2.6 in Carmila's 2016 Financial Statements,

(2) The amounts paid to unwind the hedging instruments are amortised over the remaining period till maturity of the swaps (€2,395,000 see Note 7.2.6 in Carmila's 2016 Financial Statements). This amortisation is eliminated along with the fair value adjustment of the counterparty risk derived from these hedging instruments,

(3) The contribution of the companies accounted for by the equity method is adjusted to include the operational contribution which can be defined as the share of net income from operations excluding depreciation and

amortisation charges but after deducting financial costs and income taxes for companies having similar activities ,

(4) Investment Properties are accounted for at fair value (IAS 40) and non-controlling interests will benefit from their share in the related fair value adjustment in the common subsidiary. In order to reverse this impact, minority non-controlling interests are adjusted for their share in the variation in fair value,

(5) The costs of the debt restructuring resulting from the bond issue are qualified as non recurring,

(6) The development margin (see Note 8.3 in Carmila's 2016 Financial Statements) recorded as Other operating income is not a recurring item,

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

- With the 2016 equity settled share based plan, it is important to differentiate the portion of the plan that has a single condition for the granting the shares: to be present on December 31st, 2017. The accrual over 2016 - amounts to €1,470,000 (including social charges) is considered as non recurring because there will be no equivalent in the coming years. This is not expected to be the case for the Performance plan,

- A long term incentive coming due at the end of 2016 is also a non recurring item. The cost is recorded for an amount of €1,533,000. Such an incentive will not be renewed,

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

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

The Group distinguishes between recurring and non recurring activities. The Group considers as non recurring the expenses and revenues deriving from the following:

- The fair value variation of investment properties along with the capital gain or loss on disposals or on impairment tests
- The financial cost of unwinding derivative instruments including breakage costs and financial debt up-front fee write-offs and the fair value variation of interest rate derivatives
- Expenses directly incurred though business combinations according to IFRS 3 and goodwill depreciation when applicable
- Other non recurring revenues or expenses

If income tax is due, it should be allocated between recurring income tax and non recurring income tax. If there is a change in income tax rate, the financial consequences will qualify as non recurring.

1.4.5. Loan to value and interest cover ratios

(in thousands of euros)		31/12/2016 Cardety	31/12/2016 Carmila	31/12/2016 Pro Forma
Net Financial debt	**(A)**	**9 135**	**2 147 195**	**2 156 330**
Gross financial debt		11 514	2 218 438	2 229 952
Cash and cash equivalents		- 2 379	- 71 243	- 73 622
Investment properties (including transfer taxes)	**(B)**	**133 912**	**5 186 949**	**5 320 861**
Fair value of Real estate portfolio (including transfer taxes)		133 912	5 120 029	5 253 941
Works in progress			66 920	66 920
Loan-to-value ratio	**(A)/(B)**	**6,8%**	**41,4%**	**40,5%**

The fair value of the Real estate portfolio includes the proportional share of the fair value of investment properties consolidated by the equity method. It includes as well Works in Progress at cost. The value of Carmila's Real estate portfolio including transfer taxes stands at €5,186.9 million at December 31st 2016. In the Consolidated Financial statements, investment properties are accounted for excluding transfer taxes, i.e. for the same Real estate portfolio including Works in progress in the amount of €4,918.4 million. By deducting the fair value of the investment properties owned by equity-accounted companies, in the amount of €68.5 million, the fair value of investment properties shown as a non current asset in the balance sheet of Carmila's 2016 Financial Statements amount to €4,850.4 million.

(in thousands of euros)		31/12/2016 Cardety	Massena	31/12/2016 Carmila	31/12/2016 Pro Forma
Operating income		29 732	579	376 295	406 606
Elimination of fair value adjustments		- 25 643		- 157 678	- 183 321
Elimination of the fair value adjustment of shares in equity-accounted companies				- 4 698	- 4 698
Income from sale of investment properties		27		- 441	- 414
Elimination of depreciation of property, plant and equipment (1)				749	749
EBITDA	(A)	4 116	579	214 227	218 922
Cost of net financial debt	(B)	393		49 262	49 655
Interest Cost Ratio	(A)/(B)	**10,5**		**4,3**	**4,4**

EBITDA is defined as the 0perating Income excluding

- change in the fair value of Investment Properties,
- depreciation of property plant and equipment ,
- gains or losses from disposals of investment properties and equity interests

and including the share of the net income from ordinary operations of equity-accounted companies (excluding effect of change in fair value).

1.4.6. Net Asset value per share (EPRA NAV)

EPRA NAV (excluding transfer taxes) *(in thousands of euros)*	31.12.2016 Cardety	31.12.2016 Carmila	Adjustments	31.12.2016 Pro Forma
Shareholder's equity - Group share	**115 724**	**2 642 772**	**- 70 846**	**2 687 650**
Elimination of the fair value recognition of hedging instruments [1]		22 113		22 113
Reversal of the deferred income tax on potential capital gains [2]		57 889		57 889
Transfer tax optimisation [3]		50 289		50 289
EPRA NAV (excluding transfer taxes)	**115 724**	**2 773 063**	**-70 846**	**2 817 941**
Average number of shares outstanding over the period	3 839 069	309 866 458		
EPRA NAV (excluding tranfer taxes) per average share (in euros)	**30,14**	**8,95**		
Outstanding number of shares at year end	4 316 678	313 654 694		108 868 229
EPRA NAV (excl. tranfer taxes) per outstanding share at year end (in €)	**26,81**	**8,84**		**25,88**
Fully diluted number of shares outstanding at year end	4 316 678	314 094 571		109 014 868
EPRA NAV (excl. tranfer taxes) per fully diluted outstanding share (in €)	**26,81**	**8,83**		**25,85**

[1] The EPRA Net Asset Value is a notion based on a going concern perspective. Therefore the fair value adjustment of hedging instruments is eliminated. In Note 1.5 Statement of changes in consolidated shareholder's equity of Carmila's 2016 Financial Statements, in the Other comprehensive income column, the closing balance stands at €-38.8 millions. This balance includes the €-22.1 million fair value adjustment of the hedging instruments and the €-19.1 million cost of unwinding these instruments for which €+2.4 millions were charged to financial cost over the period (also see Note 7.2.6 in Carmila's 2016 Financial Statements)

[2] The deferred tax liability taken as a tax charge in the consolidated accounts drawn up under the fair value model, are reversed when determining the EPRA NAV due to its concern perspective

[3] The Consolidated Financial statements are drawn up under the fair value model which include investment properties excluding transfer taxes. The latter are calculated and deducted asset by asset from the gross fair value (including transfer taxes). However, the amount of transfer tax will vary depending on the terms of the sale. If the investment property is the sole asset of a given company, the sale would be a share deal with reduced transfer tax rates along with their application to the net value of the company. The transfer tax resulting from these calculations for investment properties held as the sole asset of given companies enable to optimize the amount of transfer taxes due thereby reducing the amount of transfer taxes deducted from the investment properties recorded as assets in the consolidated balance sheet.

Due to the capital increases that took place in 2016 for both Carmila and Cardety, the EPRA NAV excluding transfer taxes and acquisition costs calculated on an average number of shares gives an improper measure of the whole asset portfolio at December 31st, 2016. EPRA NAV calculated on the basis of the number of diluted pro forma shares is preferable.

1.4.7. Triple Net Asset value per share (NNNAV EPRA)

Triple net asset value (NNNAV EPRA) *(in thousands of euros)*	31.12.2016 Cardety	31.12.2016 Carmila	Adjustments	31.12.2016 Pro Forma
EPRA NAV (excluding transfer taxes)	**115 724**	**2 773 063**	**- 70 846**	**2 817 941**
Fair value recognition of hedging instruments		-22 113		-22 113
Fair value adjustment of fixed rate interest debt [1]		-23 834		-23 834
Deferred tax on potential capital gains (losses)		-57 889		-57 889
Triple net asset value (NNNAV EPRA)	**115 724**	**2 669 227**	**-70 846**	**2 714 105**
Average number of shares outstanding over the period	3 839 069	309 866 458		
Triple net asset value (NNNAV EPRA) per average share (in euros)	**30,14**	**8,61**		
Outstanding number of shares at year end	4 316 678	313 654 694		108 868 229
Triple net NAV (NNNAV EPRA) per outstanding share at year end (in €)	**26,81**	**8,51**		**24,93**
Fully diluted number of shares outstanding at year end	4 316 678	314 094 571		109 014 868
Triple net NAV (NNNAV EPRA) per fully diluted aoustanding share (in €)	**26,81**	**8,50**		**24,90**

[1] The fair value adjustment of the fixed interest rate debt is not required by IFRS accounting rules but is by EPRA when determining the triple net NAV (NNNAV EPRA) in a liquidation perspective of the assets.

The Triple Net (NNNAV EPRA) includes the fair value adjustment of all financial derivatives or fixed income debt.