



Boulogne-Billancourt, 27 July 2018

2018 half-year results

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Activity over the half-year was dynamic: recurring earnings went up +12.2%

During the first half of 2018, Carmila accelerated its transformation, in particular by rapidly up-scaling its local digital marketing strategy which supports its actions. This dynamic had a significant impact on performance for Carmila, which registered a strong growth in its activity:

- gross rental income increased by **+13.7%** to **€166.9 million**, including organic growth of **+2.9%**¹;
- recurring earnings were up **+12.2%** at **€104.1 million**;
- EPRA NAV came in at **€27.96 per share**, an increase of **+1.8%** for the six months following the distribution of the balance of the 2017 dividend of €0.75 per share. Total return² for the half-year was **4.5%**.

More than 300 digital marketing operations are rolled out each month in the three countries where we are established - compared with 200 a month in 2017 - to reinforce sales teams' actions, our retailers' activity and our centres' leadership.

Jacques Ehrmann said: *"The acceleration of the dynamic of Carmila's transformation this past half-year has been driven by the committed, proactive teams and underpinned by our innovative local digital marketing strategy which is disseminated through all Carmila's branches of activity and reinforces our actions and their results. By relying on the foundations put in place over the past four years, we have accelerated the active transformation of the merchandising mix to anticipate new trends, support our retailers' activity and strengthen the leadership of our shopping centres".*

¹ Growth in gross rental income on a like-for-like basis excluding the impact of the extensions delivered in 2017 and 2018, the 2018 acquisitions and the incorporation of Cardety into the portfolio following the merger of 12 June 2017. Includes indexation for 1.1 point.

² Total return: (dividend distributed in the period + change in NAV)/NAV at 31 Dec. 2017.

Letting activity in the first half of the year

Gross rental income in the first half of 2018 came to **€166.9 million**, up by **+13.7%** under the combined effect of three main factors: i) organic growth of +2.9 pp, ii) extensions deliveries in 2017 and 2018 (+4.6 pp) and iii) acquisition of eight assets for a total of €394 million during the first half of 2018 (+3.9 pp), the remainder corresponding to the integration of Cardety's assets following the merger of 12 June 2017.

Commercial activity was dynamic, with the objective of strengthening the commercial offering, adapting to new trends and thus reinforcing our centres' local leadership. 433 leases were signed in the half-year, and the specialty leasing and pop-up store activity generated revenues of €4.7 million, up by +24.5% compared to the first half of 2017.

The average reversion rate on renewals in the period was **+9.2%**: +11.5% in France, +6.9% in Spain and +1.2% in Italy.

The financial occupancy rate of the portfolio³ remained practically unchanged at **96.2%** (-20 bps). Italy saw its rate fall by -1.2 pp due mainly to a vacancy on a large unit, but still maintained a very high rate (98.7%).

Net rental income for the first half of 2018 amounted to **€155.0 million**, up by **+15.7%**.

The growth in net rental income benefited not just from the increase in GRI but also from the improvement in the NRI/GRI transformation rate (92.9% against 91.3% in the first half of 2017), a combination of the improvement in the quality of the tenant portfolio and the recovery rate of receivables, an increase in the average occupancy rate between the two periods and lessor charges that grew at a slower rate than rents.

First Half of 2018 results

Operating expenses net of other operating income and expenses for the first half of 2018 came to €25.3 million, in line with our objective of stabilising them at a level close to €50 million per year.

EBITDA for the first half of 2018 came to **€130.3 million** compared with **€108.6 million** in the first half of 2017. Restated for the merger costs recognised in 2017, growth in EBITDA was **+13.4%** in the first half of 2018.

The cost of borrowing, restated for non-cash items, was stable at €21.6 million compared with €21.3 million in the first half of 2017. The average cost of borrowing for the half of the year was also stable at 1.94%.

EPRA recurring earnings after restatement in particular of the items linked to the 2017 merger between Cardety and Carmila SAS recognised in the first half of 2017 (badwill on merger of €6.5 million and associated costs of €6.4 million), non-cash charges recognised in both half-years (amortisation of debt issuance costs and of the residual costs of debts repaid and hedges unwound, change in fair value of financial instruments), came to **€104.1 million**, up by **+€11.4 million** or **+12.2%** compared to the first half of 2017.

³ Excluding 1.8% of strategic vacancy.

Portfolio valuation and NAV

The portfolio valuation (including transfer taxes) at 30 June 2018 stood at **€6,345 million**, up by +9.3% over six months (+€539 million).

On a like-for-like basis, the portfolio value increased by +1.3% or €75 million. The average capitalisation rate of the portfolio remained stable at 5.7%.

EPRA NAV per share *fully diluted* at 30 June 2018 came to **€27.96 per share** compared with €27.48 per share at 31 December 2017, an increase of **+1.8%**. Taking into account of the dividend balance for 2017 of €0.75 per share paid in the first half of 2018, **total return for the six months was 4.5%**. EPRA NNAV per share (*fully diluted*) was €26.86 per share, an increase of +1.3%.

Debt and balance sheet structure

In February 2018, the company put in place a new bond financing line of €350 million with a 10-year maturity and a fixed coupon of 2.125%.

Carmila had outstandings of €100 million under its short-term negotiable securities (commercial paper) programme at 30 June 2018.

At 30 June 2018 Carmila's gross debt stood at €2,421 million⁴ and the amount of available cash at €274 million. Available facilities (RCF and net available cash) stood at €1.3 billion. The average maturity of the debt was 6.1 years.

The ratio of **Net consolidated financial debt / fair value of real estate assets (including transfer taxes)** stood at **33.8%** at 30 June 2018, below the 55% maximum contractual threshold in the banking covenants.

The ratio of **EBITDA/net cost of financial debt** at 30 June 2018 was **5.1x**, above the 2.0x minimum contractual threshold in the banking covenants.

Renovations, extension pipeline and acquisitions

During the first half of 2018, Carmila acquired eight shopping centres in Marseille and in Spain for €394 million including transfer taxes (*for further details on these acquisitions, please refer to the press releases issued by the Company on 2 February and 4 May 2018*).

Carmila also opened the extension of its Orléans - Cap Saran shopping centre, inaugurating a *retail park* of 34 medium-size outlets on 29,000 sq.m. adjacent to its existing shopping centre. Carmila's total investment in this project amounted to €43.5 million, and the return on investment is 7.6%. Numerous successful retail brands have opened their doors on this site, notably Zodio, Cultura, Maisons du Monde, Kiabi, Basic Fit and Hapik.

Two other, smaller extensions/restructurings opened during the half-year at the Douai and Caen-Hérouville sites.

At 30 June 2018, Carmila had 28 projects in the 2018-2023 pipeline representing a total investment of €1.49 billion and an average yield on cost of 6.4%.

⁴ Including bank overdrafts for €2.8 million

Four projects will be delivered in the second half of 2018. The seven projects delivered in 2018 are almost fully let and represent potential additional gross rental income of €10.4 million.

CSR strategy and Activity in the first half of 2018

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 rate⁵ 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.

Appointment of Sébastien Vanhooove 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 Vanhooove as Deputy CEO. He joins the management team of Carmila alongside Jacques Ehrmann and Géry Robert-Ambroix.

Sébastien Vanhooove 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.

⁵ Appraisal value, including transfer taxes, of certified assets / Appraisal value, including transfer taxes, of the shopping-centre portfolio - French portfolio rates.

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 have 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”.

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 local 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 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.

2018 should be for Carmila a year of exception.

Our objective for the full-year is a solid double-digit growth in recurring earnings.

Main results and financial indicators

<i>In thousands of euros</i>	30 June 2018	30 June 2017	% change 2018/2017
Gross Rental Income	166,875	146,797	+13.7%
Net Rental Income	155,018	133,992	+15.7%
Overhead costs and other operating income and expenses ⁶	-24,912	-25,911	
Provisions	-1,084	-227	
Other income from operations			
Share of equity affiliates (<i>recurring earnings</i>)	1,255	706	
EBITDA	130,277	108,560	+20.0%
Adjusted EBITDA⁷	130,277	114,884	+13.4%
Cost of debt (cash portion)	-21,598	-21,283	
Other cash financial items ⁸	-2,365	6,383	
Other cash financial income and expenses	-1,737	-536	
Corporate income tax and other deferred taxes ⁹	-1,204	-171	
EPRA Earnings	103,373	92,953	+11.2%
EPRA Recurring Earnings¹⁰	104,073	92,749	+12.2%
Depreciation and amortisation	-412	-413	
Other non cash income and expenses	-5,067	-3,362	
Change in fair value of assets and liabilities, net of tax	42,356	136,044	
Change in fair value of assets owned by equity affiliates	0	10,644	
Gain (losses) on sales of investment properties	28	-191	
Consolidated net income	140,278	235,675	-40.5%
Attributable to non-controlling interests	-60	-227	
Consolidated net income, Group share	140,218	235,448	-40.4%
<i>Fully diluted earnings per share (in euros)</i>			
EPS	1.04	2.24	-53.7%
EPRA Recurring Earnings	0.77	0.88	-12.8%
<i>In thousands of euros</i>	30 June 2018	31 December 2017	% change 2018/2017 (6 months)
Portfolio valuation (including transfer taxes)	6,345	5,806	+9.3%
EPRA NAV (Euro per share) (fully diluted)	27.96	27.48	+1.8%
NNN EPRA NAV (Euro per share) (fully diluted)	26.86	26.53	+1.3%

⁶ Including, in 2017, €6,324 thousand relating to the Carmila/Cardety merger

⁷ Restated for costs of €6,324 thousand relating to the Carmila/cardety merger (2017)

⁸ Negative goodwill recognise at the time of the merger and sundry restatements in 2017 ; Costs of refinancing paid in 2018

⁹ Excluding deferred taxes on change in fair value of properties

¹⁰ Restated for merger expenses (€6,324 thousand) and the negative goodwill (€6,528 thousand) in 2017. Restated for non recurring costs (700 Keuros) in 2018, mainly including a provision for tax inspection

Next events and publications:

30 July 2018 (9:00 am Paris time): 2018 Half Year Results - Investors and Analysts meeting

24 October 2018 (After market close): Q3 2018 activity

Investors and analysts contact

Marie-Flore Bachelier – General Secretary

marie_flore_bachelier@carmila.com

+33 6 20 91 67 79

Press contact

Agnès Villeret – Agence Komodo

Agnès.villeret@agence-komodo.com

+33 6 83 28 04 15

Morgan Lavielle – Head of Corporate Communication

morgan_lavielle@carmila.com

+33 1 58 33 63 29

About Carmila

Carmila was founded by Carrefour and large institutional investors in order to develop the value of shopping centers anchored by Carrefour stores in France, Spain and Italy. As of 30 June 2018, its portfolio consists of 214 shopping centers in France, Spain and Italy, mostly leaders in their catchment areas, and was valued at Euro 6.3 bn.

Inspired by a genuine retail culture, Carmila's teams include all of the expertise dedicated to retail attractiveness: leasing, digital marketing, specialty leasing, shopping centre management and portfolio management.

Carmila is listed on compartment A of Euronext-Paris market under the ticker CARM and benefits from the "SIIC" real estate investment trust (REIT) tax status.

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

FINANCIAL REPORT

1st Half 2018

2018 Half Year Financial Report

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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

<i>(in millions of euros, except for per-share data)</i>	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 “EPRA performance indicators”.

Selected financial information from the balance sheet

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

<i>(in millions of euros except for ratios and per-share amounts)</i>	30/06/2018
Net financial debt	2,144.3
<i>Loan-to-Value Ratio (LTV)</i> ¹	33.8%
<i>Interest Coverage Ratio (ICR)</i> 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

<i>IFRS EPRA standard presentation (in thousands of euros)</i>	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
<i>Income from management, administration and other activities</i>	1,362	1,016
<i>Other income</i>	3,553	2,594
<i>Payroll expenses</i>	- 12,629	- 9,978
<i>Other external expenses</i>	- 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

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

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

<i>in thousands of euros</i>	30/06/18	31/12/17	30/06/17
Consolidated net income	140,278	314,304	235,675
<i>Adjustments</i>			
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

<i>in thousands of euros</i>	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
<i>Gains and losses recorded directly in equity</i>									
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
<i>Gains and losses recorded directly in equity</i>									
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
<i>Gains and losses recorded directly in equity</i>									
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 Andalusia (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), Languieux 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% to 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 Estadística 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.

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

<i>(in thousands of euros)</i>	30/06/2018			30/06/2017			Change
	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 (Cabaia, 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			
<i>Business sector</i>	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

<i>Country</i>	Financial Occupancy Rate (excluding strategic vacancies)	
	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
	Gross rental income	Change vs. 30/06/2017		Gross rental income
Total		At constant scope		
<i>(in thousands of euros)</i>				
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

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

<i>Financial expenses</i> <i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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		30/06/2018	31/12/2017
<i>(in millions of euros)</i>			
(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 (IPUC⁵). 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	%
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	
	millions of euros	%	Change vs. 31/12/2017		millions of euros	%
Country			total	at constant scope		
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 Yield⁶ and EPRA Net Potential Yield⁷

Country	NIY		NPY	
	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

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

	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⁾
Extension project							
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%
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%
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%

(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 Vía 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 Inglés, 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		30/06/18	30/06/17
<i>(in thousands of euros)</i>			
		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			
<i>(in thousands of euros)</i>		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:

<i>in thousands of euros</i>	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

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

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

<i>(in euros)</i>	Number of shares	Share capital	Issuance premiums	Merger premium
On 1 January 2018	135,060,029	810,360,174	493,991,679	1,827,680,321
Distribution of dividends GM of 16/05/2018				- 80,808,472
Dividend payment in shares	1,501,666	9,009,996	25,663,472	
Adjustment for IPO expenses				1,677,000
At 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.

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.