FINANCIAL REPORT

1st Half 2018

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2018 Half Year Financial Report

1 RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

1.1 Person responsible for the Half-year Financial Report

Mr. Jacques Ehrmann

Chairman and Chief Executive Officer of Carmila

1.2 Certification by the person responsible for the Half-year Financial Report

"I hereby declare that, to the best of my knowledge, the half-year financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and of all the companies included in the scope of consolidation. I further declare that the information contained in this Half-year Financial Report is in accordance with the facts that have occurred during the first half-year, with their impact on the financial statements, and with the main transactions between related parties, and that it presents the main risks and uncertainties for the remaining half-year."

Mr. Jacques Ehrmann, Chairman and CEO of Carmila

2 ACTIVITY FOR THE FINANCIAL YEAR

2.1 Selected financial information

Selected financial information from the income statement

(in millions of euros, except for per-share data)	**30/06/2018**
Gross rental income	166.9
Net rental income	155.0
EBITDA (excluding fair value adjustments)[1]	130.3
Change in fair value adjustments on investment properties	61.1
Operating income	191.0
Net financial income/(expense)	(30.8)
Consolidated net income – Group share	140.2
Earnings per share[3]	1.04
EPRA earnings[2]	103.3
EPRA earnings per share[2.3]	0.76
Recurring earnings[4]	104.1
Recurring earnings per share [3.4]	0.77

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

[2] For a definition of "EPRA earnings" see the Section "*EPRA performance indicators*".

[3] Fully-diluted average number of shares, based on 135,319,043 shares at 30 June 2018.

[4] Recurring earnings are equal to EPRA earnings excluding certain non-recurring items. See the *Section on* "E*PRA performance indicators*".

Selected financial information from the balance sheet

(millions of euros)	**30/06/2018**
Investment properties (carried at fair-value excluding transfer taxes, balance sheet value)	5,979.6
Cash and cash equivalents	276.5
Financial debt (current and non-current)	2,427.8
Shareholders' equity – Group share	3,626.2

Financial information related to key indicators and ratios

(in millions of euros except for ratios and per-share amounts)	**30/06/2018**
Net financial debt	2,144.3
Loan-to-Value Ratio (LTV)[1]	33.8%
Interest Coverage Ratio (ICR)[2]	5.1
EPRA Net asset value, excluding transfer taxes	3,821.9
EPRA net asset value, excluding transfer taxes, per share[3]	27.96
Gross asset value (including transfer taxes, including works in progress)	6,345.2

[1] LTV including transfer taxes and works in progress: ratio between the value of the investment properties (including transfer taxes and works in progress) and net financial debt.

[2] Ratio of EBITDA (excluding fair value adjustments) to net financial costs.

[3] Diluted number of shares comprising the share capital at end of the period, based on 136,687,965 shares at 30 June 2018.

2.2 Financial statements

Consolidated statement of comprehensive income

IFRS EPRA standard presentation (in thousands of euros)	30/06/2018	30/06/2017
Gross rental income	**166,875**	**146,797**
Real estate expenses	- 2,925	- 3,476
Non-recovered rental charges	- 3,932	- 3,479
Property expenses (landlord)	- 5,000	- 5,850
Net rental income	**155,018**	**133,992**
Operating expenses	- 25,300	- 24,827
Income from management, administration and other activities	*1,362*	*1,016*
Other income	*3,553*	*2,594*
Payroll expenses	*- 12,629*	*- 9,978*
Other external expenses	*- 17,586*	*- 18,459*
Other income from operations	-	-
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	- 1,496	- 640
Other operating income and expenses	340	- 1,084
Gains/losses on disposals of investment properties and equity investments	76	- 191
Change in fair value adjustments	61,129	147,801
Share in net income of equity-accounted investments	1,255	11,350
Operating income	**191,022**	**266,401**
Financial income	201	242
Financial expenses	- 25,503	- 25,032
Cost of net indebtedness	**- 25,302**	**- 24,790**
Other financial income and expenses	- 5,465	5,992
Net financial income/expense	**- 30,767**	**- 18,798**
Income before taxes	**160,255**	**247,603**
Income tax	- 19,977	- 11,928
Consolidated net income	**140,278**	**235,675**
Group share	**140,218**	**235,448**
Non-controlling interests	**60**	**227**

Consolidated statement of financial position

ASSETS

(in thousands of euros)	30/06/2018	31/12/17
Goodwill	-	-
Intangible fixed assets	5,285	4,559
Property, plant and equipment	2,242	2,411
Investment properties carried at fair value	5,469,073	5,356,002
Investment properties carried at cost	510,500	91,581
Investments in equity-accounted companies	47,139	47,364
Other non-current assets	14,545	12,981
Deferred tax assets	6,649	6,284
Non-current assets	**6,055,433**	**5,521,182**
Investment properties held for sale	500	500
Trade receivables	117,334	107,919
Tax receivables	2,970	3,385
Other current assets	52,518	52,887
Other current financial receivables	18,126	19,626
Other current assets	73,614	75,398
Cash and cash equivalents	276,471	329,397
Other current assets	**467,919**	**513,214**
Total assets	**6,523,352**	**6,034,395**

LIABILITIES & SHAREHOLDERS' EQUITY

(in thousands of euros)	30/06/2018	31/12/17
Share capital	819,370	810,360
Additional paid-in capital	2,268,204	2,321,671
Treasury shares	- 2,447	- 2,653
Other comprehensive income	- 31,366	- 27,937
Consolidated retained earnings	432,215	121,234
Consolidated net income	140,218	313,787
Shareholder's equity – Group share	**3,626,194**	**3,536,462**
Non-controlling interests	5,892	5,999
Equity	**3,632,086**	**3,542,461**
Non-current provisions	3,218	2,142
Non-current financial liabilities	2,303,391	1,966,003
Security deposits	75,448	69,643
Non-current tax liabilities and deferred tax liabilities	132,006	112,867
Other non-current liabilities	7,475	7,477
Non-current liabilities	**2,521,538**	**2,158,132**
Current financial liabilities	121,509	68,970
Bank facility	2,849	40,129
Trade and other accounts receivable	28,073	28,567
Fixed assets payables	60,538	71,751
Tax and employee-related payables	57,409	38,661
Other current liabilities	99,349	85,724
Current liabilities	**369,727**	**333,802**
Total liabilities and shareholders' equity	**6,523,352**	**6,034,395**

Consolidated cash-flow statement

in thousands of euros	30/06/18	31/12/17	30/06/17
Consolidated net income	**140,278**	**314,304**	**235,675**
Adjustments			
Elimination of income from equity-accounted investments	-1,255	-11,067	-11,350
Elimination of depreciation, amortisation and provisions	1,490	2,263	851
Elimination of change in fair value adjustment	-59,626	-164,239	-148,027
Elimination of capital gain/loss on disposals	-28	119	191
Other non-cash income and expenses	-5,239	3,825	419
Cash-flow from operations after cost of net debt and tax	**75,620**	**145,205**	**77,759**
Elimination of tax expense (income)	19,977	34,359	11,928
Elimination of cost of net debt	25,304	48,682	24,790
Cash-flow from operation before cost of net financial debt and tax	**120,901**	**228,246**	**114,477**
Change in operating working capital	22,952	47,822	33,576
Change in lease deposits and guarantees	3,597	-537	-1,301
Income tax paid	702	-11,541	-2,508
Cash-flow from operating activities	**148,152**	**263,990**	**144,244**
Changes in scope of consolidation	4,969	- 7,643	- 6,007
Change in fixed assets payables	-11,213	43,821	-
Acquisitions of investment properties	-476,369	-279,184	- 109,559
Acquisitions of other fixed assets	-886	-282	-1,262
Change in loans and advances	970	-7,343	-101
Disposal of investment properties and other fixed assets	217	177	163
Dividends received	1,480	1,474	1,473
Cash-flow from investment activities	**-480,832**	**-248,981**	**-115,294**
Capital increase	34,674	613,937	-
Transactions in share capital of equity accounted companies	0	- 10,025	- 25
Net sale (purchase) of treasury shares	206	- 2,447	72
Issuance of bonds	350,000	0	0
Issuance of new bank loans	40,792	15,905	426,173
Loan repayments	-319	-184,778	-374,872
Interest paid	-7,162	-49,692	-14,095
Interest received	201	928	242
Dividends and share premiums distributed to shareholders	-101,358	-164,690	-62,901
Cash-flow from financing activities	**317,034**	**219,139**	**-25,408**
Change in net cash position	**-15,646**	**234,148**	**3,542**

Statement of changes in consolidated equity

in thousands of euros	**Share capital**	**Additional paid-in capital**	**Treasury shares**	**Other comprehensive income**	**Consolidated retained earnings**	**Consolidated net income**	**Shareholders' equity– Group share**	**Non-controlling interests**	**Shareholders' equity**
Balance at 31 December 2016	**313,655**	**1,842,673**	**0**	**-38,829**	**230,743**	**294,531**	**2,642,773**	**8,431**	**2,651,204**
Share capital transactions							**0**		**0**
Share-based payments					418		**418**		**418**
Treasury shares transactions			72				**72**		**72**
Dividends paid		-62,731			294,531	-294,531	**-62,731**	-170	**-62,901**
Allocation of 2016 income							**0**		**0**
Net income for the year						**235,448**	**235,448**	**227**	**235,675**
Gains and losses recorded directly in equity									
Recycling of OCI to income				1,489			**1,489**		**1,489**
Change in fair value of hedging instruments				5,688			**5,688**		**5,688**
Actuarial gains and losses on retirement benefits				7			**7**		**7**
Other comprehensive income				**7,184**			**7,184**		**7,184**
Changes in scope of consolidation	339,554	186,503		-1	-406,707		119,349	-2,251	117,098
Balance at 30 June 2017	**653,209**	**1,966,445**	**72**	**-31,646**	**118,985**	**235,448**	**2,942,513**	**6,237**	**2,948,750**
Share capital transactions	157,151	456,786					**613,937**		**613,937**
Share-based payments					926		**926**		**926**
Treasury shares transactions			-2,519				**-2,519**		**-2,519**
Dividends paid		-101,560					**-101,560**	-229	**-101,789**
Allocation of 2016 income							**0**		**0**
Net income for the year						**78,339**	**78,339**	**290**	**78,629**
Gains and losses recorded directly in equity							**0**		
Recycling of OCI to income				1,515			**1,515**		**1,515**
Change in fair value of hedging instruments				2,231			**2,231**		**2,231**
Actuarial gains and losses on retirement benefits				-38			**-38**		**-38**
Other comprehensive income				**3,708**			**3,708**		**3,708**
Changes in scope of consolidation			-206		1,323		**1,117**	-299	**818**
Balance at 31 December 2017	**810,360**	**2,321,671**	**-2,653**	**-27,937**	**121,234**	**313,787**	**3,536,462**	**5,999**	**3,542,461**
Initial application of IFRS 9.					19,751		**19,751**		**19,751**
Balance at 1 January 2018	**810,360**	**2,321,671**	**-2,653**	**-27,937**	**140,985**	**313,787**	**3,556,213**	**5,999**	**3,562,212**
Share capital transactions	9,010	27,340			0		**36,350**		**36,350**
Share-based payments					-2,343		**-2,343**		**-2,343**
Treasury shares transactions			206				**206**		**206**
Dividends paid		-80,807			-20,384		**-101,191**	-167	**-101,358**
Allocation of 2016 income					313,787	-313,787			
Net income for the year						**140,218**	**140,218**	**60**	**140,278**
Gains and losses recorded directly in equity									
Recycling of OCI to income				1,464			**1,464**		**1,464**
Change in fair value of other financial assets				-1,174			**-1,174**		**-1,174**
Change in fair value of hedging instruments				-3,719			**-3,719**		**-3,719**
Actuarial gains and losses on retirement benefits				0			**0**		**0**
Other comprehensive income				**-3,429**			**-3,429**	**0**	**-3,429**
Changes in scope of consolidation					170		**170**		**170**
Balance at 30 June 2018	**819,370**	**2,268,204**	**-2,447**	**-31,366**	**432,215**	**140,218**	**3,626,194**	**5,892**	**3,632,086**

2.3 Key highlights of the first half of 2018

Value-creating acquisitions

In the first half of 2018, Carmila carried out the following significant value-creating acquisitions:

On 2 February 2018, the Company acquired two leading shopping centres from Klépierre for a total amount of €212 million : Grand Vitrolles in Marseilles and Gran Via de Hortaleza in Madrid. With yields of 4.75% and 6%, respectively, for Marseille - Vitrolles and Madrid - Gran Via de Hortaleza, these shopping centres will generate additional gross annual rental income of €11.1 million. The extension permits for Marseille – Vitrolles (45 additional sales outlets / 11,700 sq.m.) were obtained free of third-party claims in the first half of 2018.

On 4 May 2018, Carmila acquired six leading shopping centres for €182 million from Pradera. Three of the sites are located in Andalousia (in Sevilla, Córdoba and Cádiz), two in Catalonia (in Barcelona) and another in Alicante. With an average yield of 6.3%, these property assets will generate additional annual gross rental income of €12 million.

Pursuit of extension programme

On 24 April 2018, Carmila inaugurated Cap Saran in Orleans, the largest retail park created in France in 2018. For an investment of €43.5 million, the 29,000 sq.m. site extension offers a yield of 7.6%, houses 34 medium-sized retail outlets (including Zodio, Cultura and Maisons du Monde) and generates additional annual gross rental income of €3.5 million.

Carmila also signed the acquisition of the development project for Nice Lingostière. The extension, which is to be inaugurated in the second half of 2020, represents an investment of €101 million and will increase the gross leasing area by 12,791 sq.m.

Consolidation of the Group's financial structure

To finance its growth, on 28 February 2018 Carmila successfully issued a €350 million, 10-year bond bearing interest of 2.125%. The bond was subscribed 2.2 times and placed with several major long-term investors. At 30 June 2018, Carmila's outstanding bond debt totalled €1.55 billion.

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

An accelerating digital strategy

Carmila is pursuing the roll-out of its local and digital marketing strategy designed to boost retailer revenues. In the first half of 2018, shopping-centre management teams carried out more than 300 "kiosque" operations a month to promote sales outlets.

In addition, the increase in cumulative traffic on web sites and shopping-centre applications (up 16% over the half year) together with the roll-out of terminals designed to collect customer data in shopping centres enabled Carmila to gain a greater knowledge of its customers. The number of qualified contacts in Carmila's data base increased by 36% over the half year.

Implementation of the CSR strategy

Six Carmila sites received BREEAM certifications in the first half of 2018: BAB2 in Biarritz (BREEAM "Very Good" building completion rating), Marseille-Vitrolles (BREEAM "Very Good" in-use rating), Caen Mondevillage (BREEAM "Good" building completion rating), Pau Lescar (BREEAM "Very Good" conception-phase rating), Langueux St Brieuc (BREEAM "Very Good" conception-phase rating), and the Vannes extension (BREEAM "Very Good" conception-phase rating).

2.4 Analysis of the activity

2.4.1 Markets and retailers

2.4.1.1 Economic and competitive environment

2018 and 2019 macroeconomic forecasts by Country

	GDP growth			Unemployment rate			Inflation		
	2017	2018E	2019E	2017	2018E	2019E	2017	2018E	2019E
France	2.3%	1.9%	1.9%	9.4%	8.7%	8.3%	0.6%	1.1%	1.4%
Italy	1.6%	1.4%	1.1%	11.2%	11.0%	10.8%	0.8%	0.9%	1.7%
Spain	3.1%	2.8%	2.4%	17.2%	15.5%	13.8%	1.2%	1.3%	1.5%
Euro Zone	2.6%	2.2%	2.1%	9.1%	8.3%	7.8%	1.0%	1.2%	1.7%

Source: OECD Economic Outlook N°103 - May 2018.

According to the latest OECD estimates, GDP rates of Carmila's regional business markets are expected to grow by 1.9% in France, 1.4% in Italy and 2.8% in Spain in 2018. Growth however has slowed compared to 2017 in these three countries, as in all the Eurozone where it has decreased from 2.6% to 2.2% over the period.

However, conditions in the job market are improving, with 2018 unemployment rates in these countries below 2017 levels, decreasing from 9.4% to 8.7% in France, from 11.2% à 11.0% in Italy, and from 17.2% to 15.5% in Spain. This downward trend is also apparent throughout the Eurozone and is expected to continue in 2019. Trends also point to a gradual increase in inflation rates of 0.5 percentage points in France, and 0.1 percentage points in Italy and Spain.

2.4.1.2 Change in revenue of Carmila's tenants

Country	*Change in revenue of tenants in H1 2018 (%)*	*Performance versus national index (basis points)*
France	+1.3	+2.9 percentage points
Spain	+2.4	+1.3 percentage points
Italy	-0.4	+0.7 percentage points
Total	**+1.4**	**N/A**

Carmila's consolidated shopping-centre revenues increased by 1.4% on a like-for-like basis in H1 2018 compared to H1 2017.

In France, H1 2018 revenues from Carmila's shopping centre tenants increased by 1.3% year-on-year, while the revenues of a panel of shopping centres tracked by the CNCC decreased by -1.6%[1] over the same period.

In Spain, H1 2018 revenues of tenants at Carmila's shopping centres increased by 2.4% in H1 2018, while the revenues of a panel of shopping centres tracked by the Instituto Nacional de Estadistica increased by 1.1%[2].

In Italy, H1 2018 revenues of Carmila's shopping centre tenants decreased by 0.4% year-on-year, compared to a -1.3%[3] drop in revenues for retailers at shopping centres tracked by the National Institute of Statistics of Italy (ISTAT) over the same period.

2.4.2 Letting activity

2.4.2.1 Summary

The first half of 2018 was particularly dynamic for Camilla with the signing of 433 commercial leases.

	Letting of vacant premises		Letting of extensions		Renewals		
(in thousands of euros)	Number of leases	Annual minimum guaranteed rent	Number of leases	Annual minimum guaranteed rent	Number of leases	Annual minimum guaranteed rent	Reversion
France	105	3,186	36	3,278	62	4,978	11.5%
Spain	110	3,694			94	2,937	6.9%
Italy	15	943			11	602	1.2%
Total	**230**	**7,823**	**36**	**3,278**	**167**	**8,517**	**9.2%**

2.4.2.2 France

Key signings

Carmila intensified its relationships with major players in the clothing and accessories sector with the openings of Mango, Kiabi, Promod and Naf-Naf sales outlets in the Cap Saran retail park in Orleans. Store openings in H1 2018 also included Celio at Pau Lescar, Undiz at Puget, and ID Kids at Evreux. Leases were signed with the retail brands Naf-Naf and Hunkemöller, to open their first sales outlets in the Coquelles shopping centre in Calais, and with Deichmann, Districenter, Promod and Imua for the Evreux site. The retail brand Imua also signed to open a sales outlet at the Cap Saran retail park in Orleans. Lastly, Mango signed to open an outlet in Rennes Cesson, Undiz in Saint Brieux, Chaussea in Brest and Z in Uzès.

1 CNCC panel at end-May 2018.
2 Data at end-May 2018.
3 Data at end-May 2018.

In the sports equipment sector, the Courir brand opened sales outlets in the Cholet shopping centre and the Cap Saran retail park in Orleans, and signed for the Crèches-sur-Saône and Perpignan Claira sites. Intersport also opened a medium sized unit in the Orléans - Cap Saran retail park, Go Sport signed for the Bourg-en-Bresse shopping centre and Adidas for the Labège site.
In addition, several household equipment brands signed to rent premises in our centres, notably Maison du Monde which opened a store in Orléans - Cap Saran and signed for a sales outlet in Evreux. Zodio also opened a store in the Orleans - Cap Saran retail park and signed for Nice Lingostière. Yellow Korner opened a store at the Anglet site and the Action brand signed to open at Vaulx-en-Velin.
In the culture and leisure sector, FNAC opened a new store at Montluçon, and Cultura its first sales outlet at the Orleans - Cap Saran retail park.

Focus on restaurants

Carmila also took advantage of the growing trend for burgers with the openings of a Burgers de Papa restaurant in Thionville, a B-Chef in Évreux and a Holly's Diner in Orleans – Cap Saran. This US-inspired brand also signed for Evreux, and Brut Butcher for Saint Egrève.
International restaurant brands are also interested in renting space in our shopping centres as reflected by the openings of an El Tapas Spanish restaurant at the Orleans - Cap Saran retail park, an Al Mama Italian bistro in Thionville, and a Leon Belgian-style brasserie in Evreux.
In addition, the partnership forged in 2017 with Columbus Café is gaining momentum. The brand opened outlets in the Bay 2 and Labège shopping centres as well as the Orléans - Cap Saran retail park, and has signed leases for the Athis Mons and Cholet centres.

New trends

Carmila anticipates new trends and adapts its offer to changing consumer demands.
For example, in the medical sector, a pharmacy opened in the Condé sur Sarthe centre and a medical centre in the Roche-sur-Yon site. Carmila also signed with a dental surgery for the Cernay centre in Reims, and with a medical centre in Sartrouville.
In the sports and leisure sector, L'Appart Fitness opened a fitness centre at Nantes St Herblain, while Basic Fit opened a fitness centre in the Orleans - Cap Saran extension and signed to open centres at Echirolles and Vaulx-en-Velin Space Jump opened a trampoline park at the Evreux centre and signed a lease for the site at Besançon Chalezeule. Hapik opened a climbing centre in the Orléans - Cap Saran retail park and signed a lease for another centre at the Chambourcy site.
The Maxi Zoo pet store opened a sales outlet at Evreux and signed a lease in the Besançon Chalezeule shopping centre. In addition, a music school opened at the Thionville centre.

2.4.2.3 Spain

Carmila reinforced the presence of large clothing and accessory brands, by signing with Parfois (for retail space in three centres), as well as with Kiabi and Suits Inc (in As Cancelas), with Carpisa and Salsa Jeans (for Fan de Mallorca), and with the lingerie retailer Yamamay (for Gran Sur).
In the sports segment, the Oteros Sport shoe brand opened stores in two Carmila centres, as did Mas Deporte.

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

Carmila continued to build up its restaurant offer in Spain in the first half of 2018 with the signatures of brands including La Tagliatella, Tabernan Lizarran and Dunkin Coffee to open outlets at Fan de Mallorca, as well as 100 Montaditos at As Cancelas and Bull's Pizza at Peñacastillo.

Carmila also attracts differentiating services brands. For example, in the medical and paramedical sector, Centros Ideal cosmetic centres are to open in nine shopping centres and a pharmacy at Los Patios. Hairdressing salons are also setting up in the centres at Alcobendas and Plasencia. A law firm Arriaga y Asociados, which is already present in four of our centres, opened an office at Los Patios, and the electronic cigarette brand, Sapporet, an outlet at Palma. Finally, three electronic repair centres have set up operations in Carmila's shopping centres.

2.4.2.4 Italy

Carmila is developing the presence of anchor brands, notably in the ready-to-wear clothing segment, with the arrival of a Celio store in the Thiene centre. The Paderno shopping centre is about to welcome the opening of sales outlets for the ready-to-wear clothing brand for men, Capriccio, the mixed ready-to-wear brand Amy B, and the lingerie brand Yamamay.
Other brands which have signed with Carmila include the household-equipment brand, Thun in Massa, and the video games distributor GameStop in Nichelino.

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

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

2.4.2.5 Specialty leasing and temporary stores

At 30 June 2018, revenues from specialty leasing and temporary stores rose to €4.7 million, an increase of 24.5% over the first half of 2017.

	30/06/2018			30/06/2017			Change
(in thousands of euros)	Specialty leasing	Temporary stores	TOTAL SL+TS	Specialty leasing	Temporary stores	TOTAL SL+TS	%
France	2,364	660	3,024	2,085	215	2,300	31.5%
Spain	1,030	48	1,078	917	58	975	10.6%
Italy	582		582	489		489	19.0%
Total	**3,975**	**708**	**4,684**	**3,490**	**274**	**3,764**	**24.5%**

Specialty leasing

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

The first half of 2018 saw an increase in the number of brand events and road shows (Netflix, Milka, Badoit) with themed weeks (100 weeks focused on themes such as well-being, home furnishing, car and electronics). Other initiatives were signed with concepts such as beauty bars, differentiating restaurants, electronic cigarettes and leisure activities, such as free fall simulator.

Temporary stores

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

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

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

2.4.3 Lease-structure key figures

Breakdown of number of leases and contractual rents on an annualised basis by country

With 6,177 leases under management at 30 June 2018, Carmila has a solid and diversified tenant base, with rent from the Carrefour group representing less than 1% of net rental income. Annualised contractual rents totalled €346.3 million at the end of the first half of 2018.

	At 30/06/2018		
Country	Number of leases	Annualised contractual rent (in millions of euros)	%/Total
France	3,490	229.8	66.4%
Spain	2,338	94.2	27.2%
Italy	349	22.3	6.4%
Total	**6,177**	**346.3**	**100.0%**

Breakdown of number of leases and contractual rents on an annualised basis by business sector

The clothing and accessories sector, accounting for 35.0% of annualised contractual rents at end-H1 2018, is Carmila's principal source of revenues.

The table below breaks down Carmila's annualised contractual rents by business sector at 30 June 2018:

	At 30/06/2018		
Business sector	Number of leases	Annualised contractual rent (in millions of euros)	Annualised contractual rent (%)
Clothing and accessories	1,455	121.1	35.0%
Health and Beauty	1,153	62.2	18.0%
Culture, gifts and leisure	964	58.9	17.0%
Food and Restaurants	844	43.8	12.7%
Services	1,376	29.4	8.5%
Household furnishings	275	27.2	7.9%
Other	110	3.7	1.1%
Total	**6,177**	**346.3**	**100.0%**

2.4.4 Financial Occupancy Rate

	Financial Occupancy Rate (excluding strategic vacancies)	
Country	30/06/2018	31/12/2017
France	95.9%	96.1%
Spain	96.3%	96.2%
Italy	98.7%	99.9%
Total	**96.2%**	**96.4%**

At 30 June 2018, the consolidated financial occupancy rate of Carmila's assets was 96.2%,[4] of which 95.9% in France, 96.3% in Spain and 98.7% in Italy.

The financial occupancy rate is defined as the ratio between the amount of rent invoiced and the amount of rent that Carmila would collect if its entire rental portfolio were leased, with the estimated 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 within the shopping centres.

[4] Excluding 1.8% of strategic vacancy at H1 2018 and 1.7% at H1 2017

2.4.5 Corporate Social Responsibility

Carmila stepped up its Corporate Social Responsibility strategy during the first six months of the year and deployed several responsible actions throughout its different business sectors.

Over the period, the Company organised almost 450 CSR operations across its sites, the same amount as over 12 months in 2017. Designed to create a common link in all of our territories, these operations cover a wide range of fields, including the protection of biodiversity, waste treatment, the development of local employment and support for local associations in favour of employment, disability and other societal issues. These CSR operations were organised around five central themes: a/ sustainable development, b/ the economic and social impacts of our business activities, c/ charitable and d/ public health actions and e/ culture and sport.

Particular focus was placed on the development of biodiversity. During the first half, we opened two pilot shared vegetable gardens in Turin (I Viali) and L'Haÿ-les-Roses in order to establish local partnerships with gardening associations, schools and town halls. Subsequently, the objective is to roll out this concept on a large scale across the three countries where we operate.

Within the context of our extension-project programme, we pursued our partnership with Reforest'Action to support local reforestation. As part of our "1 tree planted for every 1 sq.m. created" operation, we committed to planting, by the autumn, 11,450 trees in the vicinity of the extensions scheduled to open in 2018 (Evreux, Orléans and Athis-Mons).

In the first half of 2018, six Carmila shopping centres received BREEAM certifications, increasing the portfolio certification rate in France to 39%. In addition, an active Breeam-in-Use certification campaign was launched during the semester and the first results should be published by the end of the year.

Last September, Carmila teamed up with the Toulouse-based IoT Valley (an ecosystem of start-ups developing the Internet of Things), to jointly deploy new IoT services and solutions designed to enhance the customers' shopping centre experience.

For Carmila, the aim is two-fold: to create new innovative client tools and to support local innovative start-ups.

To date, nine IoT solutions developed by IoT Valley start-ups have been implemented in Carmila's shopping centres. To develop the general public's understanding of the Internet of Things, Carmila and IoT Valley also opened a space reserved for start-ups in the Labège 2 shopping centre. This dedicated area enables start-ups to showcase their know-how and expertise, and display their innovations, offers and products.

2.5 Comments on the income for the half year

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

H1 2018 rental income increases by 13.7% year-on-year to €166.9 million. Growth in rental income is analysed as follows:

- impact of extensions delivered in 2017 and H1 2018: +4.6 points;
- impact of acquisitions: +3.9 points;
- like-for-like growth in rental income: +2.9 points. Growth on a like-for-like basis is calculated on a comparable basis of shopping centres. The items restated in this calculation are (i) the contributions from 2018 acquisitions, (ii) the impacts of ongoing restructuring, and (iii) the impacts of extension projects delivered in 2017 and 2018; indexation included in the like-for-like growth amounts to 1.1 points
- other scope of consolidation impacts (mainly the integration of the rental income of Cardety assets at 1 June 2017): +2.3 points.

Consolidated net rental income increases by 15.7% year-on-year, to €155 million.
The net rent/rental income ratio rose 160 bps due mainly to improvements in the quality of the Carmila's property portfolio and the recovery rate of tenant receivables, coupled with the fact that growth was slower in leasing charges than in rents.

2.5.2 Income per geographical segment

Comment on the changes in rental income

Gross rental income	**30/06/18**			**30/06/17**
		Change vs. 30/06/2017		
(in thousands of euros)	Gross rental income	Total	At constant scope	Gross rental income
France	116,196	13.3%	2.5%	102,522
Spain	38,728	12.1%	4.4%	34,538
Italy	11,951	22.7%	1.0%	9,737
Total	**166,875**	**13.7%**	**2.9%**	**146,797**

France

Gross rental income in France increases by 13.3%, explained by the integration of extensions and acquisitions and the inclusion of Cardety in the scope at 1 June 2017, and by 2.5% like-for-like growth.

Indexation included in like-for-like growth in France reached +1.3%.

Spain

Gross rental income increases by 12.1% in Spain, due to acquisitions carried out in the first half of 2018 (Madrid - Gran Via de Hortaleza and the Pradera property portfolio) and to the 4.4% growth on a like-for-like basis. Indexation included in like-for-like growth in Spain totals 0.8%.

Italy

Gross rental income increases by 22.7% in Italy, explained by the integration of the Nichelino extension in the scope, and by 1.0% growth on a like-for-like basis.

Indexation included in like-for-like growth in Italy totals +0.5% in H1 2018.

2.5.3 Operating expenses

Operating expenses

(in thousands of euros)	30/06/18	30/06/17
Income from management, administration and other activities	1,362	1,016
Other income	3,553	2,594
Payroll expenses	-12,629	-9,978
Other external expenses	-17,586	-18,459
Operating expenses	**-25,300**	**-24,827**

Operating expenses rose 2.0% in H1 2018. H1 2017 costs include €6.3 million in non-recurring expenses related to the merger between Carmila and Cardety in June 2017.

The strengthening of operational teams and ramp-up of its digital marketing strategy throughout the 2017 financial year continued to impact the cost structure in the first half of the year. It remains in line with the objective of stabilising them at a level close to €50 million per year.

Income from management, administration and other activities

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

Other income

Other income comprises the rebilling of fees related to operating expenses, principally to the Carrefour group (rebilling of a proportional share of the personnel costs of shopping centre management, and initial letting fees for shopping centres managed by Carrefour).

Payroll expenses

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

Payroll expenses amounted to €12.6 million at 30 June 2018; the increase takes into account the growth in the number of employees compared to last year. Personnel costs are expected to stabilise in relation to their 2017 levels.

Other external expenses

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

2.5.4 EBITDA

During H1 2018, EBITDA adjusted for non-recurring items grew by 13.4%.

EBITDA *(in thousands of euros)*	30/06/18	30/06/17
Operating income	**191,020**	**266,401**
Elimination of change in fair value	- 61,129	- 147,801
Elimination of change in fair value in the Group share of companies consolidated under the equity method		- 10,644
Elimination of capital gains/losses	- 28	191
Depreciation of property, plant and equipment	413	413
Adjustments for non-recurring items		6,324
EBITDA	**130,276**	**114,889**

Adjustments for non-recurring items include H1 2017 costs related to the merger between Carmila and Cardety in June 2017.

2.5.5 Net financial income/expense

Financial expenses *(in thousands of euros)*	30/06/2018	30/06/2017
Financial income	203	262
Financial expenses	- 25,505	- 25,052
Cost of net indebtedness	**- 25,302**	**- 24,790**
Other financial income and expenses	- 5,465	5,992
Net financial income/expense	**- 30,767**	**- 18,798**

Financial expenses totalled €30.8 million at 30 June 2018. The increase compared to H1 2017 stemmed from the integration of exceptional expenses in 2018 and from non-recurring extraordinary income in 2017.

The cost of net debt came out at €25.3 million in H1 2018 and €24.8 million in H1 2017; the bulk of the increase in the restated financial income stemmed from interest paid on the new bond issued in February 2018.

Other financial income and expenses for H1 2017 included negative goodwill in the amount of €6.5 million from the merger between Carmila and Cardety (difference between the value of the transferred counter-party and the amount of the assets and liabilities transferred on the date of the takeover).

Other financial income and expenses for H1 2018 included €2.1 million in expenses for value adjustments to the marketable securities market, and €1.9 million in expenses for a technical deed on the staggering of the discount at the initial effective interest rate of the bank loan, in the context of the first application of IFRS 9

2.6 EPRA performance indicators

2.6.1 EPRA earnings and EPRA recurring earnings

Recurring earnings are defined as the recurring earnings from operational activities. At 30 June 2018, recurring earnings amounted to €104.1 million, up 12.2% on 30 June 2017.

EPRA EARNINGS

(in thousands of euros)	30/06/18	30/06/17
Consolidated net income	**140,278**	**235,675**
Total restatements	**- 36,904**	**- 142,722**
Change in fair value of investment properties	- 61,129	- 147,801
Change in fair value of equity interests consolidated using the equity method		- 10,644
Restatement of equity-accounted earnings not included in definition of EPRA (1)		711
Deferred tax assets relative to fair value adjustments (EPRA)	18,773	11,757
Depreciation/amortisation of tangible and intangible assets	413	413
Gains (losses) on sales of investment properties	- 28	191
Elimination of the amortisation of the unwinding cost of interest-rate derivatives	1,464	1,489
Minority interests - Non-controlling interests in the JV (2)		- 856
Spreading of IFRS 9 expenses	1,975	
Elimination of fair value of derivatives	- 351	
Change in fair value of financial investments	2,104	
Restatement of debt issuance costs (3)	2,240	2,018
Debt issuance costs paid over the period (3)	- 2,365	
EPRA earnings	**103,374**	**92,953**
Income from disposals and other non-recurring expenses (4)		6,324
Elimination of negative goodwill (4)		- 6,528
Other non-recurring expenses (5)	700	
Recurring earnings	**104,074**	**92,749**

(1) The contribution by equity-accounted companies is adjusted to take into account the operational contribution, understood as the result before depreciation but after financial expenses and corporation tax of companies with the same business activity, and not a percentage of the net income alone. In 2018, the fair value of assets held in equity-accounted companies remained stable.

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

(3) Loan-issue costs spread across the duration of the loan are restated; loan issue costs paid during the year are reintegrated in EPRA income.

(4) In 2017, the elimination of negative goodwill related to the merger, as a non-recurring item, as well as costs related to the merger transaction and resulting capital increases or those in preparation.

(5) Mainly tax audit provisions.

2.6.2 EPRA Cost Ratio

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

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

EPRA cost ratio

(in millions of euros)		30/06/2018	31/12/2017
(i)	Operational costs	-35.2	-70.5
	Operating expenses	-30.2	-57.9
	Property expenses	-5.0	-12.6
(ii)	Net rental expenses	-3.9	-7.3
(iii)	Management costs net of profit	2.8	4.8
(iv)	Other income covering administrative costs	2.1	5.7
(v)	Share of costs of equity-accounted companies	-0.5	
(vi)	Impairment of investment properties	0.1	3.0
(vii)	Ground rents		
(viii)	Rental costs included in the gross rent		
	EPRA costs (vacancy costs included)	**-34.6**	**-64.3**
(ix)	Costs of direct vacancies	-3.4	-6.7
	EPRA costs (vacancy costs excluded)	**-31.2**	**-57.5**
(x)	Gross rent less ground rents	164.0	296.5
(xi)	Less: expenses and costs included in the gross rent		
(xii)	Plus: Share of rents of equity-accounted companies	2.4	2.4
	Gross rental income	166.4	299.0
	EPRA cost ratio (vacancies included)	**20.8%**	**21.5%**
	EPRA cost ratio (vacancies excluded)	**18.8%**	**19.2%**

The EPRA cost ratio decreases in H1 2018 compared with 2017 for several reasons:

- the optimisation and good management of operational costs in the first half of 2018;
- the strengthening of Carmila teams in 2017 to ensure the implementation of the business plan;
- the significant increase in first half year revenue.

2.6.3 Going Concern NAV, EPRA NAV and EPRA NNNAV

At 30 June 2017, Carmila's EPRA NAV stood at €27.96 per share, up 1.8% compared to 31 December 2017. This increase corresponds to the creation of organic value since appraisal rates remained stable in H1 2018.

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

Going concern NAV

(in thousands of euros)	30/06/18	31/12/17
Consolidated shareholders' equity - Group share	**3,626,194**	**3,536,462**
Elimination of the fair value of hedging instruments	17,811	14,394
Reversal of the deferred income tax on potential capital gains	122,868	103,620
Transfer taxes	299,236	290,196
EPRA NAV (excluding transfer taxes)	**4,066,109**	**3,944,672**
Fully diluted number of shares comprising the share capital at period end	136,687,965	135,182,748
EPRA NAV (excl. transfer taxes) per diluted share at end of period (in euros)	**29.75**	**29.18**

The EPRA NAV (Net Asset Value) is an indicator of the fair value of a property company's assets. EPRA NAV is calculated by taking consolidated shareholders' equity Group share (corresponding to net consolidated assets) which, stated at fair value, includes unrealised capital gains or losses on the assets. With a view to continuing operations, this indicator excludes the deferred tax on unrealised capital gains as well as the fair value of financial instruments.

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

EPRA NAV (excluding transfer taxes)

(in thousands of euros)	30/06/18	31/12/17
Consolidated shareholders' equity - Group share	**3,626,194**	**3,536,462**
Elimination of the fair value of hedging instruments	17,811	14,394
Reversal of the deferred income tax on potential capital gains	122,868	103,620
Optimisation of transfer taxes	55,020	59,900
EPRA NAV (excluding transfer taxes)	**3,821,893**	**3,714,376**
Fully diluted number of shares comprising the share capital at period end	136,687,965	135,182,748
EPRA NAV (excl. transfer taxes) per fully diluted outstanding share (in euros)	**27.96**	**27.48**

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

Triple net asset value (NNNAV EPRA)

(in thousands of euros)	30/06/18	31/12/17
EPRA NAV	**3,821,893**	**3,714,376**
Fair value adjustments of hedging instruments	-17,811	-14,394
Fair value adjustments of fixed rate debt	-29,399	-10,554
Actual taxes on unrealised capital gains/losses	-103,168	-103,620
Triple net asset value (NNNAV EPRA)	**3,671,515**	**3,585,808**
Fully diluted number of shares comprising the share capital at period end	136,687,965	135,182,748
Triple Net NAV (NNNAV EPRA) per fully diluted outstanding share (in euros)	**26.86**	**26.53**

2.6.4 EPRA Net Initial Yield and EPRA “Topped Up” Net Initial Yield

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

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

EPRA NIY and EPRA "Topped-Up" NIY

(in millions of euros)	30/06/18	31/12/17
Total property portfolio value (excluding transfer taxes)	**6,048.1**	**5,515.9**
(-) Assets under development and other	510.9	92.6
Value of operating portfolio (excluding transfer taxes)	**5,537.3**	**5,423.3**
Transfer taxes	297.4	290.1
Value of operating portfolio (including transfer taxes) (A)	**5,834.7**	**5,713.4**
Net annualised rental income (B)	**317.3**	**309.8**
Impact of rent adjustments	6.2	4.4
Net rental income excluding rent adjustments (C)	**323.5**	**314.2**
EPRA Net Initial Yield (B) / (A)	**5.4%**	**5.4%**
EPRA Net Initial Yield excluding rent adjustments (C) / (A)	**5.5%**	**5.5%**

2.6.5 EPRA vacancy rate

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

	Financial occupancy rate excluding strategic vacancy	Impact of strategic vacancy	EPRA vacancy rate
France	95.9%	-2.0%	93.9%
Spain	96.3%	-1.6%	94.7%
Italy	98.7%	0.0%	98.7%
Total	**96.2%**	**-1.8%**	**94.4%**

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

Strategic vacancy remains stable at 1,8% for H1 2018, compared to 1,7% in 2017.

3 ASSETS AND VALUATION

3.1 Asset valuation

3.1.1 Appraisers and methodology

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

The fair values used are determined on the basis of the conclusions of independent experts. Carmila uses appraisers to value the whole of its asset portfolio at the end of every half-year. The assets are inspected by the appraisers annually. The expert valuations comply with the guidance contained in the RICS Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors ("Red Book"). In order to conduct their work, the appraisers have access to all the information required for valuation of the assets, and specifically the rent roll, the vacancy rate, rental arrangements and the main performance indicators for tenants (revenues).

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

For buildings under construction, the valuation takes into account works in progress as well as the increase in fair value compared to the total cost price of the project (IPUC[5]). Investment properties are subject to an appraisal while under construction to determine their fair value on the opening date. Carmila considers that a development project may be valued reliably if the following three conditions are simultaneously fulfilled (i) all of the administrative authorisations necessary to complete the expansion have been obtained, (ii) the construction contract has been signed and the work has begun and, (iii) uncertainty concerning the amount of future rent has been eliminated.

The appraisers appointed by Carmila are as follows:

- in France: Cushman & Wakefield, Catella, Jones Lang Lasalle and CBRE;
- in Spain: Cushman & Wakefield and Catella;
- in Italy: BNPP.

Comments on the scope of consolidation

At 30 June 2018, a fair value valuation was carried out on three expansion projects currently under construction (Athis Mons, Evreux phase 2 and Besançon Chalezeule), for which the increase in value in relation to the cost price and works in progress have been listed in the investment property accounts.

In addition, the Orléans – Cap Saran retail park delivered in the first half of the year was included in the portfolio at its appraised value.

[5] Investment Property under Construction – Margin on development which corresponds to the increase in fair value compared to the cost price.

The assets acquired during the first half (Marseille - Vitrolles, Madrid - Gran Via de Hortaleza, and the six assets from the Pradera portfolio in Spain) were included in the portfolio at their acquisition value.

3.1.2 Geographical segmentation of the portfolio

The valuation of the total portfolio was €6,345.2 million, including transfer taxes, at 30 June 2018, and breaks down as follows:

GAV ITT of portfolio	**30/06/18**		
Country	millions of euros	%	Number of assets
France	4,596.4	72.4%	129
Spain	1,377.4	21.7%	77
Italy	371.3	5.9%	8
Total	**6,345.2**	**100%**	**214**

In addition to the fair values determined by the appraisers for each shopping centre, this valuation includes work in progress (capex) for projects under development as well as the fair value adjustment determined by the appraisers for development projects meeting the conditions set out in the previous section. At 30 June 2018, assets under construction stood at €103.8 million and the increase in fair value compared to cost price was €21.5 million.

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

3.1.3 Changes to the valuation of the assets

GAV ITT of portfolio	**30/06/18**				**31/12/17**	
			Change vs. 31/12/2017			
Country	millions of euros	%	total	at constant scope	millions of euros	%
France	4,596.4	72.4%	6.3%	1.1%	4,323.1	74.5%
Spain	1,377.4	21.7%	22.1%	1.1%	1,127.7	19.4%
Italy	371.3	5.9%	4.7%	4.1%	354.7	6.1%
Total	**6,345.2**	**100%**	**9.3%**	**1.3%**	**5,805.5**	**100%**

The increase in the market value, including transfer taxes, of the assets by €539.6 million during the first half-year breaks down as follows:

- the value of the assets, on a like-for-like basis, increases by 1.3% (i.e. €74.5 million);
- the consolidation of assets acquired in the first half of 2018 into the portfolio: €399.4 million (Marseille -Vitrolles, Madrid - Gran Via de Hortaleza, the Pradera portfolio and two units in Italy);
- other changes totalling €65.7 million (changes in works in progress and IPUC for building projects; delivery of Orléans - Cap Saran retail park).

3.1.4 Changes in capitalisation rates

EPRA Net Initial Yield[6] and EPRA Net Potential Yield[7]

	NIY		NPY	
Country	30/06/2018	31/12/2017	30/06/2018	31/12/2017
France	5.2%	5.2%	5.5%	5.5%
Spain	6.2%	6.2%	6.4%	6.3%
Italy	6.0%	6.2%	6.1%	6.2%
Total	**5.4%**	**5.4%**	**5.7%**	**5.7%**

In the first half of the year, rates remained stable across the overall scope. In the breakdown by country, rates remained stable in France. In Spain, the NIY was stable and the NPY has seen a very slight increase following the consolidation of the assets acquired during the first half of the year. In Italy, the NIY saw a small reduction due to the slight decrease in the Financial Occupancy Rate.

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

(in millions of euros)	30/06/18	31/12/17
GAV ITT	6,345.2	5,805.0
Works in progress	510.5	91.6
Valuation of the share of equity-accounted investments	67.8	67.7
Transfer taxes and registrations	297.4	290.1
Other reclassifications	0.4	1.0
Market value excluding transfer taxes (including IPUC)	5,469.1	5,355.6
IPUC	21.5	26.8
Market value excluding transfer taxes	**5,447.5**	**5,327.8**

The market value, including transfer taxes, of the assets includes the fair value of investment properties held in companies consolidated by the equity method.

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

[7] NPY: The Net Potential Yield is the ratio between net annualised rental income based on the market rental value of vacant premises as defined by appraisers, and the market value of the assets including transfer taxes.

4 INVESTMENTS, DEVELOPMENTS AND ACQUISITIONS

4.1 Developments

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

Pursuant to the Renovation and Development Agreement, expansion projects are developed jointly by Carmila and the Carrefour group. Initially, expansion projects are researched and defined jointly by a partnership committee. In order to ensure that the interests of both parties are met, the Renovation and Development Agreement provides that the financing costs and the development margin achieved for each development project will be divided equally (50% each) between Carmila and the Carrefour group. Once opened to the public, call and put option mechanisms enable Carmila to purchase the entire expansion jointly-developed with the Carrefour group.

Development pipeline:

The 2018-2023 extension pipeline at 31 December 2017 encompassed 31 projects representing an estimated investment of €1.5 billion and an average yield on cost of 6.5%[8]. Following the delivery of three projects during the first half of the year, the pipeline at 30 June 2018 encompasses 28 projects representing an estimated investment of €1.4 billion and an average yield on cost of 6.4%.

The following table presents the key information on Carmila's expansion projects for the 2018-2023 period.

[8] Investment and yield on cost including Carmila's share of investment for the 50% of the project for which it is the developer and the purchase price of the 50% owned by Carrefour group.

Extension project	Country	Additional leasable area (sq.m.)	Planned opening date	Estimated cost[1] (in millions of euros)	Full year additional rental value (in millions of euros)	Yield[2]	Yield on Carmila share[3]
Projects H1 2018 Delivered							
Orléans - Cap Saran	France	29,233	H1 2018				
Douai - restructuring	France	1,294	H1 2018				
Hérouville - restructuring	France	179	H1 2018				
Total Projects H1 2018		**30,706**		**47.0**	**4.4**	**9.0%**	**9.0%**
Projects H2 2018							
Besançon Chalezeule	France	15,000	H1 2018				
Évreux (phase 2)	France	13,256	H2 2018				
Athis Mons	France	4,086	H2 2018				
Los Patios	Spain	1,207	H2 2018				
Total Projects H2 2018		**33,549**		**87.0**	**6.5**	**7.6%**	**7.1%**
Projects post - 2018							
Lilles - Coquelles restructuring	France	600	H1 2019				
Rennes - Cesson Sévigné	France	6,085	H2 2019				
Toulouse - Purpan	France	2,758	2019 / 2020				
Laon (phase 1)	France	1,700	2019 / 2020				
Chambéry Bassens	France	2,288	2019 / 2020				
Thiene	Italy	9,600	2019 / 2020				
Puget - restructuring	France	1,571	2019 / 2020				
Mably - restructuring	France	3,015	2019 / 2020				
Sallanches	France	1,819	2020				
Nice Lingostière	France	12,791	2020				
Thionville	France	6,432	2020				
Laval	France	4,948	2020				
Milan - Paderno	Italy	32,000	2020				
Angoulins	France	8,923	2020				
Marseille - Vitrolles	France	11,727	2021				
Augusta - Saragossa	Spain	17,334	2021				
Puerta de Alicante	Spain	13,453	2021				
Aix-en-Provence	France	5,978	2022				
Montesson	France	30,409	2022				
Burgos	Spain	15,000	2022				
Antibes	France	36,440	2023				
Toulouse - Labège	France	12,385	2022				
Vénissieux	France	42,965	2022				
Orléans Place d'Arc	France	10,732	2023				
Total projects controlled[4]		**324,503**		**1,489.6**	**100.5**	**7.1%**	**6.4%**

(1) The total investment corresponds to Carmila's projected share (50% of the investment) plus Carrefour's share (50% of the investment and 50% of the margin) that is acquired upon delivery.
(2) Expected net annualised rents divided by the total estimated investment amount.
(3) Expected net annualised rents, divided by the total amount of the investment, including transfer taxes, including Carrefour's share that is acquired upon delivery.
(4) Projects controlled: Post-H1 2018 projects for which studies have been significantly advanced and for which Carmila controls either the real estate or the right to build on it, but where not all administrative authorisations may have been obtained.

Extensions of the first half of 2018:

In the first half of 2018, Carmila demonstrated its ability to deliver its development strategy with the delivery of three extensions, covering a surface area of 30,706 sq.m. and at an estimated cost of €47.0 million.

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

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

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

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

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

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

Extensions of the second half of 2018:

In the second half of 2018, Carmila plans to deliver four extensions covering a surface area of 33,549 sq.m., for an estimated cost of €87.0 million.

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

In the second half of 2018, Carmila plans to open a 15,000 sq.m. retail park linked to the Besançon Chalezeule Carrefour shopping centre and the tram service in operation since September 2014. The future retail park has a catchment area of 115,000 households and will house 18 new retail brands, amongst them Intersport, Chaussea, Basic Fit and Space Jump.

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

In the second half of 2018, Carmila plans to open the expansion of the shopping arcade in the Carrefour shopping centre at Athis-Mons. The 4,086 sq.m. extension will also increase the number of retail brands from 22 to 41, including an H&M in the new extension.

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

In the second half of 2018, Carmila plans to inaugurate the second phase of the extension of the shopping arcade in the Carrefour Évreux hypermarket shopping centre. The shopping centre will then reach a leasable area of 7,000 sq.m. for the shopping mall and 30,700 sq.m. for the retail park, bringing the total number of retail brands from 15 to 70.

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

At the end of 2018, Carmila plans to inaugurate the extension of the shopping arcade in the Carrefour "Los Patios" shopping centre in Malaga. The project consists of a total restructuring of the shopping arcade and the extension of a leasable area of 1,200 sq.m.

Post-2018 projects:

- **Rennes Cesson (35) – Extension project for a shopping centre benefiting from a strategic location at the entrance to the city**

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

- **Nice Lingostière (06) – Extension project for a landmark leisure complex in France's fifth city**

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

Authorisations to operate retail facilities

An authorisation to operate a retail facility is required in connection with the creation of a store or retail complex with retail space of more than 1000 sq.m. or for an expansion of a store or of a retail complex that contains or will contain more than 1,000 sq.m. of retail space. This regulation primarily applies to food stores, retailers, and artisanal services.
Projects requiring construction permits are eligible for a "one-stop shopping" procedure in which the project leader files a single application for both the construction permit and for the authorisation to operate a retail facility.

To date, 17 CDAC/CNAC approvals have been obtained, including 1 CDAC approval in the first half of 2018:

- **Puget-sur-Argens** - 2,080 sq.m., CDAC granted (19 June).

4.2 Carmila portfolio renovation programme

Renovation operations consist of modernising and maintaining the property portfolio to adapt to the expectations of retailers and end consumers by making properties more attractive. By the end of 2017, Carmila had achieved all of its initial renovation programme covering 167 shopping centres.
Carmila aims at renovating its entire portfolio, and is continuing its programme with renovations of recently-acquired sites.

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

4.3 Acquisitions

Carmila is continuing to deploy the investment strategy set out during the IPO, by acquiring eight powerful assets in the first half of 2018 for €394 million.

The goal is to deploy its value drivers including implementing the "Air de Famille" concept, modernising the merchandising mix, optimising occupancy rates, developing specialty leasing, boosting business by deploying digital marketing tools, and developing extensions, as some of the assets hold significant building potential.

Marseille - Vitrolles and Madrid - Gran Via de Hortaleza

Carmila's development includes the acquisition of two shopping centres attached to high-performing Carrefour hypermarkets: Marseille - Vitrolles and Madrid - Gran Via de Hortaleza. With these acquisitions worth €212.2 million, Carmila's portfolio has gained two assets with high-value creation potential.

Marseille - Vitrolles

Marseille - Vitrolles is a regional shopping centre which includes a Carrefour hypermarket (20,500 sq.m. of retail space, owned by the Carrefour group and one of the leading 15 Carrefour hypermarkets in France) and a shopping mall (84 stores covering 24,350 sq.m.).

Since it was opened in 1970, Marseille - Vitrolles has become one of Marseille's main shopping destinations, boosted by its three main anchors: Carrefour, Boulanger and Castorama.

Nowadays the shopping centre is home to retail brands such as Decathlon, IKEA and Toys'Rus, and attracts 5.2 million loyal customers each year and has a catchment area of over 600,000 local residents.

Carmila plans to modernise and expand the site which will eventually house 130 retail brands. This will be achieved through a 11,700 sq.m. expansion for which the administrative authorisations (CDAC and building permits) have already been granted.

Madrid - Gran Via de Hortaleza

Situated in an urban catchment area to the north-east of the capital, Madrid - Gran Via de Hortaleza is a large shopping centre on two levels which comprises a Carrefour hypermarket (10,950 sq.m. of retail space, owned by the Carrefour group and one of the leading 5 Carrefour hypermarkets in Spain) and a shopping centre (69 stores covering 6,300 sq.m.).

The leading centre in this area of Madrid was developed in 1992, and houses many anchor retail brands (Mango, Promod, Okaidi, Calzedonia, Primor Fosco, Rodilla, 100 Montaditos, Alain Affelou, Burger King), attracting over 6.3 million visitors per year. It has a catchment area of 263,000 and a 54% penetration rate.

Pradera portfolio

Carmila is reinforcing its position in Spain with the acquisition of six shopping centres from Pradera European Retail Fund for €182 million, with an average rate of return of 6.3%. All of the centres are leaders or joint leaders in their catchment areas and linked to a high-performing Carrefour hypermarket. There is also significant potential for growth in rental revenue across these centres over the next three to five years.

The portfolio covers three assets situated in Andalusia (Sevilla, Córdoba and Puerto de Santa Maria in Cádiz), two in Barcelona in Catalonia, and one in Alicante.

With the acquisition of Madrid - Gran Via de Hortaleza in February 2018, Carmila adds a total of 63,000 additional sq.m. to its Spanish portfolio (increase of 16%).

La Sierra in Córdoba

Located in Andalusia's 3rd city, this leading two-storey city centre site includes a shopping centre with 65 stores covering 17,600 sq.m.

Built in 1994, then renovated and extended in 2016 the Centre has become a popular shopping destination with leading international brands including Zara and the Inditex galaxy, the only H&M in the city, Benetton and Sfera. La Sierra is located in a catchment area of 190,000 residents and hosts 3.7 million visitors per year with many returning customers: 12% of customers visit once a week.

El Paseo in Cádiz

Located in El Puerto de Santa Maria in the city of Cadiz, this leading site includes a 10,500 sq.m. shopping centre with 53 shops.

Carmila has also purchased 7,500 sq.m. of constructible land for extension projects. El Paseo was built in 1993 and houses popular retail brands such as Zara and other brands under the Inditex umbrella, as well as H&M and Decimas. El Paseo is situated in a major tourist area and has 4.2 million visitors each year. Its catchment area covers 400,000 people.

Aljarafe in Sevilla (Camas)

The site is located in Spain's 4th city, in the city's largest shopping district, and comprises a shopping centre housing 41 stores over 12,000 sq.m.

Built in 1998, the shopping centre includes a cinema and two medium-sized stores with a car park which are home to retail brands Decathlon and McDonald's. The centre is located in a catchment area of 319,000 residents and benefits from regular footfall, with 13% of customers visiting once a week. It forms part of a larger retail area, which comprises a number of diverse and complementary medium-sized anchor retailers such as El Corte Inglès, Conforama, Leroy Merlin, Toys'Rus and Maison du Monde. A restructuring project is currently being examined in order to further increase the site's appeal.

San Juan in Alicante

Located in the northern suburbs of Alicante, the 11th biggest city in Spain, this leading site is home to a shopping centre with 33 stores and medium-sized retailers over 7,100 sq.m. San Juan in Alicante was built in 1977. It is located in a catchment area of 442,000 people, and encompasses a number of specialist medium-sized retailers (including DIY, toys, Feu Vert and Burger King).

Tarrasa in Barcelona

Located in the north-western suburbs of Barcelona, Spain's 2nd city, this site is home to a shopping centre with 35 stores and medium-sized retailers over 7,400 sq.m.

This shopping centre was built in 1978 and is situated in one of the region's main retail areas. It includes a medium-sized DIY retailer. The centre is situated in a catchment area of 527,000 residents and also benefits from regular footfall, with 12% of customers visiting once a week. A study is underway for an ambitious extension project on the site.

Manresa in Barcelona

This site is also located in Barcelona's north-western suburbs and hosts a 2,300 sq.m. shopping centre with 29 stores.

The centre was built in 1991 and has no nearby competitors. The hypermarket is a leader in the area, while the shopping centre essentially comprises service retail brands which complement the Carrefour store. Manresa is situated in a catchment area of 307,000 people. It has regular and loyal customers and its appeal is boosted by specialist medium-sized retailers located nearby.

5 FINANCIAL POLICY

5.1 Financial resources

Bonds

To finance its growth, on 28 February 2018 Carmila successfully issued a €350 million, 10-year bond bearing interest of 2.125%.
The bond was subscribed 2.2 times and placed with several major long-term investors.

At 30 June 2018, Carmila's outstanding bond debt totalled €1,550 million.

Borrowings from banks

Carmila entered into a loan agreement with a banking pool in 2013. This agreement was re-negotiated in 2015, 2016 and then in 2017. As of 30 June 2018, the amount drawn-down was €770 million.
The syndicated loan agreement initially due to expire in June 2022 was extended to June 2023.

Compliance with the prudential ratios at 30 June 2018

The credit lines are subject to compliance with covenants measured at the closing date of each half-year and financial year.

Interest Cover

The ratio of EBITDA to the net cost of debt must be greater than 2.0 at the test dates. At 30 June 2018, the ICR ratio was 5.1.

Interest Cover Ratio *(in thousands of euros)*		**30/06/18**	**30/06/17**
		12 months	12 months
EBITDA	**(A)**	**251,169**	**217,978**
Net financial expenses	**(B)**	**49,194**	**48,189**
Interest Cover Ratio	**(A)/(B)**	**5.1**	**4.5**

Loan to Value

The ratio of consolidated net financial debt to the fair value of the investment assets (excluding transfer taxes) must not exceed 0.55 on the same dates with the possibility of exceeding this ratio for one half-year period. As of 30 June 2018, the LTV including transfer taxes stood at 33.8%.

Loan-to-Value Ratio

(in thousands of euros)		30/06/18	31/12/17
Net financial liabilities	**(A)**	**2,144,252**	**1,745,704**
Gross financial liabilities		2,420,723	2,034,972
Cash and cash equivalents		- 276,471	- 289,268
Property portfolio including transfer taxes	**(B)**	**6,345,654**	**5,805,556**
Fair value of portfolio including transfer taxes		5,767,377	5,713,975
Works in progress		510,500	91,581
Loan-to-Value Ratio (LTV)	**(A)/(B)**	**33.8%**	**30.1%**

Failure to comply with these ratios entitles the lenders to require immediate early repayment of their facilities. At 30 June 2018, Carmila complied with the applicable covenants.

Gross financial liabilities don't include issuance fees for borrowings from banks and bonds and liabilities for derivative hedging instruments (current and non-current) and bank facility.

Other loans

Carmila strives to diversify its sources of financing and their maturities, and has set up a short term commercial paper programme (NEU CP) for a maximum amount of €600 million, registered with the Banque de France on 29 June 2017. The outstanding balance at the end of June 2018 is €100 million with maturities ranging from 1 to 3 months.

As part of its refinancing in 2017, Carmila negotiated new credit lines with leading banks, including:
- a loan agreement amounting to €759 million in the form of an undrawn "revolving credit facility" maturing on 16 September 2023;
- a loan agreement amounting to €250 million in the form of a "club deal" with a limited number of leading banking partners close to Carmila maturing on 16 September 2020.

Breakdown of financial debt by maturity date

At 30 June 2018, financial debt maturity broke down as follows:

in thousands of euros	30/06/18	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds – non-current	1,550,000					1,550,000
Bond redemption premiums – non-current	-11,116	- 1,755	- 1,804	- 1,845	- 1,891	- 3,821
Bonds	**1,538,884**	**- 1,755**	**- 1,804**	**- 1,845**	**- 1,891**	**1,546,179**
Loans from banks – non-current	760,409		- 3,950	- 3,950	- 3,950	772,259
Accrued interest on current borrowings	25,380	25,380				
Other loans and similar debt – current	96,050	96,050				
Loan and bond issuance costs	-13,633	- 3,030	- 3,071	- 2,886	- 2,837	- 1,809
Bank and bond borrowings	**2,407,090**	**116,644**	**- 8,825**	**- 8,680**	**- 8,678**	**2,316,629**
Derivatives held as liabilities – non-current	17,811	4,738	4,581	3,309	2,446	2,737
Bank facility	2,849	2,849				
Gross debt by maturity date	**2,427,750**	**124,231**	**- 4,244**	**- 5,371**	**- 6,232**	**2,319,366**

At 30 June 2018, the average residual duration of the debt was 6.1 years at an average rate of 1.94%, restated from non-cash and non-recurring elements.

5.2 Hedging instruments

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

Carmila has implemented a policy of hedging its variable rate debt in order to secure future cash flows by fixing or capping the interest rate paid. This policy involves setting up derivatives instruments as interest rate swaps and options which are eligible for hedge accounting.
The fixed-rate position stood at 87% of gross debt at 30 June 2018 (compared with 79% at the end of 2017).

At 30 June 2018, Carmila had set up with leading banking partners:
- 9 fixed-rate payer swaps against 3 month Euribor for a notional amount of €560 million covering a period up to, for the longest of them, December 2027;
- 1 swaption collar against 3 month Euribor for a notional amount of €100 million with a deferred start date in June 2019 and maturing in June 2027.

These hedging instruments, still effective, were recognised as cash flow hedges for 2018. The consequence of this cash flow hedge accounting is that derivative instruments are recognised on the closing balance sheet at their market value, with the change in fair value on the effective part of the hedge recorded in shareholders' equity (OCI) and the ineffective part in profit/loss.

5.3 Cash

(in thousands of euros)	**30/06/18**	**31/12/17**
Cash	72,837	168,567
Cash equivalents	203,634	160,830
Gross cash	**276,471**	**329,397**
Bank facility	-2,849	-40,129
Net cash	**273,622**	**289,268**

Cash equivalents consist entirely of investments in money-market funds or very low risk investments (marketable securities) and term deposits with leading credit institutions. The Group's cash levels are partly explained by the €350 million bond issue of the first half of 2018.

5.4 Balance sheet variations

Investment flows

	France		Spain		Italy		TOTAL	
(in thousands of euros)	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Acquisitions	165,463	76,908	236,600	243,337	4	4,725	402,067	324,970
Development and extensions	57,971	69,576	0	0	1,971	568	59,942	70,144
Like for like investments	7,568	28,907	6,529	13,258	263	4,940	14,360	47,105
Other		0		0		0	0	0
Total capital expenditures	**231,002**	**175,391**	**243,129**	**256,595**	**2,238**	**10,233**	**476,369**	**442,219**

The ***Acquisitions*** line item primarily includes the entry in the scope of consolidation of Marseille - Vitrolles in France, and the acquisition of seven shopping malls in Spain. The remaining acquisitions include various insignificant acquisitions considered individually of medium-sized retail areas and various lots located on or close to sites owned by the Group in France, the largest of these being in Ormesson (Ile de France), Berck-sur-Mer (Hauts-de-France) and Châteauroux (Centre-Val de Loire).

The ***Development and extensions*** line item mainly concerns assets in France.

- the Orléans - Cap Saran retail park (Centre-Val de Loire) delivered in April 2018 (investment over the year of €12.8 million);
- projects under development, such as Evreux (Normandy, €15.2 million), Besançon Chalezeule (Burgundy-Franche-Comté, €8.6 million) and Athis Mons (Ile-de-France, €7.5 million), which will be delivered gradually over the second half of 2018;
- preliminary study phases or land acquisitions for development mainly in France in Nice (Provence Alpes Cote d'Azur, €7.5 million), Rennes-Cesson (Brittany, €0.5 million);
- and restructuring of commercial units to adapt retail space to customer needs and optimise its use in Coquelles (Hauts-de-France, €1 million), Douai (Hauts-de-France, €0.6 million), Condé-sur-Sarthe (Normandy, €0.6 million), Hérouville Saint-Clair (Normandy, €0.4 million) or Puget-sur-Argens (Provence Alpes Côte d'Azur, €0.3 million).

Lastly, ***Capital expenditure on a like-for-like basis*** represents 3% of the capital expenditure for the period. This capital expenditure is mainly focused on assets being redeveloped where renovation and modernisation works have been carried out on existing parts in order to optimise value creation. The sites where work is taking place include the Orléans - Cap Saran and Condé-sur-Sarthe sites.

5.5 Carmila’s dividend policy

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

Carmila’s objective is to distribute to its shareholders, from the financial year ending 31 December 2018, an annual amount representing approximately 90% of recurring earnings per share. Where relevant, Carmila's payments will be based on distributable income, and premiums will be paid in addition to this distributable income.

It is recalled that, in order to benefit from the SIIC regime in France, Carmila is required to distribute a significant portion of its profits to its shareholders (within the limit of the SIIC income and distributable income):

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

6 EQUITY AND SHAREHOLDING

As of 30 June 2018, Carrefour is Carmila first shareholder with 35.4% of the total shares. The remaining shares are held mainly by long term investors; the second main shareholder being the Colony group with 10.2% of the total shares.

(in euros)	Number of shares	Share capital	Issuance premiums	Merger premium
On 1 January 2018	**135,060,029**	810,360,174	493,991,679	1,827,680,321
Distribution of dividends GM of 16/05/2018				- 80,808,472
Dividend payment in shares	**1,501,666**	9,009,996	25,663,472	
Adjustment for IPO expenses				1,677,000
At 30 June 2018	**136,561,695**	**819,370,170**	**519,655,151**	**1,748,548,849**

At 30 June 2018, the share capital consists of 136,561,695 ordinary shares of the same class, each with a nominal value of six euros (€6).

On 16 May 2017, the Carmila S.A. Annual Shareholders' Meeting approved the distribution of a dividend of €0.75 per share to be deducted from distributable income, and the allocation of the balance to a merger premium in the amount of €80.8 million.

The Shareholders' Meeting also proposed payment of the dividend in shares. More than 34% of shareholders opted for the payment of the dividend in shares, and a capital increase was carried out for that purpose on 14 June 2018. This transaction was subscribed by shareholders at €23.09 per share.

In respect of the capital increase, 1,501,066 new shares were subscribed for in full at a price of €23.09 per share, representing a nominal amount of the capital increase of €9,009,996, plus an issue premium for a total amount of €25,663,472.

7 ADDITIONAL INFORMATION

7.1 Main risks and uncertainties for the period

No new risk factors were identified during the first half of 2018.

The main risk factors are detailed in Section 5.2 of the 2017 Registered Document.

7.2 Transactions with related parties

There were no changes in transactions with related parties during the first half of 2018.

A description of the contracts and agreements governing relations between the related parties is detailed in Section 5.1 of the 2017 Registered Document.

7.3 Changes in governance

Appointment of Sébastien Vanhoove as Deputy CEO of Carmila

Yves Cadelano having decided to take a new path in his career, the Board of Directors of Carmila took due note of his resignation and appointed Sébastien Vanhoove as Deputy CEO. He joins the management team of Carmila alongside Jacques Ehrmann and Géry Robert-Ambroix.

Sébastien Vanhoove started his career at Immochan and then Immobilière Carrefour before joining A2C in 2003 (now Retail & Connexion). He has there hold several positions notably COO and deputy CEO from 2009 until 2013.

In 2014 he became COO of Carrefour Property France and then deputy CEO in 2016. Since November 2017 he has held the posts of CEO of Carrefour Property France with responsibilities for managing all the activities of the company.

Jacques Ehrmann commented: "Yves Cadelano and I shared 23 years of complicity, and I respect his wish to develop his career along new paths. I'm sorry to see him go, and I wish to thank him for all the projects he has headed for Carmila since 2013, and in particular for having prepared his successor so well in advance in the person of Sébastien Vanhoove.

Sébastien Vanhoove is a first-rate professional who has also accompanied Carmila's development from the outset. I'm particularly delighted to welcome him to Carmila, where he will contribute his great expertise, professionalism and energy".

Resignation of Frédéric Bôl from his position as censor

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

Appointment of Maria Garrido as Director

At the General Assembly of 16 May 2018, Maria Garrido has been appointed as a Company Director for a period of four years.

7.4 Shareholding as of 30 June 2018

Based on information published by shareholders and Directors to the AMF, Shareholding of Carmila as of 30 June 2018 was the following:

Shareholders		Number of shares and voting rights	% of shareholding and voting rights
CRFP 13	(1)	48 288 568	35,36%
Predica	(2)	12 564 212	9,20%
Cardif Assurance Vie	(3)	12 070 296	8,84%
Colkart Sarl	(4)	10 769 925	7,89%
Sogecap	(5)	7 004 683	5,13%
Colkart II Sarl	(6)	3 110 681	2,28%
Management and salaries		236 159	0,17%
Treasury shares		95 618	0,07%
Public		42 421 553	31,06%
TOTAL		136 561 695	100,00%

(1) Controlled by Carrefour

(2) Controlled by Crédit Agricole Assurances, which is controlled by Crédit Agricole SA

(3) Controlled by BNP Paribas

(4) Controlled by Colkart Investment SCS whose "associé commandité" and manager is Colony Retail Europe III Sarl

(5) Controlled by Société Générale

(6) Controlled by Colony

8 OUTLOOK

This past half-year saw an acceleration in the transformation and the business model coming into its own and producing increased activity growth.

The digital marketing strategy put in place is being rolled out in support of the various activities of the Group. More than 300 operations are now carried out each month in the three countries where we are established, compared with 200 in the first half of 2017, and these support the arrival of new retailers, the opening of extensions and the activity of all our retailers, and reinforce the actions carried out by all our teams.

For 2018, our objective is solid double-digit growth in recurring earnings, which would make 2018 a year of exception.

HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018

Contents

1. CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018

1.1. Consolidated statement of comprehensive income

IFRS EPRA standard presentation *(in thousands of euros)*		**30/06/2018**	**30/06/2017**
Gross Rental Income		**166 875**	**146 797**
Real estate expenses		- 2 925	- 3 476
Non-recovered rental charges		- 3 932	- 3 479
Property expenses (landlord)		- 5 000	- 5 850
Net Rental Income	*9.1*	**155 018**	**133 992**
Operating expenses	*9.2*	- 25 300	- 24 827
Income from management, administration and other activities		*1 362*	*1 016*
Other income		*3 553*	*2 594*
Payroll expenses		*- 12 629*	*- 9 978*
Other external expenses		*- 17 586*	*- 18 459*
Other operating income		-	-
Allowances for depreciation of fixed assets, amortisation of tangible fixed assets and provisions	*9.3*	- 1 496	- 640
Other operating income and expenses	*9.4*	340	- 1 084
Gain (loss) on disposals of investment properties and equity investments	*9.5*	76	- 191
Change in fair value adjustments	*6*	61 129	147 801
Decrease of fair value adjustment properties		*94 241*	*172 265*
Increase of fair value adjustment properties		*- 33 112*	*- 24 464*
Share in net income of equity-accounted investments	*8.3*	1 255	11 350
Operating income		**191 022**	**266 401**
Financial income		201	242
Financial expenses		- 25 503	- 25 032
Cost of net indebtness		**- 25 302**	**- 24 790**
Other financial income and expenses		- 5 465	5 992
Financial income (expense)	*7.1*	**- 30 767**	**- 18 798**
Income before taxes		**160 255**	**247 603**
Income tax	*10.1*	- 19 977	- 11 928
Consolidated net income		**140 278**	**235 675**
Group share		**140 218**	**235 448**
Non-controlling interests		**60**	**227**
Average number of shares comprising Carmila's share capital	*8.8.4*	135 097 155	104 973 554
Earnings per share, in euros (Group share)		1,04	2,24
Diluted average number of shares comprising Carmila's share capital	*8.8.4*	135 319 043	105 215 180
Diluted earnings per share, in euros (Group share)		1,04	2,24

Consolidated statement of comprehensive income *(in thousands of euros)*		**30/06/2018**	**30/06/2017**
Consolidated net income		**140 278**	**235 675**
Items to be subsequently recycled in net income		- 3 429	7 177
Cash-flow Hedges (effective part)	*7.2.8*	- 2 255	7 177
Fair value of other financial assets		- 1 174	-
Related income tax		-	-
Items not to be subsequently recycled in net income		-	7
Re-valuation of the net liabilities under defined-benefit schemes	*13.3.1*	-	7
Related income tax		-	-
Consolidated net comprehensive income		**136 849**	**242 859**

1.2. Consolidated statement of financial position

ASSETS

(in thousands of euros)		30/06/2018	31/12/2017
Goodwill		-	-
Intangible assets	*8.1*	5 285	4 559
Property, plant and equipment	*8.2*	2 242	2 411
Investment properties carried at fair value	*6.1*	5 469 073	5 356 002
Investment properties carried at cost	*6.1*	510 500	91 581
Investment in equity-accounted companies	*8.3*	47 139	47 364
Other non current assets	*8.4*	14 545	12 981
Deffered tax assets	*10.4*	6 649	6 284
Non current assets		**6 055 433**	**5 521 182**
Investment properties held for sale	6.3	500	500
Trade receivables	*8.5*	117 334	107 919
Other current assets	*8.6*	73 614	75 398
Cash and cash equivalent	*8.7*	276 471	329 397
Current assets		**467 919**	**513 214**
Total Assets		**6 523 352**	**6 034 396**

LIABILITIES & SHAREHOLDERS' EQUITY

(in thousands of euros)		30/06/2018	31/12/2017
Share capital		819 370	810 360
Additional paid-in capital		2 268 204	2 321 671
Treasury shares		- 2 447	- 2 653
Other comprehensive income		- 31 366	- 27 937
Consolidated retained earnings		432 215	121 234
Consolidated net income - Group chare		140 218	313 787
Shareholders' equity - Group share		**3 626 194**	**3 536 462**
Non-controlling interests		5 892	5 999
Shareholders' equity	**8.8**	**3 632 086**	**3 542 461**
Non-current provisions	*8.9*	3 218	2 142
Non-current financial debts	*7.2*	2 303 391	1 966 003
Lease deposits and guarantees		75 448	69 643
Non-current tax liabilities and deferred tax liabilities	*10.3 & 10.4*	132 006	112 867
Other non-current liabilities	*8.10*	7 475	7 477
Non-current liabilities		**2 521 538**	**2 158 132**
Current financial debt	*7.2*	121 509	68 970
Bank facilities		2 849	40 129
Trade payables	*8.11*	28 073	28 567
Fixed assets payables	*8.11*	60 538	71 751
Current tax liabilities and social dues	*8.12*	57 409	38 661
Other current liabilities	*8.12*	99 349	85 724
Current liabilities		**369 727**	**333 802**
Total liabilities and shareholders' equity		**6 523 352**	**6 034 396**

1.3. Consolidated cash-flow statement

in thousands of euros	*Note*	30/06/2018	31/12/2017	30/06/2017
Consolidated net income		**140 278**	**314 304**	**235 675**
Elimination of income from equity-accounted investments	*8.3*	-1 255	-11 067	-11 350
Elimination of depreciation, amortisation and provisions		1 490	2 263	851
Elimination of change in fair value adjustment	*6.1*	-59 626	-164 239	-148 027
Elimination of capital gain / loss on disposal		-28	119	191
Other non-cash income and expenses		-5 239	3 825	419
Cash-flow from operations after cost of net debt and tax		**75 620**	**145 205**	**77 759**
Elimination of tax expense (income)	*10.1*	19 977	34 359	11 928
Elimination of cost of net debt		25 304	48 682	24 790
Cash-flow from operations before cost of net debt and tax		**120 901**	**228 246**	**114 477**
Change in operating working capital		22 952	47 822	33 576
Change in lease deposits and guarantees		3 597	-537	-1 301
Income tax paid		702	-11 541	-2 508
Cash-flow from operating activities		**148 152**	**263 990**	**144 244**
Change in scope of consolidation		4 969	- 7 643	- 6 007
Change in fixed assets payables		-11 213	43 821	-
Acquisitions of investment properties	*6.1*	-476 369	-279 184	- 109 559
Acquisitions of other fixed assets		-886	-282	-1 262
Change in loans and advances		970	-7 343	-101
Disposal of investment properties and other fixed assets		217	177	163
Dividend received		1 480	1 474	1 473
Cash-flow from investment activities		**-480 832**	**-248 981**	**-115 294**
Share capital increase	*8.8*	34 674	613 937	-
Transactions in share capital of equity accounted companies	*8.3*	0	- 10 025	- 25
Net sale (purchase) of treasury shares		206	- 2 447	72
Issuance of bonds		350 000	0	0
Issuance of new bank loans	*7.2*	40 792	15 905	426 173
Loan repayments	*7.2*	-319	-184 778	-374 872
Interest paid		-7 162	-49 692	-14 095
Interest received		201	928	242
Dividends and share premiums distributed to shareholders		-101 358	-164 690	-62 901
Cash-flow from financing activities		**317 034**	**219 139**	**-25 408**
Change in net cash position		**-15 646**	**234 148**	**3 542**
Opening cash position		289 268	55 120	55 120
Closing cash position	*8.7*	273 622	289 268	58 662

1.4. Statement of changes in consolidated equity

in thousands of euros	Note	Share capital	Additional paid-in capital	Treasury shares	Other comprehensive income	Consolidated retained earnings	Consolidated net income	Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
Balance at 31 décembre 2016		**313 655**	**1 842 673**	**0**	**-38 829**	**230 743**	**294 531**	**2 642 773**	**8 431**	**2 651 204**
Share capital transactions								**0**		**0**
Share-based payments						418		**418**		**418**
Treasury shares transactions				72				**72**		**72**
Dividend paid			-62 731			294 531	-294 531	**-62 731**	-170	**-62 901**
Allocation of 2016 income								**0**		**0**
Net income of the year							**235 448**	**235 448**	**227**	**235 675**
Gains and losses recorded directly in equity		0	0	0	0	0	0			
Recycling of OCI to income					1 489			**1 489**		**1 489**
Change in fair value of hedging instruments					5 688			**5 688**		**5 688**
Actuarial gains and losses on retirement benefits					7			**7**		**7**
Other comprehensive income					**7 184**			**7 184**	**0**	**7 184**
Change in scope of consolidation		339 554	186 503		-1	-406 707		**119 349**	-2 251	**117 098**
Balance at 30 June 2017		**653 209**	**1 966 445**	**72**	**-31 646**	**118 985**	**235 448**	**2 942 513**	**6 237**	**2 948 750**
Share capital transactions		157 151	456 786					**613 937**		**613 937**
Share-based payments						926		**926**		**926**
Treasury shares transactions				-2 519				**-2 519**		**-2 519**
Dividend paid			-101 560					**-101 560**	-229	**-101 789**
Allocation of 2016 income								**0**		**0**
Net income of the year							**78 339**	**78 339**	290	**78 629**
Gains and losses recorded directly in equity		0	0	0	0	0	0			
Recycling of OCI to income					1 515			**1 515**		**1 515**
Change in fair value of hedging instruments					2 231			**2 231**		**2 231**
Actuarial gains and losses on retirement benefits					-38			**-38**		**-38**
Other comprehensive income					**3 708**			**3 708**	**0**	**3 708**
Change in scope of consolidation				-206		1 323		**1 117**	-299	**818**
Balance at 31 December 2017		**810 360**	**2 321 671**	**-2 653**	**-27 937**	**121 234**	**313 787**	**3 536 462**	**5 999**	**3 542 461**
Opening IFRS 9 adjustment						19 751		**19 751**		**19 751**
Balance at 1 January 2018		**810 360**	**2 321 671**	**-2 653**	**-27 937**	**140 985**	**313 787**	**3 556 213**	**5 999**	**3 562 212**
Share capital transactions	*8.8*	9 010	27 340					**36 350**		**36 350**
Share-based payments	*13.3.2*					- 2 343		**-2 343**		**-2 343**
Treasury shares transactions	*8.8.3*			206				**206**		**206**
Dividend paid	*2.3*		- 80 807			-20 384		**-101 191**	-167	**-101 358**
Allocation of 2016 income			-			313 787	-313 787	**0**		**0**
Net income of the year							**140 218**	**140 218**	**60**	**140 278**
Gains and losses recorded directly in equity		0	0	0	0	0	0			
Recycling of OCI to income	*7.2.8*				1 464			**1 464**		**1 464**
Change in fair value of hedging instruments					- 1 174			**-1 174**		**-1 174**
Change in fair value of other financial assets	*7.2.8*				- 3 719			**-3 719**		**-3 719**
Actuarial gains and losses on retirement benefits	*13.3.1*							**0**		**0**
Other comprehensive income					**-3 429**			**-3 429**	**0**	**-3 429**
Change in scope of consolidation						170		**170**		**170**
Balance at 30 June 2018		**819 370**	**2 268 204**	**-2 447**	**-31 366**	**432 215**	**140 218**	**3 626 194**	**5 892**	**3 632 086**

The *"share capital transactions"* line reflects the capital increase in June 2018 made as part of the payment of the 2017 dividend in shares. This option was chosen by more than 34% of shareholders. The impact of the *"Initial application of IFRS 9"* is clarified in *3.3 Accounting standards*.

2. HIGHLIGHTS FOR THE FIRST HALF OF 2018

To finance its growth, on 7 March 2018, Carmila issued a €350 million bond that was subscribed 2.2 times and placed with major long-term investors. At the transaction date, this new line of financing extended the average maturity of the Carmila Group's debt from 5.4 years to 6.1 years (see *2.4 Debt and financing*).

In addition, the company completed a capital increase of €34.7 million in the context of the share dividend payment option proposed by the Shareholders' Meeting on 16 May 2018 (see 2.3 *Dividends*).

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

During the first half of the year, Carmila was active in acquisitions on the French and Spanish markets, acquiring two leading shopping centres from the Klépierre Group in Marseille-Vitrolles and Madrid in February for €212.2 million, as well as a portfolio of six shopping centres from the Pradera Group in Spain for €182 million in May 2018. In line with Carmila's strategy, all of these shopping centres are adjacent to major Carrefour hypermarkets.

Lastly, on 24 April 2018, Carmila inaugurated the flagship Cap Saran retail park in the northern Orléans metropolitan area, opening the largest retail park in France in 2018 on an existing site. This 29,000 m² open-air shopping promenade is the home for 34 new home, fashion, leisure and restaurant brands, bringing the total number of retail brands on the site to 85 and breathing new life into the existing site, which opened in 1971 and was enlarged and fully renovated in 2017.

2.1. Investments

In the first half of the year, investments focused on acquisitions of leading shopping centres, mainly in Spain, a dynamic region, where the focus in 2017 was on the valuation and rental optimisation of existing assets.

The following significant acquisitions were made:

The acquisition of two leading shopping centres from the Klépierre Group for €212 million:

- Grand Vitrolles – Marseille: this regional shopping centre of over 24,000 m² is made up of 84 shops and adjoins a huge Carrefour hypermarket with a sales area of 20,500 m². This site opened in 1970 and has established itself historically as a major commercial destination for Marseille. It is located in a larger commercial area that is also home to an adjacent retail park.
- Gran Via de Hortaleza – Madrid: this major two-level shopping centre opened in 1992 and is located in a dense urban urbanised catchment area in the north-east of Madrid. The 6,300 m² shopping centre has 69 shops and is adjacent to a 10,950 m² Carrefour hypermarket, one of the 5 largest Carrefour hypermarkets in Spain.

The acquisition of a portfolio of six shopping centres from the Pradera Group for €182 million:

- La Sierra – Córdoba (Andalusia): Located in Andalusia's third city in terms of population and purchasing power, this site is a popular city centre shopping destination. Built in 1994, then renovated and extended in 2016, the shopping centre has achieved its leading position thanks to an 8,200-sq.m. Carrefour store adjacent to the shopping mall with 65 stores covering 17,600 sq.m.

- El Paseo – Cadiz (Andalusia): located in El Puerto de Santa Maria in a region with heavy tourist traffic, this leading site includes a 10,500 m² shopping centre with 53 shops and an 11,000 m² Carrefour hypermarket. The site also receives traffic from medium-sized retailers near the centre that are home to retail brands complementary to those at El Paseo.
- Aljarafe – Seville (Andalusia): located in the fourth-largest city in Spain, this site has 41 shops on 12,000 m² of commercial space. This shopping centre is adjacent to an 11,400 m² Carrefour hypermarket. The centre also receives traffic from nearby medium-sized retailers with complementary brands.
- San Juan – Alicante (Alicante): located in the northern suburbs of the eleventh-largest city in Spain, this leading site is made up of 33 specialty shops and medium-sized retailers in an area of 7,100 m² that is adjacent to a 13,100 m² Carrefour hypermarket.
- Tarrasa – Barcelona (Catalonia): located in the northern suburbs of Spain's second-largest city, this 7,400 m² site was built in 1978 contains 35 shops and medium-sized retailers on 7,400 m² and is adjacent to a 12,400 m² Carrefour hypermarket.
- Manresa – Barcelona (Catalonia): this 2,300 m² site developed in 1991 is also located in the northern suburbs of Barcelona and consists of 29 shops that mainly offer services that complement the 10,300 m² Carrefour store. This hypermarket is a major leader in its catchment area.

Over this half-year period, the Group has also continued to redevelop its existing assets to support value-creating renovation and expansion projects.

The Group thus invested €12.8 million over the period for the completion of the Cap Saran-Orléans retail park (total investment of €43.5 million).

In addition, projects scheduled to be delivered in the second half of 2018 received significant investments during the first half, namely the developments and extensions in Evreux (whose first phase was delivered in 2017, with €15.2 million invested over the period), Besançon-Chalezeule (€8.6 million) and Athis-Mons (€7.5 million).

2.2. Disposals

There were no material disposals during the financial year.

2.3. Dividends

On 16 May 2018, the Shareholders' Meeting, on the proposal of the Board of Directors, approved the distribution of a dividend of €0.75 per share, for which €20,384 thousand will be taken from the distributable income and the balance of €80,808 thousand from the merger premium. At the same time, shareholders were offered a dividend payment in shares, and over 34% of shareholders chose this option.

In November 2017, the Group had paid out an interim dividend of €101,560 thousand, taken from the merger premium.

2.4. Debt and financing

On 28 February 2018, Carmila placed a €350 million 10-year bond with a coupon of 2.125%. This bond should enable the Group to finance its growth and in particular the extensions currently under way.

In addition, the option for dividend payment in shares, subscribed by more than 34% of shareholders, resulted in a capital increase of €34.7 million in June 2018.

With these two transactions, the average bank financing maturity extended the average maturity of Carmila's debt from 5.4 years to 6.1 years.

3. ACCOUNTING PRINCIPLES AND METHODS

These half-year financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", and should be read together with the Group's most recent consolidated financial statements for the financial year ended on 31 December 2017. They do not contain all of the information required for a complete set of financial statements in accordance with IFRS standards. They do however contain a selection of notes which explain significant events and transactions, in order to understand the changes which have taken place in the Group's financial position and performance since the previous annual financial statements.

These current Group financial statements are the first to incorporate the IFRS 15 and IFRS 9 standards. The changes to accounting methods which have had the most marked effects are described in this paragraph.

These half-year consolidated financial statements were prepared under the supervision of the board of directors on 27 July 2018. The board approved and authorised their publication for the period from 1 January to 30 June 2018.

3.1. Presentation of the Group

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

At 30 June 2018, the Group employed 198 people, including 142 in France, 43 in Spain and 13 in Italy. The Group owns a portfolio of 214 shopping centres, mainly as a result of transactions carried out in 2014. In April 2014, Carmila acquired 126 sites in France, Spain and Italy from the Klépierre Group and 6 shopping malls in France from Unibail-Rodamco. The same year, the Group received a contribution of 47 centres in France along with various premises and the shares of a holding in Spain from the Carrefour group.

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

3.2. Shareholding, stock-market listing and strategic partnership

Carmila's share capital is divided among long-term associates. At 30 June 2017, the largest shareholder is the Carrefour group, which has an equity investment of 35.4% in Carmila's share capital, which it consolidates in its financial statements using the equity method. Carrefour is developing a strategic partnership with Carmila, aimed at revitalising and transforming shopping centres adjoining its hypermarkets in France, Spain and Italy. The other 64.6% of the share capital is mainly owned by long-term investors from major insurance companies or leading financial players. The second-largest reference shareholder is the Colony Group, which holds 10.2% of Carmila's share capital.

Carmila S.A.'s shares have been listed for trading on compartment A of Euronext Paris since 1 January 2018.

3.3. Accounting standards

IFRS standards applied

The Carmila Group's consolidated financial statements as of 30 June 2018 have been prepared in accordance with the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) as adopted by the European Union at 30 June 2018, comprising the IFRS, the IAS (International Accounting Standards) as well as their interpretations (SIC and IFRIC). All of the texts adopted by the European Union are available on the European Commission website at:

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

The European Union adopted the following standards, interpretations and amendments, which are mandatory from 1 January 2018:

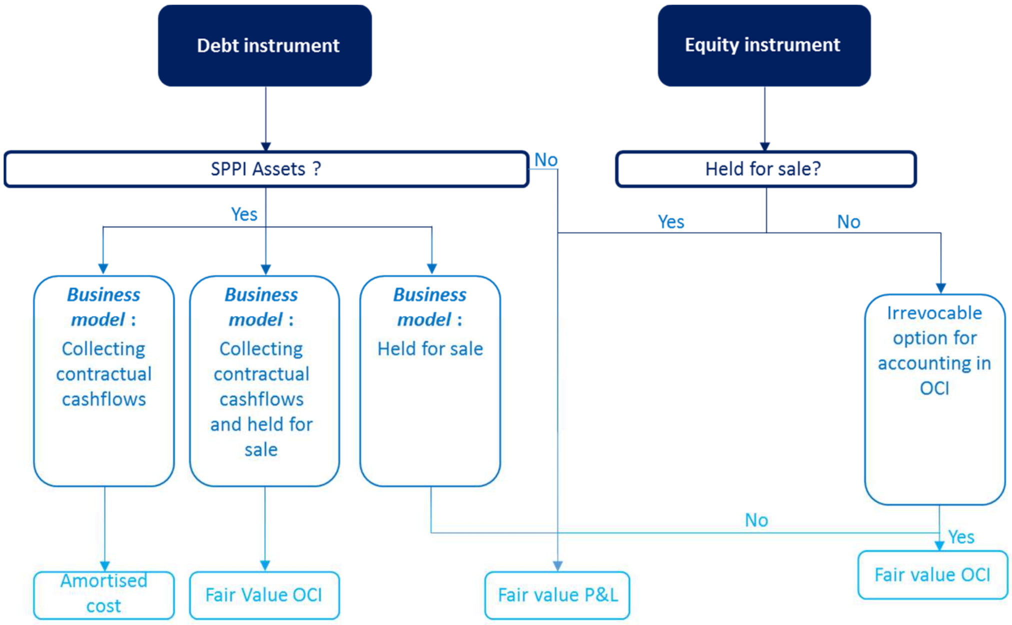
- IFRS 9 – Financial instruments

This standard replaces *IAS 39 – Financial Instruments – Recognition and Measurement* and sets out requirements for the recognition of financial assets and liabilities, impairment of financial instruments, de-recognition and hedge accounting.

The Group has chosen not to restate the previous period, as allowed by the standard. Restatements related to the first and retrospective application of the standard have been booked in the equity at 1 January 2018. The impact of this change are sum up hereinafter.

a. <u>Classification and measurement of financial instruments (assets and liabilities):</u>

The methodology for classifying and measuring financial assets is revised based on the contractual characteristics of cash flows and the economic model for asset management. The definition of financial assets selected is expanded: loans, advances, non-consolidated securities current accounts, trade receivables and derivative assets. IFRS 9 also makes a distinction between two categories of financial assets: debt instruments and equity instruments. Depending on the characteristics of the contractual cash flows and business model, the resulting valuation method is different. The following diagram summarises the various valuation options for financial assets:



An equity instrument is any contract that provides evidence of a residual stake in the assets of an entity after all of its liabilities are deducted. Equity instruments are valued by default at fair value in profit or loss due to their contractual (non-SPPI) characteristics. Unlisted equity derivatives are to be recognised at fair value in profit or loss.
The option for the OCI fair value recognition of equity instruments is irrevocable and performed on initial recognition. This option is prohibited for equity instruments held for trading. Dividends are still recognised in the income statement (return on investment). Cost can be an appropriate estimate of the fair value of unlisted financial instruments if there is no fairly recent information or if there is a wide range of possible fair value measurements and the cost represents the best estimate of fair value.

In view of these factors, upon first-time application of IFRS 9, Carmila opted for the OCI recognition of unconsolidated equity.

b. Treatment of debt renegotiations:

The previous practice, under IAS 39, was to reconcile the expected savings (or the additional charge) over the remaining term of the renegotiated debt by prospectively adjusting the Effective Interest Rate (EIR) for the debt. This means that the book value of the debt was not modified at the date of its renegotiation. Nevertheless, the standard brought clarifications regarding de-recognition.

Overview of the accounting treatment of a renegotiation of debt under IAS 39.
Depending on the circumstances, the renegotiation of a debt with the same borrower may be analysed as a modification or an extinction of debt.

Definition of a modification of a financial liability:

If, for example, a financial liability may be modified with the same borrower because its duration, rate or contractual conditions are adjusted, the standard requires that the substantive nature of the modification be assessed *using the quantitative "10% test", which is supplemented with a qualitative test.*

If the debt is extinguished (so-called substantial modification of the terms of the contract), the difference between the fair value of the new debt and the net book value of the old debt (including the expenses still to be spread over the old debt) is recognised as profit or loss. The EIR for the new debt therefore corresponds to the market rate, adjusted for expenses solely attributable to the new debt.

If the debt is not extinguished, a new EIR is to be calculated to equalise the net book value of the old debt with the cash flows of the new debt, and the renegotiation fees will be attributed to the book value of the debt. Thus, the savings from or additional cost of the renegotiation (different to a market rate) is amortised over the remaining term of the new debt.

When the adjustment (of the change) is not accounted for as an extinction of the debt, the IFRS 9 standard provides that the book value of the debt must be adjusted to reflect the value of the new discounted cash flows at the EIR of the original debt.

The difference is booked in profit and loss, additional costs and fees paid in relation with this change must be added to the book value of the modified debt and be amortised over the remaining term of the debt.

The Group applied retrospectively this new accounting method in these financial statements booking at 1st January 2018 the adjustment of the debt at the initial EIR in equity (retained earnings).

Carmila has subscribed bank loan financing in the nominal amount of €770 million, initially taken out in 2013 and renegotiated several times. The successive renegotiations did not make any substantial modifications within the meaning of IFRS 9 to the original loan agreement. As a result, the book value of the debt with its original EIR was recognised as equity, leading to a €19,751 thousand decrease in the value of the debt and an increase in equity for the same amount. This reduction in the debt's original EIR is amortised over the residual duration of the underlying asset. The annual impact, excluding subsequent renegotiation, is an expense of €3,996 thousand and for the half-year financial statements of -€1,985 thousand.
In May 2018, that same debt was renegotiated. The maturity of the debt was extended by one year, to 2023. No other terms of the loan were modified.

c. Derivatives and hedging accounting

The Group adopted the new general scheme of the hedging accounting presented in IFRS 9, for which it has to link the hedging positions with its objectives and strategy of risk management and to adopt a more prospective and qualitative approach of the hedging efficiency. The hedging policy of the Group is not modified by the implementation of IFRS 9.

d. Valuation of trade receivables

The new impairment model of trade receivables based on expected losses is different from the impairment approach based on credit losses supported of

IAS 39. Impairment according to anticipated losses – and not supported losses – is calculated using the potential credit loss and the failure probability of default. Nevertheless, it is possible to use the expected losses on the lifespan of trade receivables. According to an empirical analysis in the Group, the impairment method currently used is more conservative. Therefore, the implementation of the IFRS9 standard has no impact in the half-year consolidated financial statements.

- IFRS 15 – Revenue from Contracts with Customers and *Clarifications to IFRS 15*.

The IFRS 15 standard replacing IAS18 and IAS11 and its related interpretation introduces unique model of turnover recognition based on the transfer of the control of goods or services provided. Its application covers contracts that an entity enters into with its customers, with the exception of lease agreements which are covered by IAS 17. It is therefore of very limited scope and has no significant impact for the Group, which takes most of its revenue from lease agreements. The completion of the calculation of the impact of this new standard confirmed the expected limited effects for this first application and so therefore the insignificant impact.

- Amendment to IFRS 2 – *Classification and Measurement of Share-Based Payment Transactions*.

These standards had no significant impact on Carmila's consolidated financial statements as at 30 June 2018.

In addition, the Group did not opt for early application of the following texts, adopted by the European Union but whose application is only mandatory after 30 June 2018:

- IFRS 16 – Leases (mandatory from 1 January 2019);

On October 31, 2017, the European Union adopted IFRS 16 which supersedes IAS 17 and related interpretations. This new standard, which will become effective on January 1, 2019, with earlier application permitted, no longer makes a distinction between finance leases and operating leases. It will result in the recognition on the lessee's balance sheet of a right-of-use asset with a corresponding lease liability, for all types of contracts qualifying as leases.

As a lessor, the Group should not be significantly impacted by the application of this new standard.

- Amendment to IFRS 9 – Prepayment Features with Negative Compensation (mandatory from 1 January 2019).

Lastly, the standards and interpretations published by the IASB but not yet adopted by the European Union as of 30 June 2018, but likely to apply to the Group are as follows**:**

- Annual IFRS improvements (2015-2017);
- Amendment to IAS 19 – Plan Amendment, Curtailment or Settlement;
- Amendments to IFRS 10 and IAS 28 – *Sales or Contributions of Assets between an Investor and its Associate or Joint Venture;*
- Amendment to IAS 28 – *Investments in associates and joint ventures*;
- IFRS 14 – Regulatory deferral accounts (version applicable starting 1 January 2019);
- IFRS 17 – Insurance contracts (version applicable starting 1 January 2021);
- IFRIC 23 – Uncertainty over Income Tax Treatments.

3.4. Principal estimates and judgements by management

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

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

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

3.5. Other principles for the presentation of the financial statements

Conversion of foreign companies' financial statements

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

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

Conversion of transactions conducted in foreign currencies

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

Transactions eliminated from the consolidated financial statements

Items recorded on the balance sheet or the income statement as income or expenses resulting from intra-Group transactions are eliminated when the consolidated financial statements are prepared.

Balance sheet classification

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

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

The Group's normal operating cycle is 12 months.

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

Income statement classification

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

4. SCOPE OF CONSOLIDATION AND METHODS

4.1. Scope of consolidation and methods

Consolidation methods

- **Determination of control**

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

- **Exclusive control: fully consolidated**

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

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

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

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

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

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

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

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

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

Business combinations/acquisitions of assets

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

The acquisition of 49.90% of Galleria Commerciale Nichelino in 2017 was treated as a step acquisition (business combination achieved in stages).

4.2. Highlights of the 2018 financial year

On 2 February 2018, Carmila acquired 100% of the shares of KC 11 SNC, which owns the Grand Vitrolles regional shopping centre (Marseille metropolitan area), from the Klépierre Group. The company is therefore fully consolidated.

This acquisition was treated as an acquisition of an individual asset. Since the date of acquisition, KC 11 has contributed €2,957 thousand to rental income and €2,802 thousand to Group net income. If the acquisition had taken place at the beginning of the year, the company's contribution would have been €3,863 thousand to rental income and €2,979 thousand to Group net income.

In addition, in connection with the acquisition of a portfolio of six assets in Spain from the Pradera Group, two companies were created to handle one shopping mall each: Carmila Puerto SL and Carmila Cordoba SL.

In France, three new companies were created, two of which (Carmila Saran SAS and Carmila Nice SAS) are dedicated vehicles for the past or current redevelopment of the Saran-Orléans and Nice Lingostière shopping centres.

4.3. Description of main partnerships

4.3.1. AS Cancelas

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

4.3.2. Galleria Commerciale Nichelino SRL

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

5. SEGMENT REPORTING

5.1. Definition of operating segments and indicators used

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

- France;
- Spain;
- Italy.

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

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

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

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

Direct overhead expenses for each segment are recorded as the expenses direct overhead by the segments. Shared overhead expenses that are borne by the France segment are rebilled to the other segments on a prorated basis for the services rendered.

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

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

5.2. Operating income by operating segment

in thousands of euros	France		Spain		Italy		TOTAL	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Gross Rental income	**116 196**	**102 522**	**38 728**	**34 538**	**11 951**	**9 737**	**166 875**	**146 797**
Real estate expenses	- 1 357	- 1 754	- 1 100	- 1 422	- 468	- 300	- 2 925	- 3 476
Non-recovered rental charges	- 1 698	- 1 541	- 2 301	- 1 934	67	- 4	- 3 932	- 3 479
Property expenses (landlord)	- 4 149	- 4 668	- 155	- 986	- 696	- 196	- 5 000	- 5 850
Net Rental Income	**108 992**	**94 559**	**35 172**	**30 196**	**10 854**	**9 237**	**155 018**	**133 992**
Operating expenses	- 19 543	- 19 689	- 4 115	- 3 950	- 1 642	- 1 188	- 25 300	- 24 827
Income from management, administration and other activities	*1 312*	*996*	*7*	*3*	*43*	*17*	*1 362*	*1 016*
Other income	*2 812*	*2 255*	*711*	*327*	*30*	*12*	*3 553*	*2 594*
Payroll expenses	*- 10 806*	*- 7 907*	*- 1 448*	*- 1 672*	*- 375*	*- 399*	*- 12 629*	*- 9 978*
Other external expenses	*- 12 861*	*- 15 033*	*- 3 385*	*- 2 608*	*- 1 340*	*- 818*	*- 17 586*	*- 18 459*
Other income from operations	-	-	-	-	-	-	-	-
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	- 1 401	- 589	- 26	- 22	- 69	- 29	- 1 496	- 640
Other recurring operating income and expense	389	28	-	-	- 1	-	388	28
Share of net income in equity accounted companies - current	-	-	842	-	- 14	-	828	-
Operating income - current	**88 437**	**74 309**	**31 873**	**26 224**	**9 128**	**8 020**	**129 438**	**108 553**
Other non-recurring operating income and expense	-	- 1 112	-	-	-	-	-	- 1 112
Gain (losses) on disposals of investment properties and equity investments	76	- 194	-	3	-	-	76	- 191
Gain (losses) on disposals of intangible and other tangible assets	- 48	-	-	-	-	-	- 48	-
Change in fair value adjustments	45 620	100 612	2 527	43 150	12 982	4 039	61 129	147 801
Increase of fair value adjustment properties	*72 993*	*121 723*	*7 868*	*45 397*	*13 380*	*5 145*	*94 241*	*172 265*
Decrease of fair value adjustment properties	*- 27 373*	*- 21 111*	*- 5 341*	*- 2 247*	*- 398*	*- 1 106*	*- 33 112*	*- 24 464*
Sahre of net income in equity accounted companies - non-current	-	-	*427*	*4 720*	*0*	*6 630*	*427*	*11 350*
Operating income	**134 085**	**173 615**	**34 827**	**74 097**	**22 110**	**18 689**	**191 022**	**266 401**

5.3. Breakdown of investment property by operating segment

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

in thousands of euros	30/06/2018	31/12/2017
Investment properties carried at fair value	**5 469 073**	**5 356 002**
France	4 059 974	3 976 572
Spain	1 043 374	1 031 270
Italy	365 725	348 160
Investment properties carried at cost	**510 500**	**91 581**
France	271 993	84 279
Spain	236 988	3 438
Italy	1 519	3 864
TOTAL	**5 979 573**	**5 447 583**

At 30 June 2018, regarding value of assets, 72.4% of the Group's investment properties were located in France (compared to 74.5% at 31 December 2017), 21.4% in Spain (compared to 19.0%) and 6.2% in Italy (compared to 6.5%).

5.4. Breakdown of capital expenditures by operating segment

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

	France		Spain		Italy		TOTAL	
in thousands of euros	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Acquisitions	165 463	147 251	236 600	875	4	64 736	402 067	212 862
Development and acquisitions	57 971	167 581	0	0	1 971	2 179	59 942	169 760
Like-for-like investments	7 568	54 538	6 529	9 249	263	3 609	14 360	67 396
	231 002	369 370	**243 129**	10 124	**2 238**	70 524	**476 369**	450 018

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

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

- the Saran-Orléans retail park (Centre-Val de Loire) delivered in April 2018 (investment over the year of €12.8 million);
- projects under development, such as Evreux (Normandy, €15.2 million), Besançon Chalezeule (€8.6 million) and Athis Mons (Paris region, €7.5 million), which will be delivered gradually over the second half of 2018;
- preliminary study costs or land acquisitions for approved developments, mainly in France with Nice (€7.5 million) and Rennes-Cesson (Brittany, €0.5 million);
- and restructuring of commercial units to adapt retail space to customer needs and optimise its use and profitability in Coquelles (Calais region, €1 million), Douai (Lille

region, €0.6 million), Condé-sur-Sarthe (Normandy, €0.6 million), Hérouville Saint-Clair (Normandy, €0.4 million) or Puget-sur-Argens (Fréjus region, €0.3 million).

Lastly, ***capital expenditure on a like-for-like basis*** represents only 3% of the capital expenditure for the period. This capital expenditure is mainly focused on assets being redeveloped where renovation and modernisation works have been carried out on existing constructions in order to optimise value creation. This work is carried out on sites such as Saran in Orléans and Condé-sur-Sarthe in Alençon.

6. INVESTMENT PROPERTIES

Accounting policies

Method adopted: fair value

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

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

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

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

Cost of investment property – general

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

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

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

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

Cost of investment property – under construction

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

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

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

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

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

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

Appraisal method

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

The fair values used are determined on the basis of the conclusions of independent experts. Carmila uses appraisers to value its assets at the end of every half-year. The assets are inspected during these appraisals. The expert valuations comply with the guidance contained in the RICS Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors ("Red *Book*"). In order to conduct their work, the appraisers have access to all the information required for valuation of the assets, and specifically the rent roll, the vacancy rate, rental arrangements and the main performance indicators for tenants (revenues).

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

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

- Net-income capitalisation method

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

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

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

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

- Discounted cash-flow method

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

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

The appraisers appointed by Carmila are as follows:

- Cushman & Wakefield, Catella, CBRE and JLL in France;
- Cushman & Wakefield and Catella in Spain ;
- BNP Paribas Real Estate in Italy.

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

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

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

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

Investment property acquired over than six months earlier is assessed by independent experts at 30 June and 31 December each year.

Lease agreements

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

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

Investment properties held for sale

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

Income on disposal

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

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

in thousands of euros	
Investment properties carried at fair value - 31/12/2016	**4 425 206**
Acquisitions	13 097
Change in scope of consolidation	190 209
Investments	160 817
Capitalised interest	1 828
Disposal and removals from scope of consolidation	-37
Other movements and reclassifications	400 412
Change in fair value	164 470
Investment properties carried at fair value - 31/12/2017	**5 356 002**
Acquisitions	0
Change in scope of consolidation	0
Investments	32 453
Capitalised interest	306
Disposal and removals from scope of consolidation	-2 538
Other movements and reclassifications	21 721
Change in fair value	61 129
Investment properties carried at fair value - 30/06/2018	**5 469 073**

in thousands of euros	
Investment properties carried at cost - 31/12/2016	**425 237**
Acquisitions	3 677
Change in scope of consolidation	5 879
Investments	73 279
Capitalised interest	1 232
Disposal and removals from scope of consolidation	-196
Other movements and reclassifications	-417 527
Change in fair value	0
Investment properties carried at cost - 31/12/2017	**91 581**
Acquisitions	248 711
Change in scope of consolidation	153 356
Investments	40 689
Capitalised interest	854
Disposal and removals from scope of consolidation	-41
Other movements and reclassifications	-24 650
Change in fair value	0
Investment properties carried at cost - 30/06/2018	**510 500**

The "*Acquisitions*" line includes the acquisition of seven shopping malls in Spain: Gran via Hortaleza (Madrid), La Sierra (Cordoba), El Paseo (Cadiz), Aljarafe (Seville), San Juan (Alicante) and Tarrasa and Manresa (Barcelona), as well as various minor units considered individually in France (€12.1 million) and Italy (€1.5 million).

The "*Entry in scope of consolidation*" line includes the entry into the scope of consolidation of Grand Vitrolles following the acquisition of 100% of KC 11 SNC shares for that asset.

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

The "*Other movements and reclassifications*" line shows the balance, net of commissioning during the period, of the transition of assets measured at cost at 31 December 2017 and measured at current fair value and properties reclassified as assets held for sale.

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

At 30 June 2018, no impairment requirements had been identified for investment properties valued at cost.

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

in thousands of euros	**30/06/2018**
Investment properties carried at fair value - Acquisitions	0
Investment properties carried at fair value - Entry in the scope of consolidation	0
Investment properties carried at cost - Acquisitions	248 711
Investment properties carried at cost - Entry in the scope of consolidation	153 356
TOTAL Acquisitions and entry in the scope of consolidation	**402 067**
TOTAL Acquisitions - investments by country	**402 067**

in thousands of euros	**30/06/2018**
Investment properties carried at fair value - Investment	32 453
Investment properties carried at fair value - Capitalised interest	306
	0
Investment properties carried at cost - Investments	40 689
Investment properties carried at cost - Capitalised interest	854
TOTAL Investments and capitalised interests	**74 302**
Development and extensions	59 942
Like for like investments	14 360
TOTAL Acquisitions - dévelopment and extensions and like for like investments	**74 302**

6.2. Valuation assumptions and sensitivity analysis

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

At 30 June 2018, 91.5% of the Group's net asset value had been independently appraised. It should be noted that 6.6% of the portfolio was acquired during the first half of the year, and was thus valued at acquisition value and not independently appraised for that period.

The balances of rental charge deferrals and front-end fees spread over the fixed term of the leases amounted to €5.3 million. These amounts are taken into account in the appraisal method used by the independent appraisers for their valuation and so reintegrated in the asset book value.

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

30/06/2018 - Weighted average	Yield	Rent in € per sq.m [1]	Discount rate [2]	Exit rate [3]	CAGR of NRI [4]
France	5,2%	273	5,9%	5,6%	1,6%
Spain	6,1%	219	8,3%	6,2%	1,8%
Italy	6,0%	290	7,2%	6,3%	1,8%

[1] The rent is an annual average rent equal to (guaranteed minimum rent + variable rent) per asset and per sq.m occupied

[2] The discount rate is used to calculate the discounted value of future cash flows under the DCF method

[3] The rate used to capitalise revenues in the exit year in order to calculate the exit value of the asset

[4] The average annual 10-year NRI groth used by the expert

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

in thousands of euros	France		Spain		Italy		TOTAL	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Change in fair value adjustments	45 620	100 612	2 527	43 150	12 982	4 039	61 129	147 801
Increase of fair value adjustment properties	*72 993*	*121 723*	*7 868*	*45 397*	*13 380*	*5 145*	*94 241*	*172 265*
Decrease of fair value adjustment properties	*- 27 373*	*- 21 111*	*- 5 341*	*- 2 247*	*- 398*	*- 1 106*	*- 33 112*	*- 24 464*

Based on the asset fair value, excluding transfer taxes and related costs, the average yield on assets was stable at 5.7% at 30 June 2018.

All else being equal, a 25 basis-point increase in yields would result in a decrease in the value of the total portfolio, including transfer taxes and duties (excluding assets under development or equity-accounted and excluding the effect of changes in rents equal to the decrease in yield) of €252 million (or 4.2%).

6.3. Investment properties held for sale

in thousands of euros	
Investment properties held for sale - net value on 31/12/2017	**500**
Investment properties held for sale - net value on 31/12/2017	0
Disposals and removals from scope of consolidation	0
Other movements and reclassifications	0
Change in fair value	0
Investment properties held for sale - net value on 30/06/2018	**500**

At 30 June 2018, investment properties held for sale is a standalone commercial property located in France.

7. FINANCING AND FINANCIAL INSTRUMENTS

Accounting policies

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

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

The Carmila Group has introduced a debt hedging policy that aims to secure the cash flows related to its financing requirements represented by debt in euros, IFRS 9 "Financial Instruments" defines three types of hedging relationships:

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

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

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

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

Method for determining the fair value of financial instruments

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

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

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

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

Application of IFRS 9 – renegotiation of debt

Carmila is financed by way of a bank loan for a nominal value of €770 million. The loan was subscribed in 2013 and has been renegotiated several times. Successive renegotiations did not make any substantial modifications to the initial contract as defined under IFRS 9. As a result, the book value of the debt with its original EIR was recognised as equity, leading to a €19,979 thousand decrease in the value of the debt and an increase in equity for the same amount. This reduction of the debt's original EIR is spread over the residual duration of the underlying liability. An impact of -€1,985 thousand is therefore recognised in the half-year financial statements.

In June 2018, that same debt was renegotiated. The maturity of the debt was extended by one year, to 2023. No other terms of the loan were modified. The impact is being calculated and will be included as a profit or loss in the second half of the year, in accordance with IFRS 9.

7.1. Net financial income/(expense)

7.1.1. Cost of net indebtedness

in thousands of euros	30/06/2018	30/06/2017
Financial income	**203**	**262**
Interest on Group current-account	104	113
Financial income on cash equivalents	99	149
Other financial income	0	0
Financial expense	**-25 505**	**-25 052**
Interest expense on financial debt - bonds	-16 476	-14 250
Interest on borrowings from lending institutions	-2 312	-4 060
Amortisation of costs, loan redemption premiums and deferred swaps reversal costs	-3 704	-3 801
Interest expense on swaps	-3 013	-2 921
Interest on Group current-account	0	0
Other financial expenses	0	-20
Cost of net indebtedness	**-25 302**	**-24 790**

The net cost of debt for the first half of 2018 breaks down as follows:

- interest on bank loans amounts to -€2,312 thousand and include capitalised borrowing costs on the extension projects (€759 thousand). The decrease in this item is directly related to the interest on the Kart II loan in the first half of 2017, as well as €1.2 million paid in respect of early redemption in the first half of 2017;

- interest on bonds was -€16,476 thousand, compared to €14,250 thousand in 2017. This increase is due to the bond issue subscribed in March 2018 for a par value of €350 million with a coupon of 2.125%, for an expense over the period of €2.3 million;
- an amortisation expense for bond and borrowing premiums and issuance costs in the amount of €3,704 thousand, including amortisation of swap balances (-€1,464 thousand). This line item is stable, as the new costs amortised over the period are offset by the faster amortisation of the Kart II issuance costs, recorded as at 30 June 2017;
- the net charges on hedging derivatives amounted to -€3,013 thousand, compared to €2,921 thousand in 2017, which includes an amortisation cost of €201 thousand for 2018 for the premium on a 2019 deferred start swaption.

7.1.2. Other financial income and expenses

in thousands of euros	30/06/2018	30/06/2017
Other financial income	**362**	**6 940**
Financial income from investments	0	0
Change in value of financial instruments	362	412
Other financial income	0	6 528
Other financial expenses	**-5 827**	**-948**
Change in fair value of financial instruments	0	0
Commitment fees undrawned credit lines	-1 595	-941
Latent loss on short-term investments	-2 104	0
Amortisation of IFRS 9 implementation	-1 975	0
Other financial expenses	-153	-7
Other financial income and expenses	**-5 465**	**5 992**

The net balance of other financial income and expenses includes a loss of €11.5 million due to a sharp contraction in other financial income and a significant increase in other financial expenses.

The deterioration of other financial income is explained by the recognition at 30 June 2017 of a badwill resulting from the merger of Carmila with Cardety for €6,528 thousand in 2017. This was equivalent to the difference between the value of the consideration transferred and the amount of assets and liabilities transferred on the date of the change of control.

Other financial charges increased as a result of a market value adjustment for marketable securities held for €2,104 thousand. In addition, a technical write-off of the discount at the initial effective interest rate of the bank loan was recognised for €1,975 thousand under the initial application of IFRS 9 (see above). These items have no impact on cash. The remainder consists mainly of non-utilisation fees on undrawn credit lines for €1,595 thousand.

The change in the fair value of the hedging instruments (ineffective portion and change in CAP values over time) and of credit risk had a positive impact of €362 thousand over the period.

7.2. Current and non-current financial liabilities

On 12 June 2018, S&P confirmed Carmila's BBB rating and raised its outlook from "neutral" to "positive".

7.2.1. Change in indebtedness

in thousands of euros	31/12/2017	Change	Issuance	Repayment	Fair value adjustment (1)	30/06/2018
Non-current financial liabilities	**1 966 003**	**1 421**	**348 422**	**1 086**	**-13 541**	**2 303 391**
Bonds	1 200 000	-	350 000	-	-	1 550 000
Bond issuance premiums	-10 768	-	- 1 183	835	-	-11 116
Borrowings from lending institutions	775 389	-	1 975	- 1 154	- 15 801	760 409
Loan and bond issuance fees	-12 668	-	- 2 370	1 405	-	-13 633
Derivative instruments - liabilities	14 051	1 421	-	-	2 260	17 732
Current financial liabilities	**109 099**	**- 37 198**	**56 412**	**-**	**- 3 955**	**124 358**
Borrowing from lending institutions	0	-	-	-	- 3 950	-3 950
Accrued interest on loans	8 968	-	16 412	-	-	25 380
Other loans and related debt-current	60 000	-	40 000	-	-	100 000
Derivative instruments - liabilities	2	82	-	-	- 5	79
Bank facilities	40 129	- 37 280	-	-	-	2 849
Gross debt	**2 075 103**	**-35 777**	**404 834**	**1 086**	**-17 496**	**2 427 750**

7.2.2. Principal Group financing

in thousands of euros	Borrower	Currency of Issue	Interest rate	Final maturity date	Repayment profile	Maximum amount	Amount drawn at 30/06/2018
Bonds							
	Carmila SA	EUR	2,375%	sept-23	in fine	600 000	**600 000**
	Carmila SA	EUR	2,375%	sept-24	in fine	600 000	**600 000**
	Carmila SA	EUR	2,125%	mar-28	in fine	350 000	**350 000**
Bank loans						770 000	**770 000**
	Carmila SA	EUR	Euribor 3M	mar-23	in fine	770 000	**770 000**
Treasury bills						600 000	**100 000**
	Carmila SA	EUR				600 000	**100 000**
Other financing - mortgages						4 235	**4 235**
	Financière Géric	EUR	2,65%	dec-19	amortised	1 570	**1 570**
	Financière Géric	EUR	Euribor 3M	mar-20	amortised	1 528	**1 528**
	Financière Géric	EUR	2,70%	dec-20	amortised	1 137	**1 137**
TOTAL						**2 924 235**	**2 424 235**

7.2.3. Bonds

Carmila issued three bonds, in 2015, 2016 and 2018, for a total amount of €1,550 million.

On 10 September 2015, Carmila issued a bond for a nominal amount of €600 million, for a net consideration received on 18 September 2015 of €593,034 thousand, after deduction of the issue premium and bank commissions. The bond was issued with an eight-year tenor maturing on 18 September 2023 with a coupon of 2.375%.

Carmila issued a second bond for a notional value of €600 million, dated 24 March 2016. After the redemption premium and bank commissions were deducted, Carmila received €592,998 thousand. This bond matures on 16 September 2024 and bears a coupon of 2.375%.

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

In February 2018, Carmila issued a third bond with a par value of €350 million, dated 7 March 2018. After the premium and bank commissions were deducted, Carmila received €347,767 thousand. The 10-year maturity for this bond (maturity date: 7 March 2028) is the longest tenor for the Group.

At 30 June 2018, Carmila's outstanding bond debt thus amounted to €1,550 million, and €16,262 thousand in issue premiums and issuance costs had yet to be amortised over the residual life of the underlying debts.

7.2.4. Borrowings from lending institutions

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

On 12 June 2017, the full amount of Cardety's syndicated loan agreement, arranged on 18 July 2016 for €12.1 million, was repaid.

On 15 December 2013, Carmila and a pool of banks signed a loan agreement for a total of €1,400 million, including €1,050 million for Facility A, used to partially fund the acquisition of property assets from the Klépierre group, and a five-year revolving line of credit of €350 million. 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.

A second amendment was signed to this syndicated loan agreement on 16 June 2017. The drawdown amount was adjusted to €770 million and the unused revolving credit facility was cancelled. The maturity date of this loan agreement was extended by five years to 16 June 2022.

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

On 16 June 2017, the Group repaid the balance of €90 million of this syndicated loan and cancelled the related unused revolving credit facility.

Finally, on 16 May 2018, the fully-drawn syndicated €770 million credit line was extended by one year to June 2023. This "renegotiation" led to the activation of €765 thousand in fees spread over the remaining term of the underlying debt.

At 30 June 2018, €9,637 thousand of issuance costs for these loans remain to be amortised over the period of the underlying debts.

7.2.5. Compliance with the financial covenents at 30 June 2018

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

- interest cover: the ratio of EBITDA to the net cost of debt must be greater than 2.00 at the test dates. This ratio totalled 5.1x at 30 June 2018 (compared with 4.7x at 31 December 2017);

- loan-to-value ratio: the ratio of consolidated net financial debt to the fair value of the investment assets (including transfer costs) must not exceed 55% on the same date. with the possibility of exceeding this ratio for a half-year period. This ratio totalled 33.9% at 30 June 2018 (compared with 30.1% at 31 December 2017).

Failure to comply with these financial covenents entitles the lenders to require immediate repayment of the facilities.

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

At 30 June 2018, the Group complied with the applicable covenants.

7.2.6. Other loans

In 2015, Carmila acquired Financière Géric. This company had taken out three amortisable bank loans for a residual total amount of €4,235 thousand at 30 June 2018, maturing in 2019 and 2020. These three loans were repaid in the amount of €1,154 thousand during the year. These loans are also guaranteed mortgages for the outstanding amount, which can be exercised on the assets of the Thionville shopping centre.

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

The outstanding balance of this programme at the end of June 2018 was €100 million with maturities ranging from 1 to 3 months. This is the maximum outstanding balance drawn over the period.

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

- a credit facility agreement amounting to €759 million in the form of a revolving credit facility (the "RCF") maturing on until 16 September 2022. In May 2018, the tenor of this credit line was extended to 16 June 2023.
- a similar credit facility agreement for €250 million in the form of a club deal ("CD") with a limited number of top-tier banking partners close to the Group, maturing on 16 September 2020.

7.2.7. Breakdown of financial debt by maturity date

At 30 June 2018, financial debt maturity breaks down as follows:

in thousands of euros	30/06/2018	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds - non-current	1 550 000	-	-	-	-	1 550 000
Bond redemption premiums - non-current	-11 116	- 1 755	- 1 804	- 1 845	- 1 891	- 3 821
Bonds	**1 538 884**	**- 1 755**	**- 1 804**	**- 1 845**	**- 1 891**	**1 546 179**
Borrowings from bank - non-current	760 409	-	- 3 950	- 3 950	- 3 950	772 259
Accrued interest on current loans	25 380	25 380	-	-	-	-
Other loans and related debt - current	96 050	96 050	-	-	-	-
Loan and bond issuance costs	-13 633	- 3 030	- 3 071	- 2 886	- 2 837	- 1 809
Bank and bond borrowings	**2 407 090**	**116 644**	**- 8 825**	**- 8 680**	**- 8 678**	**2 316 629**
Derivative instruments - liabilities	17 811	4 738	4 581	3 309	2 446	2 737
Bank facilities	2 849	2 849	-	-	-	-
Gross debt by maturity date	**2 427 750**	**124 231**	**- 4 244**	**- 5 371**	**- 6 232**	**2 319 366**

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

2018 Year of repayment *in thousands of euros*	2018	2019	2020	2021	2022	2023+	TOTAL
Principal	102 322	2 381	686	0	0	2 320 000	2 425 389
Interest	48 689	50 015	50 480	50 717	50 923	51 079	301 901
Group Total (principal + interest)	**151 011**	**52 396**	**51 166**	**50 717**	**50 923**	**2 371 079**	**2 727 290**

2017 Year of repayment *in thousands of euros*	2018	2019	2020	2021	2022	2023+	TOTAL
Principal	62 322	2 381	686	0	770 000	1 200 000	2 035 389
Interest	39 710	41 738	44 078	46 038	47 346	47 802	266 712
Group Total (principal + interest)	**102 032**	**44 119**	**44 764**	**46 038**	**817 346**	**1 247 802**	**2 302 101**

7.2.8. Hedging transactions

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

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

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

in thousands of euros	Fair value level	Fiar value in profit and loss	Fiar value in OCI	Loans and receivables	Liabilities at amortised cost	Value in balance sheet 30/06/2018
ASSETS						**480 123**
	Level 3	500				**500**
	Level 1			2 516		**2 516**
				12 609		**12 609**
				117 334		**117 334**
				52 567		**52 567**
				18 126		**18 126**
	Level 1	276 471				**276 471**
LIABILITIES						**2 299 521**
Bonds					1 534 888	**1 534 888**
Bank loans					746 822	**746 822**
Financial derivatives liabilities	Level 2		-3 724		17 811	**17 811**

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

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

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

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

The fixed interest rate position (fixed-rate debt + swapped floating-rate debt) represented 87% of gross debt at 30 June 2018 (compared with 79% at end-2017), and hedging instruments represented 72% of variable-rate debt on the same date.

At 30 June 2018, the Group has entered into nine senior bank partners created nine fixed-rate payer swaps against three-month Euribor for a notional amount of €560 million, the longest of which matured into December 2027;

These hedging instruments, still effective, were recognised as cash flow hedges for the financial year. The consequence of this cash flow hedge accounting is that derivative instruments are recognised on the closing balance sheet at their market value, with the change in fair value on the effective part of the hedge recognised in shareholders' equity OCI and the ineffective part in profit and loss under "Other financial income and expenses". The fair value of the swaps at 30 June 2018 is considered to be 100% effective and therefore accounted through shareholders' equity for €17,732 thousand. The OCI impact of -€2,255 thousand therefore includes -€3,719 thousand for the change in the fair value of swaps and +€1,464 thousand for the recycling from OCI to profit and loss (swap reversal prior period costs).

in thousands of euros	30/06/2018	31/12/2017
Financial instruments liabilities		
Interest rate derivative liabilities - FV in profit and loss	456	-704
Interest rate derivative liabilities - CFH	17 732	14 407

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

in thousands of euros	Drop in interest rates of 0.5%		Rise in interest rates of 0.5%	
	Change in equity	Change in profit and loss	Change in equity	Change in profit and loss
Swap as CFH	-15 650		15 027	
Options as trading		-3 418		2 673

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 invest 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, monitoring collection and systematically following up on unpaid receivables.

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

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

7.3.2. Liquidity risk

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

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

Carmila has two revolving lines of credit at its disposal, totalling €759 million and €250 million. At 30 June 2018, neither of these two lines has been drawn down.

7.3.3. Other financial risks

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

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

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

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

8. BREAKDOWN OF OTHER BALANCE-SHEET ITEMS

8.1. Intangible fixed assets

Accounting policies

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

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

in thousands of euros	31/12/2017	Acquisitions	Allowances / reversals	Reclassification / scrapped	30/06/2018
Software	1 224	117	- 52	38	1 327
Other intangible assets	16 182	829	-	82	17 093
Intangible assets in progress	61	- 60	-	-	1
Intangible assets - gross value	17 467	886	- 52	120	18 421
Amortisation / software impairment	- 735	-	- 73	-	- 808
Amortisation / impairment of other intangible fixed assets	- 12 173	-	- 155	- 3	- 12 331
Intangible assets - total amortisation	- 12 908	-	- 228	- 3	- 13 139
Total intangible assets - net value	**4 559**	**886**	**- 280**	**117**	**5 282**

Acquisitions included in "Other intangible assets" mainly reflect the building rights acquired in connection with the acquisition of a Spanish asset over the period. This item is mainly composed of lease and building rights held by Carmila France.

8.2. Property, plant and equipment

Accounting policies

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

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

in thousands of euros	31/12/2017	Acquisitions	Allowances / reversals	Reclassification / scrapped	30/06/2018
Technical plant, machinery and equipment	4 154	-	-	-	4 154
Office and computer equipment	426	20	-	-	446
Other property, plant and equipment	112	-	-	-	112
Property, plant and equipment - gross value	4 692	20	-	-	4 712
Depreciation/impairment of technical plant, machinery and equipment	- 1 868	-	- 164	-	-2 032
Depreciation/impairment of office and computer equipment	- 347	-	- 23	-	-370
Depreciation/impairment of other property, plant and equipment fixed assets	- 66	-	- 2	-	-68
Property, plant and equipment - total depreciation	- 2 281	-	- 189	-	-2 470
Total property, plant and equipment net	**2 411**	**20**	**- 189**	**-**	**2 242**

At 30 June 2018, property plant and equipment mainly includes fixtures and office equipment for the Group's offices and services centres in France and Spain. No acquisitions or write-offs occurred during the period.

8.3. Investments in equity-accounted companies

Accounting policies

The accounting policies applied are described in Note 4.1 "Consolidation scope and methods". The details of equity-accounted companies are available in Note 15. List of consolidated companies.

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

in thousands of euros	31/12/2017	Net income	Distribution	Capital increase	Changes in scope of consolidation	30/06/2018
Investment in equity-accounted companies	47 364	1 255	-1 480	0	0	47 139

At 30 June 2017, this item exclusively includes AS Cancelas (Spain), acquired in 2014 and in operation and Carmila Thiene (Italy), relating to a project.

Financial information on equity-accounted entities

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

	30/06/2018	31/12/2017
Investment properties	132 078	131 934
Other non-current assets	1 370	1 355
Deffered tax assets	169	154
Non-current assets	133 617	133 442
Trade receivables	447	512
Other current assets	1 079	1 262
Cash and Cash equivalent	2 003	4 420
Current assets	3 529	6 195
Total assets	**137 146**	**139 637**

	30/06/2018	31/12/2017
Shareholders' equity	86 392	87 695
Equity	86 392	87 695
External borrowings and financing from associates	31 295	34 126
Other non current liabilities	16 198	14 989
Non current liabilities	47 493	49 115
Current liabiulities	3 260	2 827
Total liabilities and shareholders' equity	**137 145**	**139 637**

	30/06/2018	31/12/2017
Gross rental income	4 561	9 154
Net income	**2 510**	**22 136**
Dividend distributed	2 960	2 947

8.4. Other non-current assets

Accounting policies

In accordance with IFRS 9 "Financial Instruments", the principal financial assets are classified in one of the following four categories:

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

Substitution by IFRS9 of IAS 39 "Financial instruments - Recognition and Measurement": The methodology for classifying and measuring financial assets is revised based on the contractual characteristics of cash flows and the economic model for asset management. The definition of financial assets selected is expanded to loans, advances, non-consolidated securities current accounts, trade receivables and derivative assets. IFRS 9 also makes a distinction between two categories of financial assets: debt instruments and equity instruments. Depending on the characteristics of the contractual cash flows and business model, the resulting valuation method is different.

The classification is determined by the Group on the date on which the instrument is initially recorded, based on the asset type and the purpose for which the asset was acquired. Sales and acquisitions of financial assets are recorded on the transaction date, i.e. the date on which the Group bought or sold the asset. Other long-term investments include minority stakes in young companies developing innovative and promising retail concepts for goods and services.

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

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

For assets available-for-sale, see Note 6. *Investment properties*

in thousands of euros	31/12/2017	Acquisitions	Disposals	Other movements	30/06/2018
Non-consolidated equity interests	112	3	0	0	115
Advances to associates or non-consolidated companies	0	0	0	0	0
Security deposits	10 402	2 215	-7	0	12 610
Other financial assets	2 516	530	-3	0	3 043
Other non-current assets - gross value	13 030	2 748	-10	0	15 768
Impairment on other non current assets	-49	0	0	-1 174	-1 223
Other non current assets - net	**12 981**	**2 748**	**-10**	**-1 174**	**14 545**

The security deposits recognised as non-current assets relate to deposits made with the Spanish administrative authority, which require that a percentage of the security deposits received from tenants be deposited to these authorities in a special escrow account. The increase in the period is directly related to the acquisition of the seven Spanish assets over the period.

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

8.5. Trade receivables

Accounting policies

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

Furthermore, following application of IFRIC 21 Levies, accruals were recorded for all property taxes owed for the 2018 financial year from 1 January of that year. Simultaneously, a provision for the share of property taxes rebilled to tenants was recorded as unbilled revenue. This adjustment has no impact on the annual financial statements.

in thousands of euros	30/06/2018	31/12/2017
Trade receivables - gross value	135 604	126 108
Depreciation of trade receivables	-18 270	-18 189
Trade receivables and other receivables - net	**117 334**	**107 919**

The change in the period is due mainly to a change in scope effect regarding the acquisitions for the period as well as the delivery of extensions made during the last quarter of 2017. These developments generated new rental income and therefore new trade receivables.

The recoverability of trade receivables has improved, therefore a depreciation of trade receivables remains stable.

8.6. Other current assets

in thousands of euros	30/06/2018	31/12/2017
Tax receivables	32 139	36 863
Corporate tax receivables	2 970	3 385
Other tax receivables	29 169	33 478
Financial receivables	18 091	22 147
Receivables related to investment properties	18 091	22 147
Derivative instruments - assets	0	0
Other receivables	24 594	17 598
Receivables from charges rebilled to tenants	13 097	8 581
Other miscellaneous receivables	11 074	8 925
Prepaid expenses	423	92
Total other receivables - gross value	**74 824**	**76 608**
Depreciation of other receivables	-1 210	-1 210
Other current receivables - net	**73 614**	**75 398**

At 30 June 2018, the sharp change in tax receivables concerns mainly the recovery of VAT on the extensions to the Crèche-sur-Saône and Evreux shopping centres for €5,027 thousand, which was partially offset by a VAT credit of €1,176 thousand for the acquisition of land in France.

Financial receivables mainly include the Group's loans to equity-accounted companies (AS Cancelas for €13 million and Carmila Thiene for €5,126 thousand).

Lastly, the increase in the "Other receivables" item corresponds to the increase in Carmila France calls for construction funds for €2,295 thousand, and a scope effect with the acquisition of KC 11, which owns the Grand Vitrolles asset and €2,083 thousand in receivables for a call for funds.

8.7. Net cash

Accounting policies

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

in thousands of euros	30/06/2018	31/12/2017
Cash	72 837	168 567
Cash equivalent	203 634	160 830
Gross cash	276 471	329 397
Bank facilities	-2 849	-40 129
Net cash	**273 622**	**289 268**

Cash equivalents consist entirely of investments in money-market or very low excess risk funds (marketable securities) and term deposits with leading credit institutions. The Group's cash position is partly explained by the bond issue conducted on 28 February 2018 and received on 7 March 2018, for a nominal amount of €350 million (347,767 net of premium and commissions, see *1.3 Consolidated cash-flow statement*).

8.8. Equity

8.8.1. Share capital and premiums on Carmila's capital

in euros	Number of shares	Share capital	Issuance premium	Merger premium
On 1 January 2018	**135 060 029**	810 360 174	493 991 679	1 827 680 321
Cash payment dividend GM 16/05/2018	**-**	-	-	- 80 808 472
Share payment dividend	**1 501 666**	9 009 996	25 663 472	-
Adjustment on 2017 IPO-Capital increase costs	**-**	-	-	1 677 000
On 30 June 2018	**136 561 695**	**819 370 170**	**519 655 151**	**1 748 548 849**

At 30 June 2018, the share capital consists of 136,561,695 ordinary shares of the same class, each with a nominal value of six euros (€6), fully subscribed and paid up.

During 2018:

- on 16 May 2018, the Carmila SA Annual Shareholders' Meeting approved the distribution of a dividend of €0.75 per share to be deducted from distributable income, and for the balance from the merger premium in the amount of €80,808 thousand. The Shareholders' Meeting also offered a payment in shares;
- more than 34% of shareholders opted for the payment of the dividend in shares, requiring a capital increase on 14 June 2018. The shares were subscribed by shareholders at €23.09 per share and resulted in:
    - the issue of 1,501,666 new shares, subscribed for in full at a price of €23.09 per share, representing a nominal capital increase amount of €9,009,996, plus an issue premium for an amount of €25,663,472.

8.8.2. Distributions of merger premiums and capital increases by Carmila

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

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

8.8.3. Treasury stock

Treasury stock is deducted from consolidated shareholders' equity at its acquisition cost. Any income from the sale of treasury stock (together with the related tax effects) is directly charged to shareholders' equity and does not contribute to net income for the financial year. The company set up a share liquidity contract following its listing on Euronext Paris. At 30 June 2018, the company holds a total of 95,618 Carmila shares exclusively through this contract.

8.8.4. Earnings per share

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

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

As of 30 june 2018	
Average number of shares (undiluted)	135 097 155
Average number of share-based payments in curculation in 2017	221 888
Average number of shares (fully diluted)	135 319 043

8.9. Provisions

Accounting policies

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

in thousands of euros	31/12/2017	Allowances	Reversal	Reclassification	Actuarial adjustments (OCI)	30/06/2018
Other contingency provisions	1 580	1 104	- 9	-	-	2 675
Total contingency provisions	1 580	1 104	- 9	-	-	2 675
Provision for pensions and retirement benefits	562	67	- 88	2	-	543
Provisions for charges	562	67	- 88	2	-	543
Total non-current provisions	**2 142**	**1 171**	**- 97**	**2**	**-**	**3 218**

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

8.10. Other non-current liabilities

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

8.11. Trade and fixed-asset supplier payables

in thousands of euros	30/06/2018	31/12/2017
Fixed assets payables	60 538	71 751
Miscellaneous trade payables	4 487	4 968
Trade payables and invoices yet to be received	23 586	23 599
Trade and fixed assets payables	**88 611**	**100 318**

Fixed assets payable decreased significantly as a result of projects under development during the last 12 months such as Nichelino (-€7.8 million), Pau Lescar (-€5.5 million), BAB2 (-€6.4 million), Orléans Place d'Arc (-€4.7 million), Bourges (-€1.9 million) and Crèche-sur-Saône (€1.5 million). These deliveries were only partially offset by the increase in debt to fixed asset suppliers for projects under development, including Evreux (+€12.5 million), and Athis-Mons and Besançon-Chalezeule (+€10.2 million).

8.12. Other current liabilities

in thousands of euros	30/06/2018	31/12/2017
Tax and social-security payables	57 409	38 661
Tax liabilities (excluding corporate income tax)	42 125	24 065
Tax liabilities - corporate income tax	6 682	5 192
Social-security liabilities	8 602	9 404
Miscallaneous liabilities	99 349	85 724
Other miscellaneous debts	27 737	21 023
Prepaid income	71 612	64 701
Other current liabilities	**156 758**	**124 385**

The increase in tax liabilities is related mainly to the land tax recognised under IFRIC 21, which will be paid on the fourth quarter.

Lastly, prepaid income increased due the pre-invoicing of Q3 2018 assets acquired over the period.

9. INCOME STATEMENT

9.1. Net rental income

Accounting policies

Gross rental income

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

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

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

Property expenses

- Real estate expenses:

These are fees paid (or amortisation of initial payments) when the land is made available through a ground lease or concession agreement.

- Non recovered rental charges:

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, allowances for bad debt, and property management costs.

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

in thousands of euros	30/06/2018	30/06/2017
Rent	166 331	145 949
Front-end fees and other indemnities	544	848
Gross Rental Income	166 875	146 797
Property tax	-18 455	-17 102
Charges rebilled to tenants	15 530	13 626
Real estate expenses	-2 925	-3 476
Rental charges	-29 609	-27 087
Charges rebilled to tenants	25 677	23 608
Non-recovered rental charges	-3 932	-3 479
Management fees	-343	-170
Charges rebilled to tenants	8	0
Losses and depreciation of receivables	-2 747	-4 285
Other expenses	-1 918	-1 395
Property expenses (landlord)	-5 000	-5 850
Net Rental Income	**155 018**	**133 992**

9.2. Operating expenses

in thousands of euros	30/06/2018	30/06/2017
Income from management, administration and other activities	1 362	1 016
Other income	3 553	2 594
Payroll expenses	-12 629	-9 978
Other external expenses	-17 586	-18 459
Operating expenses	**-25 300**	**-24 827**

9.2.1. Income from management, administration and other activities

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

9.2.2. Other income from services rendered

Other income from services provided comprises the rebilling of fees related to operating expenses, principally to the Carrefour Group (rebilling of a proportional share of the personnel costs of shopping centre management and initial letting fees for shopping centres managed by Immobilière Carrefour), mainly in France and Spain.

9.2.3. Payroll expenses

Payroll expenses amounted to €12,629 thousand at 30 June 2018; the increase recognised takes into account the increase in the number of employees compared to 2017. Payroll expenses are expected to stabilise in 2018.

Since 2016, the Group has set up share-based payment plans for executives and certain employees. The benefits associated with these plans are recognised as payroll expenses in the amount of -€1,182 thousand (+€680 thousand), including the social security contribution, over the year.

9.2.4. Other external expenses

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

9.3. Depreciation, amortisation, provisions and impairment

in thousands of euros	**30/06/2018**	**30/06/2017**
Depreciation and amortisation allowance for fixed assets and impairment of intangible fixed assets	-412	-413
Reversal / provisions losses and contingencies, and current assets	-1 084	-227
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	**-1 496**	**-640**

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

9.4. Other operating income and expenses

In 2017, this line item included extraordinary expenses on financing operations attributable to merger costs for the merger between Cardety and Carmila. At 30 June 2018, this item essentially comprised a €196 thousand adjustment of the expenses to pay for the previous financial year.

9.5. Gains (losses) on disposals of investment properties and equity investments

The Group made no significant disposals during the period. The gain recognised in income results from a property exchange.

10. TAXES

Accounting policies

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

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

French tax regime for REITs (Real Estate Investment Trusts)

On 1 June 2014, Carmila and its French subsidiaries subject to corporate income tax opted for the SIIC regime (French REIT) as of that date.

Characteristics of the regime

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

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

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

Discounting of the exit tax liability

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

Income tax for companies not subject to the REIT tax regime

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

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

Ordinary-law arrangements and deferred tax

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

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

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

A residual deferred tax asset will first be used to offset existing liabilities, and the remaining balance will be recorded if it is probable that the company will have future taxable profits that the deferred tax assets can be used to offset.

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

Deferred tax is calculated at the local tax rates approved on the closing date. The rates applied at 30 June 2018 are 34.43% in France, 24% in Italy and 25% in Spain.

The 2018 Finance Act, published in France's legal obligation Journal on December 30, 2017, has maintained the social contribution rate at 3.3%, but has instituted a progressive reduction in income tax from 33.33% to 25% by 2022.

The theoretical tax rate of 34.4% thus corresponds to the ordinary tax rate of 33.3% (28% for profits up to €0.5 million) and to the corporate income tax social contribution of 3.3%.

10.1. Income tax expense

in thousands of euros	30/06/2018	30/06/2017
Deferred tax	-18 773	-11 861
Current tax	-1 204	-67
Income tax charge	**-19 977**	**-11 928**

The deferred tax expense totalling -€18,773 thousand is mainly due to the variation in deferred taxation on temporary differences in relation with the changes in fair value, mainly for Italy.

The Group's current tax expense amounted to -€1,204 thousand, of which -€1,211 thousand for Italy.

10.2. Tax reconciliation

The reconciliation of the effective tax rate with the theoretical tax rate is as follows:

in thousands of euros	30/06/2018	30/06/2017
Net consolidated income	140 278	235 675
Income tax expense	19 977	11 928
Share of net income of equity-accounted companies	-1 255	-11 354
Net income before taxes and excluding equity-accounted companies' net income	159 000	236 249
Tax rate applicable to parent company	34,43%	34,43%
Theroetical income tax (expense)/income	**-54 744**	**-81 341**
Tax exempt income resulting from the SIIC regime	39 260	58 460
Permanent differences	241	6 296
Other tax accrual	-8 661	0
Difference in tax rates	4 601	6 877
Tax loss without deferred tax recognition	-674	-2 221
Effective tax (expense)/income	**-19 977**	**-11 929**
Effective tax rate	**-12,56%**	**-5,05%**

10.3. Current tax assets and liabilities

in thousands of euros	30/06/2018	31/12/2017
Tax credits	2 970	3 385
Total tax assets	**2 970**	**3 385**
Tax liabilities non-current	9 138	9 138
Tax liabilities current	6 676	5 186
Liabilities related to tax consolidation	6	6
Total tax liabilities	**15 820**	**14 330**

At 30 June 2018, tax receivables totalled €1,645 thousand for Spain, €1,170 thousand for Italy and €155 thousand in France.

The French companies subject to corporate income tax opted for the SIIC regime on 1 June 2014. In addition, Financière Géric opted for the SIIC regime during the current fiscal year. A provision was recorded in the 2016 financial statements for the total amount of exit tax which will be paid. An initial payment of €4,569 thousand was made in December 2017. On the balance sheet at 30 June 2018, the 2018 contribution to Géric's exit tax totals €4,569 thousand in current liabilities, and €9,138 thousand for the non-current part.

10.4. Deferred tax assets and liabilities

in thousands of euros	31/12/2017	Profit and loss impact	Change in consolidation scope	Other	30/06/2018
Deferred tax - assets	6 284	474	0	-109	6 649
Deferred tax - liabilities	103 729	19 248	0	-109	122 868
Net balance of deferred tax	**-97 445**	**-18 774**	**0**	**0**	**-116 219**

Properties	-103 620	-19 120	0	-	-122 740
Tax losses	6 175	346	0	-	6 521
Financial instruments	-	-	-	-	0
Other items	-	-	-	-	0
Net balance of deferred tax	**-97 445**	**-18 774**	**0**	**0**	**-116 219**

11. OFF-BALANCE-SHEET COMMITMENTS AND ASSOCIATED RISKS

Off-balance-sheet commitment

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

Contingent liabilities

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

Contingent liabilities

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

11.1. Commitments received

in thousands of euros	30/06/2018	31/12/2017
Unused credit facilities	1 009 000	1 009 000
Commitments related to Group financing	1 009 000	1 009 000
Sale commitments	0	0
Security deposits received from tenants	22 960	34 371
Commitments related to the Group operating activities	22 960	34 371
TOTAL commitments received	**1 031 960**	**1 043 371**

11.1.1. Unused credit facilities

The Group finances itself through equity and borrowings contracted by the parent company. At 30 June 2018, the Group had two confirmed undrawn credit lines set-up within the scope of its refinancing programme in June 2017, totalling €1,009 million.

11.1.2. Bank guarantees received from tenants

As an owner and manager of shopping malls, some leases provide for the Group to receive a first demand bank guarantee securing the sums owed by the tenants.

11.1.3. Other guarantees received – liability guarantee

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

11.2. Commitments given

in thousands of euros	30/06/2018	31/12/2017
Commitments to acquire	0	0
Commitments given related to the scope of consolidation	0	0
Financial guarantees issued	4 235	5 389
Commitments related to Group financing	4 235	5 389
Commitments under conditions precedent	8 268	201 000
Rental guarantees and deposits	833	833
Commitments given on swaps	100 000	150 000
Commitments related to the Group operating activities	109 101	351 833
TOTAL commitments given	**113 336**	**357 222**

11.2.1. Financial guarantees issued

Prior to its acquisition by the Group, Financière Géric granted prime mortgages for an initial amount of €13,000 thousand as a guarantee to its bank financing. At 31 December 2017, the outstanding amount guaranteed is €4,235 thousand.

11.2.2. Commitments under conditions precedent

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

At 30 June 2018, the Group signed purchase agreements worth a total amount of €8,268 thousand for various units on three existing French, taken individually, these are not material.

11.2.3. Rental guarantees and deposits

The rental guarantees and deposits item mainly comprises guarantees covering the operating premises of the Group and its subsidiaries.

11.2.4. Commitments given on swaps

At 30 June 2018, the Group contracted swaptions covering a notional value of €100 million. These swaps will come into effect in June 2019. As such, they were not recognised at 30 June 2018.

11.3. Reciprocal commitments

These mainly involve asset purchase agreements resulting directly from development and redevelopment projects. At 30 June 2018, the secured purchase agreements totalled €140,151 thousand mainly corresponding to projects at Evreux (Phase 2), Besançon Chalezeule, Athis Mons and Nice Lingostière.

To the best of our knowledge, there is no omission of any material off-balance-sheet commitment; or commitment which could become significant in the future as determined by the accounting principles applied.

12. TRANSACTIONS WITH RELATED PARTIES

On 16 April 2014, the Carrefour group and Carmila signed agreements entrusting functions or services performed by Carrefour for Carmila. The term of these agreements was set at five years, i.e. until 15 April 2019, and has been extended until 15 April 2020.

In addition, Carrefour and Carmila signed an agreement on the implementation of the renovation and development of Carmila's assets.

There were no substantial changes over the financial year as regards transactions with related parties.

For further information, refer to Carmila's *2017 Registration Document*.

13. EMPLOYEE REMUNERATION AND BENEFITS

13.1. Payroll expenses

See *Note 9.2.3*.

13.2. Headcount

At 30 June 2018, the Carmila Group had 201 employees, including 142 in France mainly through its Almia Management subsidiary, 43 in Spain and 16 in Italy.

13.3. Employee benefits

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

13.3.1. Retirement plans

Accounting policies

Defined-contribution schemes

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

These contributions are recognised as expenses when they fall due.

Defined-benefit schemes and long-term benefits

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

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

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

- assumptions concerning the employee's probability of either leaving the company or dying before the age of payment of the benefit;
- the discounted value of the benefit at the valuation date.

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

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

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

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

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

in thousands of euros	30/06/2018	31/12/2017
Fair value of assets in the plans	0	0
Discounted value of unfunded obligations - beginning of the year	**562**	**293**
Cost of past services	73	83
Net actuarial losses and gains	36	31
Acquisitions/disposals	-1	155
Matured rights	-73	0
Net obligation recognised in the balance sheet for defined benefit schemes	**598**	**562**

in thousands of euros	30/06/2018
Net obligation at the beginning of the year	**562**
Pension expense recorded in the income statement	11
Contributions paid by Carmila in the income statement	0
Acquisitions / Disposals	0
Benefits paid to beneficiaries of unfunded benefits	-73
Change in actuarial differences and other legal modifications	0
Net obligation at end of period	**500**

in thousands of euros	30/06/2018
Cost of services ren	12
Financial cost	-1
Personnel expense for the year	**11**

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

- discount rate: 1.44% in 2016 (1.21% in 2016);
- annual salary increase rate: 2.0% in 2016 (2.0% in 2016);
- retirement age: between 166 and 172 quarters, depending on age.

These assumptions were confirmed at 30 June 2018.

13.3.2. Share-based payments

Accounting policies

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

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

The Group has four share-based bonus plans for corporate officers and key employees in France, Spain and Italy.

The cost is spread over the vesting period (period of work to be completed by the employee prior to being able to exercise the options allocated to him or her).

There were two types of plans in effect at 30 June 2018, granted in 2016, 2017 and 2018:

- 2016 Attendance Plans, whose criteria relate to the presence of employees in the Group at the vesting date (31 December 2017);

- 2016 and 2017 Performance Plans that incorporate, along with presence criteria outlined above, the fulfilment of conditions relating to the Group's financial performance. Of these Performance Plans:
  - 50% relates to the fulfilment of conditions linked to the change in the total shareholder's return for 2017 (based on the NNNAV indicator as defined by EPRA) versus a comparable panel of real estate companies,
  - 50% relates to the fulfilment of conditions relating to the change in recurring earnings per share (see Management Report) in 2017 compared with the original subscription price.
- Along with the presence criterion, the 2018 performance plan incorporates the fulfilment of conditions relating to the Group's financial performance:
  - 33% relates to the fulfilment of conditions linked to the change in the total shareholder's return for 2017 (based on the NNNAV indicator as defined by EPRA) versus a comparable panel of real estate companies,
  - 33% relates to the fulfilment of conditions linked to the comparison of recurring earnings per share for the financial years ended on 31/12/2017 and 31/12/2020;
  - 33% relates to the fulfilment of conditions linked to the comparison of the 2020 stock market price to the NAV at 31 December 2019.

The two plans granted in 2016 were allocated and cleared during the period.

For further information, see 12.3.2 "Share-based payments" in Section 7. Financial statements of the 2017 Registered Document.

The benefits granted were thus spread over the vesting period and recognised as payroll expenses for €1,182 thousand, with a corresponding increase in equity of €949 thousand and social-security liabilities (20% or 30% social-security expenses) of €233 thousand for the first half of the 2018 financial year.

14. ADDITIONAL INFORMATION

14.1.Subsequent events

None.

15. LIST OF CONSOLIDATED COMPANIES

List of consolidated companies Fully consolidated companies	Country	% interest June 2018	December 2017	Change	% control June 2018	December 2017	Change
FRANCE							
Carmila SA	**France**	**100,00%**	**100,00%**	**-**	**100,00%**	**100,00%**	**-**
Carmila France SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Almia Management SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI du centre Commercial de Lescar	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI de l'Arche	France	50,00%	50,00%	-	50,00%	50,00%	-
SCI des Pontots	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Anglet	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Coquelles	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Labège	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Orléans	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Bourges	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Sothima	France	100,00%	100,00%	-	100,00%	100,00%	-
Hyparmo Sarl	France	100,00%	100,00%	-	100,00%	100,00%	-
Bay1Bay2 SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Financière Géric SA	France	100,00%	100,00%	-	100,00%	100,00%	-
Louwifi SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Crèche sur Saone SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Evreux SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Ventures France SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
KC11 SNC	France	100,00%	0,00%	100%	100,00%	0,00%	100%
Best of the web SAS	France	100,00%	0,00%	100%	100,00%	0,00%	100%
Carmila Saran SAS	France	100,00%	0,00%	100%	100,00%	0,00%	100%
Carmila Nice SAS	France	100,00%	0,00%	100%	100,00%	0,00%	100%
SPAIN							
Carmila España SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Santiago SLU	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Talavera SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Huelva SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Mallorca SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Puerto SL	Spain	100,00%	0,00%	100%	100,00%	0,00%	100%
Carmila Cordoba SL	Spain	100,00%	0,00%	100%	100,00%	0,00%	100%
ITALY							
Carmila Holding Italia SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Italia SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Assago SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Grugliasco SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Limbiate SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Milano Nord SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Galleria Commerciale Nichelino SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-

List of consolidated companies Equity accounted companies	Country	June 2018	December 2017	Change	June 2018	December 2017	Change
As Cancelas	Spain	50,00%	50,00%	-	50,00%	50,00%	-
Carmila Thiene SRL	Italy	50,10%	50,10%	-	50,10%	50,10%	-

List of deconsolidated companies in 2017	Country	June 2018	December 2017	June 2018	December 2017	Comments
SCI Dominique	France	-	100,00%	-	100,00%	Merged

KPMG S.A.
Tour Eqho - 2, avenue Gambetta – CS 60055
92066 Paris La Défense Cedex
France

DELOITTE & ASSOCIES
6 place de la Pyramide
92908 Paris La Défense Cedex
France

Carmila S.A.

Share capital of € 819 370 170

58 Avenue Emile Zola
92100 Boulogne Billancourt

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from 1st January, 2018 to 30 June, 2018

This report contains 3 pages

KPMG S.A.
Tour Eqho - 2, avenue Gambetta – CS 60055
92066 Paris La Défense Cedex
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DELOITTE & ASSOCIES
6 place de la Pyramide
92908 Paris La Défense Cedex
France

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Carmila S.A.

Share Capital of € 819 370 170

58 Avenue Emile Zola
92100 Boulogne Billancourt

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from 1st January, 2018 to 30 June, 2018

To the Shareholders,

In compliance with the assignment entrusted to us by your general meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying half-yearly consolidated financial statements of Carmila S.A., for the period from 1st January, 2018 to 30 June, 2018,
- the verification of the information presented in the half-yearly management report.

These half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the note “3.3 Accounting Standards” to the half-yearly consolidated financial statements regarding the initial application of the standards IFRS 9 – Financial Instrument and IFRS 15 – Revenue from Contacts with Customers.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-yearly consolidated financial statements.

Paris la Défense, on the 27th July, 2018

KPMG S.A. DELOITTE & ASSOCIES

Eric Ropert
Associé

Adrien Johner
Associé

Stéphane Rimbeuf
Associé