# HALF-YEAR FINANCIAL REPORT

# 30 JUNE 2020

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# 1. PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

## 1.1. Person responsible for the Half-year Financial Report

Alexandre de Palmas, Chairman and CEO 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."

Alexandre de Palmas

Chairman and CEO of Carmila

# 2. GENERAL CONTEXT AND HEALTH CRISIS RELATED TO COVID-19

The three countries in which Carmila operates, France, Spain and Italy, have been subject for several weeks to opening restrictions of the shops to essential shops only.

Carmila's shopping centres, which are local sites throughout the country, have retained an essential function for the population during this period of crisis.

As they are all anchored to Carrefour hypermarkets, they have remained accessible to the public, and the shops in the shopping centres authorised to operate have also remained open. Non-essential stores remained closed in accordance with the regulations specific to each country (in France: from 17 March to 11 May, i.e. eight weeks; in Spain: from 9 March to 25 May 25/ 11 June, i.e. 11 weeks; in Italy: from 12 March to 18 May, i.e. nine weeks).

Since the centres have been fully reopened, the level of activity has been encouraging, with average traffic in France in June 2020 equal to 84% of the attendance in June 2019. Over the same period, the average change in turnover for retailers in the three countries is down by 6%. The activity figures are detailed in the "Business analysis" section.

In order to support tenants in the face of this health crisis, discussions have been initiated by adapting on a case-by-case basis the amenities that could be granted in view of the commitments given by the tenants. At 30 June 2020, 23% of negotiations (in terms of number of leases) resulted in an agreement for all 3 countries. The impact of the franchises of the agreements reached is 9% of the annual rent. Details of the discussions are provided in the "Ongoing lease negotiations" section.

The financial results for this half-year are atypical due to the direct and indirect impact of the health crisis and the rent deferral measures granted to retailers. In all three countries, second-quarter rents were invoiced in arrears on a monthly basis and the due date was postponed to 30 June and 30 July in Spain and to 30 September in France and Italy.

Impacts have been recorded in the accounts for the rent waivers granted specifically for Small Businesses ("TPEs") in France, the decrease in variable rents and expected specialty leasing revenues, depreciation allowances in trade receivables related to the health crisis and notably for receivables in the second quarter have been recorded in the accounts. All of these impacts are detailed in the section "Comments on first half results". The change in net rents at constant scope was -10.1% and the change in recurring income was -15.9% over the half year.

The experts paid particular attention to the impact of the crisis on the market value of assets. A specific impact of the health crisis is detailed in the "Asset valuation" section. The change in asset value on a like-for-like basis was -3.2%.

Carmila's liquidity was strengthened during the health crisis: cash position amounts to 477 million euros at 30 June 2020, enabling it to face the crisis with confidence and Carmila does not have any major debt maturities before 2023. Carmila's financial structure is detailed in the "Financial policy" section.

Carmila follows a prudent strategy in the management of its equity; the dividend initially proposed at €1.5 per share has been reduced to €1 per share for payment on 27 July 2020 with a 46.7% share subscription option. The savings in equity amounted to €131 million. At 30 June 2020, Carmila's Loan-to-value (including transfer taxes) ratio was 35.8%.

# 3. ASSETS AND VALUATION

## 3.1. Key figures concerning the portfolio

### 3.1.1. Description of the portfolio

At 30 June 2020, Carmila had 215 shopping centres and retail parks adjacent to Carrefour hypermarkets located in France, Spain and Italy, valued at €6.2 billion including transfer taxes, for a total leasable area of close to 1.57 million square meters.

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

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

### 3.1.2. Presentation of Carmila's most important assets

Out of 215 commercial real estate assets making up Carmila's portfolio, 15 assets represent 38% of the appraisal value (including transfer taxes) and 27% of the gross leasable area at 30 June 2020. The following table shows information on these 15 properties:

| Name of centre, city | Year of construction | Year of acquisition | Total number of units | Carmila Group gross leasable area (sq.m.) | Carmila Group share per site (%) |
|---|---|---|---|---|---|
| ***France*** | | | | | |
| BAB 2 - Anglet | 1967 | 2014 | 126 | 27 175 | 52,4% |
| Bay 2 | 2003 | 2014 | 103 | 21 067 | 37,0% |
| Calais - Coquelles | 1995 | 2014 | 152 | 51 167 | 77,6% |
| Chambourcy | 1973 | 2014 | 70 | 21 343 | 44,0% |
| Evreux | 1974 | 2014 | 78 | 37 813 | 57,0% |
| Montesson | 1970 | 2014 | 61 | 13 342 | 32,8% |
| Orléans Place d'Arc | 1988 | 2014 | 68 | 13 606 | 53,6% |
| Ormesson | 1972 | 2015 | 121 | 26 474 | 14,5% |
| Perpignan Claira | 1983 | 2014 | 78 | 21 028 | 52,1% |
| Saran - Orléans | 1971 | 2014 | 89 | 38 864 | 64,2% |
| Thionville | 1971 | 2016 | 160 | 28 338 | 62,9% |
| Toulouse Labège | 1983 | 2014 | 128 | 22 220 | 44,9% |
| Vitrolles | 1971 | 2018 | 85 | 24 275 | 55,2% |
| **Total France (top 13)** | | | **1 319** | **346 710** | |
| ***Spain*** | | | | | |
| Fan Mallorca | 2016 | 2016 | 104 | 38 141 | 75,0% |
| Huelva | 2013 | 2014 | 93 | 34 036 | 82,4% |
| **Total Spain (top 2)** | | | **197** | **72 177** | |
| **Total (top 15)** | | | **1 516** | **418 888** | |

### 3.1.3. Classes of assets by type

At 30 June 2020, Carmila held 157 "leader" or "co-leader" shopping centres (as defined below) in their catchment areas representing 74% of the total number of Carmila's shopping centres and 88% of its portfolio in terms of appraisal value, including transfer taxes.

A shopping centre is defined as a "leader" if (i) it is the leader in its commercial area by the number of commercial units (Source: Codata database, 2019) or (ii) it includes, for shopping centres in France, more than 80 commercial units or, for shopping centres in Spain or Italy, more than 60 commercial units.

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

| Gross Asset Value (GAV) Including transfer taxes (ITT) of portfolio | GAV ITT (€M) at 30/06/20 | % Market value | Number of sites |
|---|---|---|---|
| Leader | 3 046,9 | 68% | 54 |
| Co-Leader | 886,3 | 20% | 31 |
| Other | 522,2 | 12% | 44 |
| **France** | **4 455,4** | **100%** | **129** |
| Leader | 807,9 | 57% | 31 |
| Co-Leader | 451,5 | 32% | 35 |
| Other | 146,6 | 10% | 12 |
| **Spain** | **1 406,0** | **100%** | **78** |
| Leader | 167,5 | 47% | 3 |
| Co-Leader | 99,1 | 28% | 3 |
| Other | 91,5 | 26% | 2 |
| **Italy** | **358,1** | **100%** | **8** |
| Leader | 4 022,3 | 65% | 88 |
| Co-Leader | 1 436,9 | 23% | 69 |
| Other | 760,2 | 12% | 58 |
| **Total** | **6 219,4** | **100%** | **215** |

## 3.2. Asset valuation

### 3.2.1. Appraisals 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 excluding transfer taxes. Any variation is recognised through the income statement.

The fair values used are determined on the basis of the conclusions of independent experts. Carmila uses appraisers to value its entire 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 rental income capitalisation rate or to future cash flows.

For buildings under construction, the valuation takes into account works in progress as well as the increase in fair value compared to the total cost price of the project (IPUC). 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 extension have been obtained, (ii) the construction contract has been signed and the works have 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 and Catella.
- In Spain, Cushman & Wakefield and Catella.
- In Italy, BNP Paribas Real Estate.

Comments on the scope

- Carmila did not acquire any new shopping centre during the first half of 2020 and no extension was delivered during this period.
- for ongoing extensions (Nice Lingostière), works in progress were recognised in the financial statements as investment properties carried at cost; the excess value over the cost price (IPUC) was recognised.
- the annual rotation of a third of the assets between appraisers was postponed to the second half of the year due to the health crisis
- the exceptional measures induced by the health crisis are confronting property valuation experts with market circumstances that have never been encountered before. The reliability of the experts' work is not questionned but specifies the exceptional context in which it was carried out. These valuations are based on material market uncertainty due to the potential effects of the health crisis.

### 3.2.2. Geographical segmentation of the portfolio

The valuation of the portfolio (Group share) was €6,219.4 million including transfer taxes at 30 June 2020, and it breaks down as follows:

| Gross Asset Value (GAV) Including transfer taxes (ITT) of portfolio | 30/06/2020 | | |
|---|---|---|---|
| Country | millions of euros | % | In number of assets |
| France | 4 455,4 | 71,6% | 129 |
| Spain | 1 406,0 | 22,6% | 78 |
| Italy | 358,1 | 5,8% | 8 |
| **Total** | **6 219,4** | **100%** | **215** |

In addition to the fair values determined by the experts for each shopping centre, this assessment takes into account assets under construction that amount to €72.3 million at 30 June 2020 and the share of the Nice Lingostière extension operation margin of €2.0 million. Also, this valuation includes Carmila's share in the investment properties 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%) which represents €66.4 million.

### 3.2.3. Changes of asset valuation

| Gross Asset Value (GAV) Including transfer taxes (ITT) of portfolio | 30/06/20 | | | | | 31/12/19 | |
|---|---|---|---|---|---|---|---|
| | | | | *Change vs. 31/12/2019* | | | |
| *(in millions of euros)* | GAV ITT (€M) | % | in number of assets | at current scope | like for like | GAV ITT (€M) | % |
| France | 4 455,4 | 71,6% | 129 | -3,5% | -3,6% | 4 615,3 | 71,5% |
| Spain | 1 406,0 | 22,6% | 78 | -3,0% | -3,0% | 1 449,3 | 22,9% |
| Italy | 358,1 | 5,8% | 8 | 0,3% | 0,3% | 356,9 | 5,6% |
| **Total** | **6 219,4** | **100%** | **215** | **-3,1%** | **-3,2%** | **6 421,5** | **100%** |

During the first half of 2020, the total value of Carmila's portfolio on a like for like basis was impaired by -€202.1 million; this change is explained as follows:

- The change on a like for like basis is calculated on a comparable basis of shopping centres, excluding extensions and acquisitions over the period. This change was -3.2% over the period.

- Other changes are due to the extensions. Projects under construction (Nice), are valued by their works in progress as well as their share of the margin (IPUC). The valuation of works in progress, IPUC, and Lou5G is €80.1 million, a change of +€3.9 million mainly due to the increase of work in progress (+€3.5M) and the decrease in the share of the Nice Lingostière margin (-€9.7M). The impact on the overall valuation was 0.1%.

- No shopping centre was acquired during the first half of 2020.

**Like for like change and impact of the health crisis**

The like for like change is the sum of three impacts: the health crisis, the change in the capitalisation rate and the change in rents.

To take into account the impact from the health crisis, Carmila's appraisers have incorporated into their model between one and two months of rent-free periods, and have adjusted the amounts of variable rents. They also revised upwards the outlook for bad debts, as well as the vacancy periods for centres with several vacant units and average/high occupancy rates. Lastly the experts revised downwards the outlook for re-letting (now considered on a case-by-case basis), as well as the rent indexation assumptions (at rates equal to or close to 0% over one to two years).

| **Impacts at constant perimeter** | **30/06/2020** | | | |
|---|---|---|---|---|
| **Countries** | **Sanitary crisis** | **Yields** | **Rents** | **Total** |
| France | -1,7% | -2,6% | 0,6% | -3,6% |
| Spain | -0,9% | -0,6% | -1,5% | -3,0% |
| Italy | *(1)* | 0,3% | 0,0% | 0,3% |
| | **-1,4%** | **-1,9%** | **0,1%** | **-3,2%** |

The change over the first semester on a like for like basis breaks down by country as follows:

- in France, the change in value on a like for like basis was -3.6%: the impact of the health crisis (-1.7%) was significant because it includes immediate effects (rent discounts, variable rents) and also long-term effects (indexation). The impact of the decompression of capitalisation rates is also significant (-2.6%), and partially offset by the revaluation of rents (+0.6%).

- in Spain, the valuation on a like for like basis was -3.0%: the impact of the health crisis (-0.9%) includes immediate effects (rent discounts, variable rent adjustments, increase in expected vacancy periods) and also long-term effects (indexation). The impacts of the decompression of capitalisation rates (-0.6%) and of rents (-1.5%) is also significant.

- in Italy, the portfolio on a like for like basis appreciated 0.3%, which is entirely due to the impact of the decrease in capitalisation rates (+0.3%), while rents are stable (0.0%).

(1) There is no impact from the health crisis on flows after 30 June 2020. A tax credit of 60% of paid rent is granted to lessees.

### 3.2.4. Changes in capitalisation rates

| | NIY | | NPY | |
|---|---|---|---|---|
| | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 |
| France | 5,54% | 5,36% | 5,90% | 5,68% |
| Spain | 6,60% | 6,41% | 6,74% | 6,54% |
| Italy | 6,02% | 6,18% | 6,16% | 6,18% |
| **Total** | **5,81%** | **5,64%** | **6,11%** | **5,90%** |

In the first half of 2020, the NPY increased by 21 bps on the overall portfolio; the decompression was comparable in France (+22 bps) and in Spain (+20 bps) while the NPY in Italy fell moderately (-2 bps).

In France and Spain, the change in NIY was comparable to that of the NPY, while the compression of the NIY in Italy was more marked (-16 bps).

The NIY corresponds to the EPRA Topped Up NIY of the EPRA section, the effect of the deferred rent reduction and step rents being deducted from the valuation of the experts.

### 3.2.5. Breakdown of the appraisal values by CNCC typology

In accordance with the CNCC typology, sites are grouped into three categories: regional shopping centres, large shopping centres and small shopping centres (called local shopping centres in this document).

At 30 June 2020, regional shopping centres and large shopping centres accounted for 82% of the market value of Carmila's portfolio.

| | Expertise 30/06/2020 | | | | |
|---|---|---|---|---|---|
| | GAV ITT (€M) | % of value | Average net rent €/m² | Average vacant ERV | NIY |
| Regional Shopping Centres | 1 594,5 | 36% | 310 | 245 | 5,2% |
| Large Shopping Centres | 2 056,9 | 46% | 266 | 251 | 5,5% |
| Local Shopping Centres | 798,2 | 18% | 196 | 128 | 6,3% |
| Other* | 5,8 | 0% | 343 | n.d. | 6,8% |
| **France** | **4 455,4** | | **261** | **189** | **5,5%** |
| Regional Shopping Centres | 355,7 | 25% | 204 | 202 | 5,6% |
| Large Shopping Centres | 724,6 | 52% | 199 | 205 | 6,8% |
| Local Shopping Centres | 325,7 | 23% | 287 | 263 | 7,2% |
| **Spain** | **1 406,0** | | **217** | **222** | **6,6%** |
| Regional Shopping Centres | 18,2 | 5% | 232 | n.d. | 5,5% |
| Large Shopping Centres | 318,1 | 89% | 243 | n.d. | 6,0% |
| Local Shopping Centres | 21,8 | 6% | 269 | n.d. | 6,5% |
| **Italy** | **358,1** | | **244** | **268** | **6,0%** |
| Regional Shopping Centres | 1 968,4 | 32% | 281 | 244 | 5,3% |
| Large Shopping Centres | 3 099,6 | 50% | 241 | 231 | 5,9% |
| Local Shopping Centres | 1 145,6 | 18% | 220 | 152 | 6,5% |
| Other* | 5,8 | 0% | 343 | n.d. | 6,8% |
| **Grand Total** | **6 219,4** | | **247** | **199** | **5,8%** |

**Lou5G*

### 3.2.6. Reconciliation of the valuation assessment with the value of investment properties on the balance sheet

| *(in millions of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Portfolio GAV ITT | 6 219,4 | 6 421,5 |
| Work in progress | -72,3 | -68,8 |
| Valuation of the share of equity-accounted investments | -66,4 | -68,2 |
| Transfer taxes and registrations (excluding equity-accounted investments) | -305,6 | -317,4 |
| **Market value excluding transfer taxes (including IPUC) (A)** | **5 775,1** | **5 967,1** |
| IPUC | -2,0 | -11,7 |
| **Market value excluding transfer taxes (excluding IPUC)** | **5 773,0** | **5 955,4** |
| Fair value of ground leases (IFRS 16) (B) | 33,9 | 34,5 |
| **Fair value of investment properties (balance sheet, including IPUC) (A+B)** | **5 808,9** | **6 001,6** |

## 3.3. Expansion projects at 30 June 2020

### 3.3.1. Pipeline

Due to impacts of the health crisis on each of its markets, Carmila rationalises the implementation of the shopping centre extension programme in order to conserve its equity. The company is concentrating on the highest-potential projects to increase the yield in the shopping centres concerned, and strengthen their leadership.

Carmila's pipeline still exists and is monitored. The pipeline, except for the main current projects, is on hold and remains flexible. It can be implemented when conditions are favourable again. All the projects can be developed, since the car parks used for extensions are owned by Carrefour and Carmila.

### 3.3.2. Developments

Pursuant to the Renovation and Development Agreement, extension projects are developed jointly by Carmila and Carrefour. Initially, expansion projects are researched and defined jointly by a partnership committee. Once the pre-rentals of the extension project are deemed satisfactory (approximately 60%), a final project package is submitted to the relevant decision-making bodies of Carmila and Carrefour for approval and the start of work. 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 Carrefour.

Once opened to the public, put and call options enable Carmila to purchase the co-developed share owned by Carrefour.

### 3.3.3. Current projects

• Calais-Coquelles (62) – A major restructuring to improve the retail momentum in this historic centre and prime site

In the first quarter of 2021, Carmila plans to complete the restructuring of the shopping mall in the Carrefour Cité Europe shopping centre, located at Coquelles in the urban district of Calais. In particular, the restructuring will include a Primark store, with a sales area of more than 4,000 sq.m on two levels, a direct connection with the cinema and simplification of the customer circuit, thus completing the transformation and relaunch of the retail momentum of this leading site.

• Toulouse Purpan (31) – Creation of a retail park in the Toulouse Purpan shopping centre

Following a full renovation of the hypermarket, Carmila extended its offer within the Toulouse Purpan Carrefour shopping centre in the first half of 2020. Located in an urban environment, the retail complex accommodates 3 new restaurant brands: Bistrot Régent, Del Arte and Burger King in the form of a retail park.

• Nice Lingostière (06) – Extension project for a landmark leisure complex in France's fifth city. This shopping centre, adjacent to the third largest Carrefour hypermarket in France, benefits from an excellent location at the entrance to the Vallée du Var.

In the first half of 2021, Carmila plans to open the extension of 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.

## 4. ACTIVITY DURING THE FIRST HALF OF THE YEAR

### 4.1. Selected financial information

**Financial information from the income statement**

| *(in millions of euros)* | 30/06/2020 | 30/06/2019 |
|---|---|---|
| Gross Rental income | 163,6 | 178,9 |
| Net Rental Income | 147,5 | 167,0 |
| EBITDA (excluding fair value adjustments)[1] | 121,5 | 140,8 |
| Change in fair value adjustments on investment properties | - 214,8 | - 75,9 |
| Operating income | - 95,0 | 64,8 |
| Net financial income/(expense) | - 29,7 | - 25,6 |
| Consolidated net income – Group share | - 126,7 | 26,9 |
| Earnings per share[3] | - 0,93 | 0,20 |
| EPRA earnings[2] | 91,2 | 111,6 |
| EPRA earnings[3] | 0,67 | 0,82 |
| Recurring earnings[4] | 93,9 | 111,7 |
| Recurring earnings per share[3] | 0,69 | 0,82 |

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

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

[3] Average number of shares: 136,390,591 at 30 June 2020 and 136,368,528 at 30 June 2019.

[4] Recurring earnings are equal to EPRA earnings excluding certain non-recurring items. See the Section "EPRA Performance indicators".

**Selected financial information from the balance sheet**

| *(in millions of euros)* | 30/06/2020 | 30/06/2019 |
|---|---|---|
| Investment properties (carried at fair-value excluding | 5 808,9 | 6 001,6 |
| Cash and cash equivalent investments | 477,1 | 174,1 |
| Financial debt (current and non-current) | 2 705,7 | 2 416,0 |
| Shareholders' equity – Group share | 3 268,8 | 3 540,4 |

**Financial information related to key indicators and ratios**

| *(in millions of euros)* | 30/06/2020 | 30/06/2019 |
|---|---|---|
| Net financial debt | 2 228,6 | 2 241,8 |
| Loan-to-value ratio ITT (LTV)[1] | 35,8% | 34,9% |
| Interest Coverage Ratio (ICR)[2] | 4,9x | 5,0x |
| EPRA net asset value, excluding transfer taxes | 3 536,2 | 3 799,4 |
| EPRA net asset value, excluding transfer taxes, per share[3] | 25,85 | 27,79 |
| Gross asset value (including transfer taxes, including works in progress) | 6 219,4 | 6 421,5 |

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

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

[3] Period end, fully diluted, on the basis of 136,795,792 shares at 30 June 2020 and 136,670,637 shares at 30 June 2019.

## 4.2. Financial statements

### 4.2.1. Consolidated statement of comprehensive income

| *(in millions of euros)* | **30/06/2020** | **30/06/2019** |
|---|---|---|
| **Gross Rental income** | **163 578** | **178 930** |
| Charges rebilled to tenants | 50 348 | 50 533 |
| **Total Income from rental activity** | **213 926** | **229 463** |
| Real estate expenses | - 22 736 | - 21 417 |
| Rental charges | - 36 690 | - 36 685 |
| Property expenses (landlord) | - 7 043 | - 4 399 |
| **Net Rental Income** | **147 457** | **166 962** |
| Operating expenses | - 25 282 | - 27 548 |
| *Income from management, administration and other activities* | *2 959* | *2 657* |
| *Other income* | *2 475* | *2 391* |
| *Payroll expenses* | *- 12 970* | *- 13 234* |
| *Other external expenses* | *- 17 746* | *- 19 362* |
| Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions | - 1 439 | - 833 |
| Other operating income and expenses | - 128 | - 23 |
| Gain (losses) on disposals of investment properties and equity investments | 4 | - 443 |
| Change in fair value adjustment | - 214 814 | - 75 878 |
| Share in net income of equity-accounted investments | - 800 | 2 557 |
| **Operating income** | **- 95 002** | **64 794** |
| Financial income | 334 | 240 |
| Financial expenses and allowances | - 27 516 | - 27 968 |
| **Cost of net indebtness** | **- 27 182** | **- 27 728** |
| Other financial income (expenses) | - 2 470 | 2 144 |
| **Net financial income/(expense)** | **- 29 652** | **- 25 584** |
| **Income before taxes** | **- 124 654** | **39 210** |
| Income tax | - 2 188 | - 12 181 |
| **Consolidated net income** | **- 126 842** | **27 029** |
| **Group share** | **- 126 700** | **26 883** |
| **Noncontrolling interests** | **- 143** | **146** |
| Average number of shares comprising Carmila's share capital | 136 390 591 | 136 368 528 |
| Earnings per share, in euros (Group share) | - 0,93 | 0,20 |
| Diluted average number of shares comprising Carmila's share capital | 136 795 792 | 136 670 637 |
| **Diluted earnings per share, in euros (Group share)** | **- 0,93** | **0,20** |

| **Consolidated statement of comprehensive income** *(in thousands of euros)* | **30/06/2020** | **30/06/2019** |
|---|---|---|
| **Consolidated net income** | **- 126 842** | **27 029** |
| **Items to be subsequently recycled in net income** | - 8 288 | - 17 243 |
| Cash-flow Hedges (effective part) | - 8 216 | - 17 243 |
| Fair value of other financial assets | - 72 | - |
| Related income tax | - | - |
| **Items not to be subsequently recycled in net income** | - | - |
| Re-valuation of the net liabilities under defined-benefit schemes | - | - |
| Related income tax | - | - |
| **Consolidated net comprehensive income** | **- 135 130** | **9 786** |

### 4.2.2. Consolidated statement of financial position

**ASSETS**

| *(in thousands of euros)* | **30/06/2020** | **31/12/2019** |
|---|---|---|
| Intangible assets | 4 349 | 4 262 |
| Property, plant and equipment | 3 683 | 4 244 |
| Investment properties carried at fair value | 5 808 927 | 6 001 608 |
| Investment properties carried at cost | 72 283 | 68 785 |
| Investments in equity-accounted companies | 50 450 | 52 459 |
| Other non current assets | 12 620 | 12 427 |
| Deffered tax assets | 11 309 | 11 548 |
| **Non current assets** | **5 963 619** | **6 155 332** |
| Investment properties held for sale | - | - |
| Trade receivables | 195 658 | 117 105 |
| Other current assets | 76 730 | 69 127 |
| Cash and Cash equivalent | 482 664 | 178 172 |
| **Current assets** | **755 052** | **364 404** |
| **Total Assets** | **6 718 671** | **6 519 736** |

**LIABILITIES & SHAREHOLDERS' EQUITY**

| *(in thousands of euros)* | **30/06/2020** | **31/12/2019** |
|---|---|---|
| Share capital | 820 927 | 820 091 |
| Additional paid-in capital | 2 010 802 | 2 129 169 |
| Treasury shares | - 2 398 | - 2 676 |
| Other comprehensive income | - 51 194 | - 42 906 |
| Consolidated retained earnings | 617 390 | 528 543 |
| Consolidated net income – Group share | - 126 700 | 108 213 |
| **Shareholders' equity - Group share** | **3 268 827** | **3 540 434** |
| Non-controlling interests | 5 289 | 5 612 |
| **Shareholder's equity** | **3 274 116** | **3 546 046** |
| Non-current provisions | 7 487 | 6 865 |
| Non-current financial debt | 2 488 677 | 2 295 954 |
| Lease deposits and guarantees | 76 939 | 77 722 |
| Non-current tax liabilities and deferred tax liabilities | 177 762 | 175 685 |
| Other non-current liabilities | 5 | 7 489 |
| **Non-current liabilities** | **2 750 870** | **2 563 715** |
| Current financial debt | 278 638 | 160 313 |
| Bank facilities | 5 526 | 4 141 |
| Current provisions | 658 | 658 |
| Trade payables | 27 108 | 28 855 |
| Fixed assets payables | 88 731 | 81 674 |
| Current tax and payroll related liabilities | 77 824 | 49 356 |
| Other current liabilities | 215 200 | 84 978 |
| **Current liabilities** | **693 685** | **409 975** |
| **Total liabilities and shareholders' equity** | **6 718 671** | **6 519 736** |

### 4.2.3. Consolidated Cash Flow statement

| *in thousands of euros* | **30/06/2020** | **30/06/2019** |
|---|---|---|
| **Consolidated net income** | **-126 842** | **27 029** |
| *Adjustments* | | |
| Elimination of income from equity-accounted investments | 800 | -2 557 |
| Elimination of depreciation, amortisation and provisions | 1 455 | -392 |
| Elimination of change in fair value adjustments | 213 483 | 76 868 |
| Elimination of capital gain/loss on disposals | -7 | 443 |
| Other non-cash income and expenses | 3 620 | 3 698 |
| **Cash-flow from operations after cost of net debt and tax** | **92 509** | **105 089** |
| Elimination of tax expense (income) | 2 188 | 12 181 |
| Elimination of cost of net debt | 27 182 | 26 032 |
| **Cash-flow from operations before cost of net financial debt and tax** | **121 879** | **143 302** |
| Change in operating working capital | -71 860 | 28 251 |
| Change in lease deposits and guarantees | -869 | 492 |
| Income tax paid | -663 | 1 430 |
| **Cash-flow from operating activities** | **48 487** | **173 475** |
| Change in scope of consolidation | - | - |
| Change in fixed assets payables | 8 632 | 8 630 |
| Acquisitions of investment properties | -28 587 | -57 381 |
| Acquisitions of other fixed assets | -426 | -185 |
| Change in loans and advances | -179 | 1 449 |
| Disposal of investment properties and other fixed assets | 94 | 743 |
| Dividends received | 1 210 | 1 684 |
| **Cash-flow from investment activities** | **-19 257** | **-45 061** |
| Share capital increase | - | - |
| Transactions in share capital of equity accounted companies | - | - |
| Net sale (purchase) of treasury shares | 278 | 675 |
| Issuance of bonds | 100 000 | - |
| Issuance of new bank loans | 302 000 | 84 235 |
| Loan repayments | -113 535 | -1 185 |
| Display of short term investments in other current receivables | 0 | 62 356 |
| Interest paid | -15 021 | -17 375 |
| Interest received | 334 | 240 |
| Dividends and share premiums distributed to shareholders | -180 | -204 877 |
| **Cash-flow from financing activities** | **273 877** | **-75 931** |
| **Change in net cash position** | **303 107** | **52 484** |

## 4.2.4. Statement of changes in consolidated Shareholders' equity

| *in thousands of euros* | Share capital | Additional paid-in capital | Treasury shares | Other comprehensive income | Consolidated retained earnings | Consolidated net income – Group share | Shareholders' equity – Group share | Noncontrolling interests | Shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 30 June 2019** | 820 046 | 2 129 312 | -3 186 | -49 226 | 528 299 | 26 883 | **3 452 128** | 5 766 | **3 457 894** |
| Share capital transactions | 45 | -45 | | | | | **0** | | **0** |
| Share-based payments | | | | | -131 | | **-131** | | **-131** |
| Treasury share transactions | | | 510 | | | | **510** | | **510** |
| Dividend paid | | -98 | | | 271 | | **173** | -199 | **-26** |
| Allocation of income | | | | | | | **0** | | **0** |
| **Net income of the year** | | | | | | 81 330 | **81 330** | 45 | **81 375** |
| Gains and losses recorded directly in equity | | | | | | | | | |
| Cross charging of OCI to income | | | | 980 | | | **980** | | **980** |
| Change in fair value of other financial assets | | | | | | | **0** | | **0** |
| Change in fair value of hedging instruments | | | | 5 340 | | | **5 340** | | **5 340** |
| Actuarial gains and losses on retirement benefits | | | | | | | **0** | | **0** |
| **Other comprehensive income** | | | | 6 320 | | | **6 320** | | **6 320** |
| Other changes | | | | | 104 | | **104** | | **104** |
| **Balance at 31 December 2019** | 820 091 | 2 129 169 | -2 676 | -42 906 | 528 543 | 108 213 | **3 540 434** | 5 612 | **3 546 046** |
| Share capital transactions | 836 | -836 | | | 0 | | **0** | | **0** |
| Share-based payments | | | | | | | **0** | | **0** |
| Treasury share transactions | | | 278 | | -84 | | **194** | | **194** |
| Dividend paid | | -117 531 | | | -19 032 | | **-136 563** | -180 | **-136 743** |
| Allocation of 2019 net income | | | | | 108 213 | -108 213 | **0** | | **0** |
| **Net income of the year** | | | | | | **-126 700** | **-126 700** | **-143** | **-126 843** |
| *Gains and losses recorded directly in equity* | | | | | | | | | |
| Cross charging of OCI to income | | | | 2 216 | | | **2 216** | | **2 216** |
| Change in fair value of other financial assets | | | | -72 | | | **-72** | | **-72** |
| Change in fair value of hedging instruments | | | | -10 432 | | | **-10 432** | | **-10 432** |
| Actuarial gains and losses on retirement benefits | | | | 0 | | | **0** | | **0** |
| **Other comprehensive income** | | | | **-8 288** | | | **-8 288** | | **-8 288** |
| Other changes | | | | | -250 | | **-250** | | **-250** |
| **Balance at 30 June 2020** | 820 927 | 2 010 802 | -2 398 | -51 194 | 617 390 | -126 700 | **3 268 827** | 5 289 | **3 274 116** |

## 4.3. Activity analysis

### 4.3.1. Economic environment

| | GDP growth | | | Unemployment rate | | | Inflation | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020E | 2021E | 2019 | 2020E | 2021E | 2019 | 2020E | 2021E |
| France | 1,5% | -11,4% | 7,7% | 8,4% | 11,0% | 9,8% | 0,6% | 0,5% | 0,5% |
| Italy | 0,3% | -11,3% | 7,7% | 9,9% | 10,1% | 11,7% | 0,5% | 0,2% | 0,1% |
| Spain | 2,0% | -11,1% | 7,5% | 14,1% | 19,2% | 18,7% | 1,1% | 0,4% | 0,3% |
| Euro Zone | 1,3% | -9,1% | 6,5% | 7,6% | 9,8% | 9,5% | 1,0% | 0,6% | 0,5% |

** Source: OECD Economic Outlook N°107 - June 2020 - single epidemic wave scenario*

The health crisis will have strong repercussions on eurozone economic performance. Faced with the uncertainties caused by the health crisis, the OECD has developed two scenarios: a case with a single epidemic wave, and a case with a second wave occurring at the end of 2020.

Consumption and investment have been mechanically restricted by the shutdown of "non-essential" activities in the majority of European economies. The three countries where Carmila operates will be impacted by this decline with a GDP contraction of -11.4% in France, -11.1% in Spain, and -11.3% in Italy (single epidemic wave).

Unemployment rates will also be impacted by the health crisis, because of the uncertainty surrounding recovery scenarios. The unemployment rate should thus increase to 11.0% in France, 19.2% in Spain and 10.1% in Italy.

Household consumption would be limited, impacted by both the increase in unemployment rates and by the uncertainty around an occurrence of a second epidemic wave. The OECD therefore forecasts practically flat inflation rates in 2020, at 0.5% in France, 0.4% in Spain and 0.2% in Italy.

### 4.3.2. Shopping centre openings in the first half of 2020

Shopping centres in the 3 countries remained partially open during the respective lockdown periods. All Carrefour hypermarkets remained open as well as 6% of the Carmila shops (pharmacies, takeaway food).

The centre directors helped Carrefour teams to continue to welcome customers while complying with health regulations. They also stayed in permanent contact with all of the retailers, whether open or closed; more than 1,000 retailers also participated in information and retailer business continuity meetings organised online by the centre's management. Payment of rents and tenant charges have been deferred until stores reopen in order to ease their cash positions.

Contact has also been maintained with consumers, particularly through digital campaigns: 130 e-mail campaigns and over 7,000 published posts, reaching 10 million customers and 910,000 customer interactions. This contact has been strengthened by solidarity initiatives in the regions: Carmila rolled out 17 support centres for victims of domestic abuse during the period.

In France, the lockdown began on 17 March and ended on 11 May. Shopping centres larger than 40,000 sq.m could reopen from that date, thanks to the successful negotiations between Carmila and the regional administrative authorities where the centres are located. Restaurants with outdoor facilities opened since 2 June and both indoors and outdoors on 15 June.

In Spain the lockdown began on 9 March and ended in three phases, depending on the region, on 25 May, 1 June and 8 June.

In Italy, the lockdown began on 12 March and ended on 18 May.

### 4.3.3. Shopping centre footfall

| Country | Change in footfall | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | January + February 2020 | National benchmark index performance January + February 2020 | Beginning / end of lockdown period | 1st reopening week | 2nd reopening week | 3rd reopening week | 4th reopening week | 5th reopening week | 6th reopening week |
| France | 3,3% | 1,8% (1) | 17 March - 11 May | -22,7% | -19,7% | -18,6% | -9,0% | -16,5% | -7,9% |
| Spain | 3,8% | -0,6% (2) | 9 Mars - 25 May or 1 or 8 June | -31,2% | -29,1% | -24,9% | -21,2% | n.d. | n.d. |
| Italy | -0,6% | -2,8% (3) | 12 March - 18 May | -35,3% | -29,2% | -23,2% | -22,2% | -23,3% | -24,7% |
| **Total** | **3,2%** | **N/A** | | **-26,8%** | **-24,0%** | **-21,3%** | **-14,5%** | **n.d.** | **n.d.** |

(1) Quantaflow panel - February 2020 YTD
(2) Footfall panel - February 2020
(3) Internal panel

**Shopping centre footfall at end-February 2020 (before the beginning of lockdown in the 3 countries)**

In France, footfall at end-February was up 3.3% compared to 2019, an increase favoured by the lack of snow compared to the same period in 2019, and despite the shortened sales period from 6 to 4 weeks over this period between 2019 and 2020. The Vitrolles (+9%), Vaulx en Velin (+9%), Vénissieux (+8%) and Hérouville St Clair (+8%) sites in particular outperformed in terms of footfall over the first two months of the year.

In Spain, footfall at end-February was up 3.8% compared to 2019, despite unfavourable weather conditions. The Carbera (+12%), Gran Via de Hortaleza (+9%) and Tarragona (+8%) sites in particular outperformed during the first 2 months of the year.

In Italy, footfall at end-February was down 0.6% compared to 2019, in particular due to the early occurrence in Italy of the health crisis on 21 February, which led to a sharp drop in footfall (-9%) over the last 10 days of February. The Lobardy centres (Monteccuco and Paderno) had already closed during the weekend of 29 February. The change in footfall remained nevertheless positive at the end of February for the Monteccuco (+4%), Burolo (+3%), Vercelli (+2% after the opening of MS Unieuro, an electronics store) and Massa (+1%) sites.

**Shopping centre footfall after reopening**

In France, footfall over the first six weeks after the reopening gradually improved (-23% in the 1st week vs -8% in the 6th week) to be down on average 16% compared to the same period in 2019. Shopping centre footfall in June in France outperformed the Quantaflow panel by 8 points (-13% for Carmila vs -21% for the Quantaflow panel).

In Spain, post-lockdown footfall gradually improved during the first 4 weeks of reopening per region (from -31% in the first week of reopening to -21% in the fourth week) and was on average -27% in the first month of reopening. Shopping centre footfall in June in Spain outperformed the Footfall comparison panel by 12 points (-25% for Carmila vs -37% for the panel).

In Italy, footfall over the first 6 weeks after the reopening gradually improved (-35% in the 1st week vs -25% in the 6th week) to be down on average 26% compared to the same period in 2019. Shopping centre footfall in June in Italy outperformed the internal comparison panel by 3 points (-25% for Carmila vs -28% for the panel).

### 4.3.4. Retailer activity

| Country | Change in retailers' revenue January + February 2020 | National benchmark index performance January + February 2020 | Change in retailers' revenue June 2020 | Change in retailers' revenue excl. Food and Restaurants June 2020 |
|---|---|---|---|---|
| France | 1,0% | -0,6% (1) | -7,1% | -4,2% |
| Spain | 3,8% | n.d. | -12,8% | -9,8% |
| Italy | 1,3% | n.d. | -11,8% | -10,7% |
| **Total** | **1,7%** | N/A | **-8,7%** | **-6,0%** |

(1) CNCC performance index February 2020 YTD

The change in retail tenant revenues was calculated over the period from 1 January to 29 February 2020, then from 1 to 30 June 2020, in comparison with the same period in 2019 and on a like-for-like basis, in order to exclude the non-comparable lockdown period (March through May 2020 knowing that retail tenant revenues are reported on a monthly basis).

**Change in revenues to end-February 2020**

Retailer revenues grew overall in the first two months of 2020 (+1.7% year to date in the three countries, with France at +1.0%, Spain at +3.8% and Italy at +1.3%).

This overall growth is due to the net growth in revenues of the three different sectors: Food and Restaurants grew significantly (France +4.8% in YTD, Spain +3.6%, Italy +3.1% thanks to the good progress of fast food brands such as McDonald’s and Burger King in the three countries, Flunch and La Brioche Dorée in France, Belros in Spain and La Piadineria in Italy), followed by Services (France +6.9%, Spain +6.0%, Italy +2.9% sustained by good performance from travel agencies like Euro Moselle Loisirs and Fram in France or Bluvancanze in Italy, telephony with Movistar and Orange in Spain)) and Health and Beauty (France +2.1%, Spain +8.2%).

Card, gift and gadget stores (driven by Stick It (+29%) and Fête Ci Fête Ca (+25%)) as well as repair store brands (driven by Montre Service (+92%) and Wefix (+40%)) were high performers in the first half of 2020.

The trend towards changes in Ready-to-Wear revenues is slightly negative (-0.6%). The performance of retail brands varied, with some brands outperforming (including H&M, Zara, New Yorker and Mango) and others underperforming (including Camaieu, Okaïdi, Sergent Major, Celio, Pimkie).

In France the Francheville (+9.6%) and Auchy les Mines (+9.3%) sites in particular outperformed, as well as the Reims Tinqueux (+8.3%) and Ormesson (+5.9%) large shopping centres. In Spain, the Montequinto (+12.7%), Cabrera (+10.6%) and Alfafar (+6.6%) large shopping centres also experienced a significant increase in their retailers' revenues, as did Nichelino (+6.5%), Monteccuco (+6.4%) and Paderno (+4.6%) in Italy.

**Change in revenues in June 2020 (post reopening)**

The recovery has been encouraging since the reopening: following the reopening of shopping centres in all three countries, retailers' revenues in June fell by 8.7% compared with the same month in 2019 (with France at -7.1%, Spain at -12.8% and Italy at -11.8%), despite the late reopening of restaurants in France. Excluding the Food and Restaurants sector, this decline is only -6.0% (with France at -4.2%, Spain at -9.8% and Italy at -10.7%).

The sharp change in Food and Restaurant revenues in June (France -24.5%, Spain -38.5%, Italy -26.2%) was due in particular to delayed openings in France and to social distancing health restrictions to reduce the number of customers in restaurants.

Clothing and Accessories saw a slower recovery (France -23.5%, Spain -16.0%, Italy -24.4%) due in part to the postponed date of French nation-wide sales, which began in mid-July in 2020 versus the end-June in 2019.

Household furnishings saw the strongest recovery (France +28.6%, Spain +12.5%, Italy +18.9%). This was due in particular to the performance of computer hardware stores (driven in particular by Darty (+39.2%) in France, Bricodépôt (+17.5%) in Spain and Unieuro (+10.9%) in Italy, as well as by furniture retailers (driven by But (+74.0%) and La Compagnie du Lit (+53.0%) in France, Zara Home (+9.3%) in Spain and Happy Casa Store (+48.4%) in Italy) and by repair stores (driven by La-Clinique.net (+62.2%) and Montre Service (+13.6%) in France in particular).

### 4.3.5. Letting activity

**Summary**

In the first half of 2020, Carmila signed 233 leases for a minimum guaranteed rent totalling €11.3 million.

Carmila let 132 vacant premises for a minimum guaranteed rent of €6.7 million, broken down as follows:

- 83 units for €5.1 million in France
- 41 units for €1.2 million in Spain
- 8 units for €396 thousand in Italy

The company also signed leases for five premises on its extension projects for a minimum guaranteed rent of €0.6 million, all of which in France.

During the first half of 2020, Carmila renewed 96 commercial leases for a minimum guaranteed rent of €3.9 million, thus generating a reversion of 6.3%, with the following breakdown:

- 50 leases were renewed in France, for a minimum guaranteed rent of €2.3 million and with a reversion of 6.6%
- 42 leases were renewed in Spain, for a minimum guaranteed rent of €1.4 million and with a reversion of 6.0%
- 4 leases were renewed in Italy, for a minimum guaranteed rent of €232 thousand and with a reversion of 5.6%

| | Letting of vacant premises | | Letting of extensions | | Renewals | | |
|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Number of leases | Annual minimum guaranteed rent | Number of leases | Annual minimum guaranteed rent | Number of leases | Annual minimum guaranteed rent | Reversion |
| France | 83 | 5 056 | 5 | 565 | 50 | 2 321 | 6,6% |
| Spain | 41 | 1 229 | - | - | 42 | 1 388 | 6,0% |
| Italy | 8 | 396 | - | - | 4 | 232 | 5,6% |
| **Total** | **132** | **6 681** | **5** | **565** | **96** | **3 941** | **6,3%** |

**Impact of the health crisis**

During the first two months of the year, Carmila outperformed compared to 2019. In fact, over this period, Carmila let 71 vacant units for €3.6 million in annual rent, versus 54 units for €3.1 million in annual rent the previous year.

Business then sharply slowed during the two months of the lockdown period. Commercial activity was slow during the two months of closing, letting 24 vacant units for €1.3 million of annual rent, compared with 73 units for €3.5 million of rent in 2019.

The end of lockdown in each of the three countries marked an encouraging recovery, with 37 signed leases for €1.7 million of rent.

**France**

Carmila diversified its rental base by letting its vacant premises to retail brands representative of a variety of activity sectors:

- 33% of leases signed during the first half of 2020 (in rent) were in Health and Beauty. Carmila is endeavouring to expand this strategic development focus to strengthen the leading position of its centres and to diversify its merchandising mix.

A pharmacy is opening in four shopping centres, in Gennevilliers, Ormesson, Saint Brieuc and Tarnos. Carmila continues to expand the number of opticians by signing leases with Optic 2000 in Hérouville Saint Clair and Mondeville, with La Générale d'Optique in Annecy and Orléans Place d'Arc, as well as with Krys in Rethel and Atol in Bourg en Bresse.

Hair salons and barbers continue to base themselves with Carmila, like Pascal Coste in Nice Lingostière, Le Barbier in Laon, or independent hairdressers in Nîmes and Port de Bouc.

Finally, Carmila continues to expand medical practices in its centres with the arrival of a general practitioner in Sens Maillot, a dental practice in Gennevilliers, and a veterinary practice in Ormesson.

- The Culture-Gifts-Leisure sector accounts for 27% of the leases signed, primarily with national players in mobile telephony. It should be noted, amongst others, that SFR plans to open in Toulouse Labège, Free in Puget sur Argens and Bouygues Télécom in Gruchet le Valasse and Hazebrouck

Players in the sports sector are also represented with the lettings to medium-sized retailers Gigafit in Etampes, Basic Fit in Calais Mivoix and the signature of a lease with Adidas in Toulouse Labège.

Lastly Carmila is about welcome medium-sized retailer Cultura in Anglet BAB2 and a Normal store in Torcy Collégien.

- 24% of the letting activities in the first half are related to the Clothing and Accessories sector.

Lettings to major players in ready-to-wear such as Cache-Cache in Orléans Cap Saran, Maison 1.2.3 in Torcy Collégien as well as Jennyfer in Orléans Place d'Arc and in Calais Coquelles should be noted.

Carmila also signed leases with the multi-brand ready-to-wear retailer Blue Box in Toulouse Labège, with lingerie and swimwear brand Valège in Toulouse Purpan, and with children's ready-to-wear brand Okaïdi in Salaise sur Sanne. Carmila also signed for a new opening of its partner Indémodable, a shoe specialist.

- Food and Restaurants represents 10% of the leases signed during the first half of 2020, with Au Bureau brasseries in Rennes Cesson and Nanteuil les Meaux.

International and themed restaurants are expanding, such as Asian cuisine with Pitaya in Calais Coquelles, or American restaurants with DWD Burger in Goussainville and Mexican restaurants with Nachos in Labège.

Finally, So Bio, an organic deli will open in Reims Tinqueux, La Romainville, a pastry shop will locate in Goussainville and a L'Envie Gourmande bread bakery will be based in Athis-Mons.

- The remaining lettings are in Household furnishings as well as Services with the opening of the kitchen specialist Cuisine Privée in Torcy Collégien and Athis-Mons, and the electronics repairer Mobilax Store in Grenoble Echirolles and Saint Egrève.

**Spain**

The diversification of the merchandising mix is progressing in Carmila's Spanish centres:

- Clothing and accessories represent 37% of leases singed during the first half of 2020, with for example, Mango in La Sierra and Bretland in Atalayas. The arrival of Prénatal, an infant and children's specialist, in three centres at Huelva, El Alisal and As Cancelas should be noted.

- 17% of the leases signed were with Culture, gifts and leisure players, such as the trampoline park, Flipa Jump at Gran Sur or the costume jeweller Chiguagua in Huelva.

- The Services sector accounted for 16% of lettings during the half year, with, for example, telephony specialists Vodafone in the Granada and La Veronica shopping centres, Mas Movil in Badajoz, and Yoigo in Peñacastillo, and a Remax estate agency in El Pinar.

- 13% of the leases signed are in the Health and Beauty sector, including lettings with the Rituals brand in Huelva and the Camarine de Beleza hair salon in Lugo, and the optician Solptical opening in Gran via de Hortaleza. Lastly, the partner Centros Ideal, an aesthetic medicine specialist, expanded its network with an opening in Rivas.

- Food and Restaurants represent 10% of leases signed, with for example, the arrival of a new Taco Bell restaurant in Peñacastillo and a new Belros confectioner in Alconbedas.

- The remaining lettings are in Household equipment, with the arrival of Bedland, a mattress specialist, in La Sierra.

### Italy

In Italy, lettings were mainly to ready-to-wear retail brands, such as the Tezenis lingerie chain in Massa and the children's specialist Ido. 20% of the leases signed were in Services, with the photographer Areafoto in Thiene, or the dry cleaner Lavenderia also in Thiene. 16% of leases singed were in Household furnishings, with the pet store, Arcaplanet in Paderno. Lastly the remaining leases were let to Food and Restaurant retail brands, with for example, Lino's Coffee in Vercelli.

### Temporary retail activity

The temporary store activity focuses on providing space in Carmila centres for short to medium periods (maximum one year). As part of a complementary approach to traditional stores, it provides visitors with the opportunity to discover a more innovative offer. It focuses upon two areas:

- Specialty Leasing
- Pop-up Stores.

Due to the closure of shopping centres caused by the health crisis, revenues from Specialty Leasing and Pop-up Stores in the three countries declined by -14.3% compared to the first half of 2019.

| **Gross Rental income** | **30/06/2020** | | | **30/06/2019** | | | **Change** |
|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | **Specialty Leasing** | **Pop-up stores** | **Total SL+TS** | **Specialty Leasing** | **Pop-up stores** | **Total SL+TS** | **%** |
| France | 1 666 | 927 | 2 593 | 2 448 | 690 | 3 138 | -17,4% |
| Spain | 2 353 | 101 | 2 454 | 2 551 | 132 | 2 683 | -8,5% |
| Italy | 436 | - | 436 | 573 | - | 573 | -23,9% |
| **Total** | **4 455** | **1 028** | **5 483** | **5 572** | **822** | **6 394** | **-14,3%** |

### Specialty Leasing

Specialty Leasing is dedicated to the development of event organisation as well as new and innovative services and products intended for customers in shopping centres. Constantly mirroring trends in consumption, the various players in Specialty Leasing make it possible to diversify the shopping offer and enrich the customer experience. This diversification thus enables value to be added to the public areas of the centres. It is divided into two sub-activities:

- The letting of floor areas in the malls and in the car parks
- A partnership, on an exclusive basis with the advertiser ClearChannel, for communication via a digital medium in the malls.

The success of Specialty Leasing at Carmila stems from the intention to renew the concepts presented in the malls, with particular attention paid to the quality and relevance of the concepts with the centre's offer with regard to duration, type and theme.

The first two months of 2020 were marked by an increase in event activities following the launch of Carmila Event last year, with Panini, Milka, GRDF and Verisure events among others. Carmila centres also continued to host trade shows on various themes (cars in Venette and Mont Saint Aignan, housing in Venette) and roadshows of national and international brands such as Engie, K par K, Ford and BMW.

Following the measures to combat the health crisis starting in March, events, short-term leases and Clear Channel France activities fell sharply. Nevertheless, long-term leases were able to last throughout the first half. The end of lockdown marked the return of lessees in each country.

### Pop-up stores

Carmila also leverages the attractiveness of its shopping centres to open pop-up stores in premises of between 50 and 3,000 sq.m., for leases ranging from 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. Lessees are satisfied with the high service standards provided by Carmila for openings, particularly in Spain as evidenced by the numerous lease renewals following the Christmas period, thereby demonstrating these retailers' desire to move in for a longer-term after a successful initial experience. This specific 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 with limited tenor leases.

During the first half of the year, Carmila continued to roll out the Repaire des Sorciers (Harry Potter-derived products) brand, with the opening in May of the 7$^{th}$ store in Orléans Cap Saran, and the planned arrival this summer of the 8$^{th}$ store in Torcy Collégien. The forthcoming opening at Anglet BAB 2 of the first physical point of sale for Patatam, an online second-hand clothing retailer, should be noted.

The health crisis forced the postponement of pop-up store openings in shopping centres. Nevertheless, letting activity continued during the lockdown.

During the lockdown, the Pop-up Stores department developed new services which were launched in June. These new services include modular and CSR furniture leasing in collaboration with Emmaüs, as well as videos to help prospect for future lessees.

### 4.3.6. Structure of leases

With 6,291 leases under management at 30 June 2020, Carmila has a solid and diversified base of tenants, with rents from the Carrefour group representing less than 1% of net rental income in 2020. Annualised rents totalled €358.6 million at 30 June 2020.

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

| | At 30/06/2020 | | | At 31/12/2019 | | |
|---|---|---|---|---|---|---|
| *Country* | Number of leases | Annualised contractual rent (in millions of euros) | %/Total | Number of leases | Annualised contractual rent (in millions of euros) | %/Total |
| France | 3 495 | 237,4 | 66,2% | 3 537 | 238,9 | 66,1% |
| Spain | 2 442 | 99,1 | 27,6% | 2 446 | 99,4 | 27,5% |
| Italy | 354 | 22,1 | 6,2% | 365 | 23,4 | 6,5% |
| **Total** | **6 291** | **358,6** | **100%** | **6 348** | **361,7** | **100%** |

**Distribution of contractual rent by business sector on an annualised basis**

The following table shows Carmila's annualised rents by business sector at 30 June 2020:

| | At 30/06/2020 | | | At 31/12/2019 | | |
|---|---|---|---|---|---|---|
| *Business sector* | Number of leases | Annualised contractual rent (in millions of euros) | %/Total | Number of leases | Annualised contractual rent (in millions of euros) | %/Total |
| Clothing and accessories | 1 439 | 119,0 | 33,2% | 1 484 | 124,3 | 34,4% |
| Culture, gifts and leisure | 1 040 | 67,9 | 18,9% | 1 023 | 66,7 | 18,4% |
| Health and Beauty | 1 191 | 65,4 | 18,2% | 1 195 | 64,7 | 17,9% |
| Food and Restaurants | 858 | 46,8 | 13,0% | 866 | 46,3 | 12,8% |
| Household equipment | 284 | 30,0 | 8,4% | 289 | 29,6 | 8,2% |
| Services | 1 380 | 28,6 | 8,0% | 1 386 | 29,5 | 8,1% |
| Other | 99 | 0,8 | 0,2% | 105 | 0,7 | 0,2% |
| **Total** | **6 291** | **358,6** | **100%** | **6 348** | **361,7** | **100%** |

The reduction of Clothing and Accessories (-120 base points in 6 months) as a proportion of the total number of leases signed has benefited the Culture, Gifts and Leisure sectors (+50 base points) and Health and Beauty (+30 base points), whereas the proportions of other sectors remained relatively unchanged.

**Distribution of contractual rent by business sector on an annualised basis**

Carmila rents space to large, well-known national and international brands in order to promote the visibility of its shopping centres, as well as to local brands to reinforce its local roots.

The following table shows the breakdown of annualised rents by international brands, national brands and local brands at 30 June 2020 compared with 31 December 2019:

| | At 30/06/2020 | | | At 31/12/2019 | | |
|---|---|---|---|---|---|---|
| *Categories* | Number of leases | Annualised rent (in millions of euros) | %/Total | Number of leases | Annualised rent (in millions of euros) | %/Total |
| International brands | 2 683 | 193,2 | 53,9% | 2 558 | 194,6 | 53,8% |
| National brands | 2 147 | 114,2 | 31,9% | 2 279 | 114,6 | 31,7% |
| Local brands | 1 461 | 51,2 | 14,3% | 1 511 | 52,5 | 14,5% |
| **Total** | **6 291** | **358,6** | **100%** | **6 348** | **361,7** | **100%** |

| | At 30/06/2020 | | |
|---|---|---|---|
| *Categories* | France | Spain | Italy |
| International brands | 54,9% | 54,7% | 39,0% |
| National brands | 31,9% | 28,2% | 47,1% |
| Local brands | 13,2% | 17,1% | 13,9% |

The breakdown by brand category is relatively unchanged compared with 31 December 2019.

**Variable rent**

In France, Spain and Italy, leases include either a fixed rent, a "full variable" rent or a rent with a double fixed and variable component. These dual-component rents consist of a fixed portion, the minimum guaranteed rent (or basic annual rent), and an additional variable rent, calculated as a percentage of the tenant's annual revenue excluding taxes. Total variable rental income in the financial statements at 31 December 2019 amounted to 7.6 million euros.

Due to the closure of a large majority of shops for several weeks, Carmila has projected a 20% decline in 2020 sales for its retail tenants. The effect of this decrease on the variable rent to be received is estimated at 4.0 million euros for the 2020 financial year. 50% of this impact was accounted for at 30 June 2020.

### 4.3.7. Financial Occupancy Rate

| | Financial occupancy rate (excluding strategic vacancies) | |
|---|---|---|
| *Country* | **30/06/2020** | **31/12/2019** |
| France | 95,6% | 95,9% |
| Spain | 95,8% | 96,4% |
| Italy | 97,9% | 98,8% |
| **Total** | **95,8%** | **96,3%** |

At 30 June 2020, the consolidated financial occupancy rate of Carmila's assets is 95.8%, including 95.6% in France, 95.8% in Spain and 97.9% in Italy. The reduction in the financial occupancy rate in the first half is due to the delay in delivering shells during the period of lockdown and reduced sales at pop-up stores.

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 portfolio were leased, with the estimated rent for vacant lots being determined on the basis of rental values used by the appraisers. 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.

Strategic vacancies accounted for 1.5% of total vacancies in France, 2.4% of total vacancies in Spain and 1.4% of total vacancies in Italy, which represents a consolidated impact for Carmila of 1.8% at 30 June 2020, unchanged from 31 December 2019, when the consolidated impact was 1.8%.

### 4.3.8. Ongoing rent negotiations

In light of the health crisis, numerous state authorities have called lessors for rent waivers or postponements in order to support tenants facing cash constraints.

In France, the government called commercial lenders to waive three months of rent for Small Businesses (“TPEs”) that were forced to cease their activities during lockdown. Regarding other companies weakened by the health crisis, discussions have been initiated by adapting on a case-by-case basis the arrangements that could be granted in accordance with the mediation carried out under the sponsorship of the Ministry of the Economy between lessors and lessees, with the aim of maintaining the total impact of rent waivers below 1.5 month of the annual rent.

In Spain, tenants (self-employed workers and Small Businesses) of commercial leases have the possibility of asking their lenders to defer 4 months' rent for a duration of up to 24 months (under certain conditions).

In Italy, the measures put in place in favour of lessees have consisted in granting a tax credit equal to 60% of the rent due for the months of March, April and May (under certain conditions).

Carmila has thus entered into negotiations with its tenants to consider rent reductions or cancellations.

At June 30, 2020, 23% of the negotiations (in terms of number of leases) have been finalized for all 3 countries. Out of these finalised negotiations, 48% have been the subject of rent cancellations for a total amount of 6,007 thousand euros. As these negotiations have not yet been signed, this impact will be recorded in the accounts for the second half of the year.

In France, 17% of the negotiations (in number of leases) have been finalised. 93% were the subject of a lease waiver for an amount of 5,456 thousand euros. On the other hand, 13.5 million euros in rent (36% of the total negotiated) were subject to a maturity extension and 17 new commitments were concluded for an annual rent of 931 thousand euros.

| (in thousands of euros) | | Rental base (excl. variable rents) | Finalised negociations (% portfolio) | | New lease engagements (% finalised negociations) | Maturity extension | | Granted discounts (% finalised negociations) | |
|---|---|---|---|---|---|---|---|---|---|
| France | *number of leases* | 3 584 | 604 | 17% | 17 | 150 | *number of leases* | 559 | 93% |
| | *MGR* | 234 443 | 34 921 | 15% | 931 | 13 530 | *Franchise amount* | 5 456 | 16% |
| Spain | *number of leases* | 1 956 | 657 | 34% | 0 | 40 | *number of leases* | 9 | 1% |
| | *MGR* | 94 831 | 28 033 | 30% | 0 | n.d | *Franchise amount* | 55 | 0% |
| Italy | *number of leases* | 205 | 87 | 42% | 10 | n.d | *number of leases* | 74 | 85% |
| | *MGR* | 22 180 | 7 104 | 32% | 1 028 | n.d | *Franchise amount* | 496 | 7% |
| **Total** | ***number of leases*** | **5 745** | **1 348** | **23%** | **27** | **190** | ***number of leases*** | **642** | **48%** |
| | ***MGR*** | **351 454** | **70 058** | **20%** | **1 959** | **13 530** | ***Franchise amount*** | **6 007** | **9%** |

[1] in % du LMG o.w. 22% for Very Small Companies and 12% excluding Very Small Companies

### 4.3.9. Occupancy cost ratio of retailers

Owing to the effects of the health crisis resulting in trading being interrupted for two months or more for the majority of retailers in Carmila's centres in the first half of 2020, the occupancy cost is not representative of the semester.

## 4.4. Corporate Social Responsibility

Since 2019 Carmila's CSR commitments have been expressed through a programme of responsible initiatives entitled, "Here we act". This programme, which addresses the expectations of company stakeholders, combines all positive actions, with the aim of stimulating the local economy, protecting the environment and getting employees on board.

In June 2020, the Board of Directors has established a CSR Committee comprised of five Carmila Directors. The first Committee launched the process formally and approved the new CSR strategy carried out under the three "Here, we act" pillars. Reducing the environmental impact (reduction of assets' carbon footprint, of energy use, of waste …) and the fight against climate change remain Carmila's primary goals.

### 4.4.1. Pillar 1: "Here, we act" for the planet

By establishing its centres in the towns and cities of the future, Carmila is committed to continually improving its environmental performance.

The CSR committee has validated an ambitious strategy thanks to which Carmila has enrolled in the fight against climate change, with the purpose of a 50% reduction of its greenhouse gases emissions by 2030. These new environmental strategy includes objectives regarding energy performance, resource protection and asset resilience, among others.

In order to define its new strategy Carmila carried out environmental audits. Eight shopping centres (Angers-Saint-Serge, Montesson, Stains, Evreux, Vannes, Brest and Angoulins) were reviewed before undergoing a site audit. The audit reports will identify the actions to be put in place on issues around energy consumption, eco-construction, waste, portfolio vulnerability and resilience, biodiversity, water, GHG emissions and finally mobility.

Meanwhile, Carmila proceeds with the BREEAM certification campaign of its centres. Over the first semester, 27 new centres in France and 21 in Spain have initiated a certification process, in order to reach the objective of 75% of certified assets by end 2021. Carmila aims to exceed this objective by end 2020. At 30 June 2020 achieved a 64.2% BREEAM certification rate for its portfolio value.

### 4.4.2. Pillar 2: "Here, we act" for local regions

This pillar marks Carmila's commitment towards stimulating and developing the attractiveness of the local infrastructure alongside retail brands and retailers.

Carmila proceeds with its strategic activity regarding territorial economic attractiveness, and aims at developing sustainable offer, which stands at the heart of its Raison d'être. This offer will be set in the upcoming months and will enable Carmila to meet new expectations from customers about transparency, logistics, supplies, circular economy and CSR.

During lockdown, Carmila joined forces with voluntary organisations tackling domestic violence. As such, working in partnership with local police stations, chemists and the hypermarket, 17 centres were able to loan their meeting rooms and management offices to the organisations, enabling them to welcome victims and provide them basic toiletries.

In these pop-up centres, voluntary organisations were able to provide services to victims in appropriate conditions. The existence of these spaces was publicised through a strong local communications campaign involving prefectures, newspapers, radio and strategically placed, easy-to-spot posters. In addition, a TV feature on France 3 raised public awareness of the existence of this solution. Finally, Carmila's social media accounts made a significant contribution to publicising the initiative.

During lockdown, Carmila España has gifted masks and gels as well as meals in order to support the population and caregivers. Moreover parking spots and specific timeslots were dedicated to caregivers at Carrefour stores in Spain.

In Italy, every one of the eight centres has distributed gift cards amounting to €2.000 for disadvantaged families during lockdown.

For the third year running, the Easter treasure hunt, organised in partnership with the local federations of the Secours Populaire Français. In order to safeguard the operation despite restrictions due to the health crisis, the hunt was transformed into a digital "happy photo" campaign to help the most disadvantaged in coping with the health crisis. Social media communications reached 309,000 people on Facebook and €10,000 was donated to the Secours Populaire charity.

Lastly, Carmila will launch governance work in order to establish new policies regarding stakeholders (responsible procurement, responsible lobbying…). Policies should include CSR criteria to make decisions regarding investment projects or partner selection.

### 4.4.3. Pillar 3: "Here, we act" for employees

Acting daily for the employees means being the driver of fulfilment, satisfaction, exceeding one's limits and team spirit. This pillar is broken down into various actions focussed on employees.

Carmila wishes to focus on diversity, making it a number one priority for its social policy, especially professional equality. The goal is to reach a 90/100 score on the professional equality index by 2022.

Lockdown has disrupted ways of working and put distance between employees. An online community over the three countries was launched to strengthen employee connection. Yoga classes online and distance learning courses were offered in all three countries.

A survey of Carmila employees was conducted during lockdown in order to monitor how people were feeling and offer solutions.

The survey showed that, in the case of 95.5% of employees continuing to work and maintaining links with their colleagues helped them to cope better with the lockdown. Moreover, 96.2% of them were satisfied with official communications (protective measures, remote working) by Carmila.

In terms of post-lockdown, 71% wanted to continue remote working after lockdown and 58% wanted flexible working times to continue.

Lastly, an internal competition on the Mydea platform was launched in June in all three countries to enable employees to suggest CSR projects. More than 30 projects were submitted, among which three will be implemented during the second semester after voting within the company.

## 4.5. Digital marketing

Since its creation in 2014, Carmila has implemented a distributed marketing strategy by giving each shopping centre management the best marketing and digital tools on the market, to support its retailers on the ground.

During the health crisis in the first half of 2020, which resulted in the closure of most stores (excluding Carrefour hypermarkets and shops selling basic necessities), this distributed marketing was particularly effective. Indeed it enabled Carmila to be responsive and adaptive in informing customers about the exceptional conditions on the ground, maintaining a reassuring and caring link and sharing new local initiatives to support both retail brands that were open and those that were closed.

Distributed marketing, which makes it possible to make each centre a targeted local advertising medium, is possible thanks to close collaboration:

- centrally, with marketing and digital experts who build the tools and define best practices;
- locally, with experts in their catchment area, daily users of these tools for their centre.

The latter can, in particular, draw on digital levers that can be activated both locally and nationally:

• a geo-located customer database of 3.18 million “opt- in” contact points that can be activated (+14% compared to 31 December 2019) within the centres' catchment areas. This database is powered by a game terminal facility in France and Italy, used by over 325,000 players over the period, except during the health crisis when the facility was suspended.

• A mobile-first internet site that is locally managed. Created as an additional showcase for retailers, it provides an accurate picture of what is going on at the centre for customers in the catchment area.

• Informative and up to date My Business Google pages. In the first half of 2020, these pages were searched over 36.4 million times by customers (+22% compared to H1 2019). These performances highlight the standard of the information provided by Carmila, particularly in terms of communicating the exceptional opening hours of centres in real time during the health crisis.

• Differentiating and non-promotional content to develop local community commitment:

Communications to reassure, inform and encourage solidarity during the health crisis; tutorials, recipes and sport and health advice to keep in touch with customers; retailer videos; partnerships with 25 local ambassadors who share news from the centres and their retailers with their communities.

• Access to the latest Google and Facebook Artificial Intelligence-powered Automated Bidding innovations and Store Visit reports that make it possible to optimise marketing campaigns and use digital technology to monitor the in-person visits to sales outlets generated.

Carmila has also provided its retailers and shopping centre managers with new services, to promote ever greater agility.

Thus, in the first half, new resources were added to NESTOR, the digital platform for local teams and retailers, to meet both day-to-day requirements and more unusual ones:

• A few weeks before lockdown, the integration of the “Print” platform for ordering environmentally friendly physical communication resources (POS, prospectuses, banners etc.) enabled retailers to source protective equipment in a few clicks.

• The addition of a "supporting your reopening" section enabled centre managers to quickly communicate all government measures and other useful information to lessees when the Shopping Centres reopened.

Moreover, the agility of the digital ecosystem and Carmila's teams allowed for effective communication with customers and retailers to offer them reassurance and information, to encourage solidarity and develop links between all centre stakeholders.

As such, in the first half of 2020:

- centres sent over 16.6 million emails (+117% compared with H1 2019) to their local customer databases;
- they also published more than 27,000 posts (+60% vs. H1 2019) on their Facebook pages, reaching over 68 million web-users.

Indeed, the fact that centres continued to communicate over the period had a very positive effect on customers, as shown by the survey conducted by Shopping Lab, Carmila's research arm. According to 95% of the surveyed customers, these communications show that centres have adapted to the situation, whilst 89% of them consider that it demonstrates the centre's ability to understand their needs.

Finally, all of the tenant retailers hosted by Carmila benefit from the expertise of staff at headquarters and centres through the Kiosk, a support service aimed at offering assistance with marketing campaigns, communicating deals, highlighting important moments, etc. There were over 4,700 operations of this type in H1 2020.

As such, during lockdown almost 100% of open stores received digital support. In the case of France, for example, some 1,000 kiosk operations were conducted to support retailers (compared with 860 in the same period of 2019) of which 58 for chocolate makers, in order to publicise their Easter deals and news (booking module, store opening days and times, tutorials, donations of chocolate to caregivers, showcasing products and promotions, deliveries, click & collect, etc.). Since reopening, support measures have also been put in place, aimed at food outlets in particular.

In Spain, since April, marketing staff and centre management have implemented “Reserva & Compra”, a programme of direct calls to mall retailers to encourage them to introduce new omnichannel services and offer support with implementation:

- Sales or making appointments online, via WhatsApp or telephone
- Home delivery
- Contactless payment
- Store collection points in the car park

150 retailers are already using these services in Carmila malls.

## 4.6. Business development

### 4.6.1. Carmila Retail Development

Innovation is at the heart of Carmila's projects. It is also reflected in the promotion of employee initiatives and Business Development. Accordingly, Carmila launched Carmila Retail Development dedicated to supporting the development of promising new concepts. In this way, Camila gives financial support to talented, dynamic entrepreneurs who wish to set up stores into its centres. These include the barber La Barbe de Papa, the shoemaker Indémodable, the Cigusto e-cigarette retailer, and the aesthetic clinics Centros Ideal in Spain.

At 30 June 2020, these four retail brands represent 63 stores opened in Carmila shopping centres in France and in Spain, for an annual rental income of €2.23 million. These retail brands also opened 18 stores with third-party lessors. Hence, partnerships represent a total of 81 stores in France and in Spain.

The health crisis has highlighted the professionalism of Carmila's partner entrepreneurs who have done what it takes to protect their businesses. The reopening of shopping centres enables them to trade again and strengthen their position, with no fewer than 25 openings scheduled by the end of 2020.

Finally, Carmila Retail Development intends to enter into new partnerships with, for example, local food brands, home furnishings and sports outlets in order to expand the offering of its stores and meet its customers' new requirements. The challenge is also to be a partner working closely with these entrepreneurs to enable them to expand.

### 4.6.2. Health Hub

Thanks to the many assets of Carmila's shopping centres in terms of accessibility, access, and extensive free and unlimited parking, Carmila intends to begin a strategic transition, transforming its "shopping centres" into "lifestyle centres". Going forward, expanding its offering to include services, particularly in the field of health, will be a key milestone in its transformation. This ambition relates both to the introduction of bigger dispensing pharmacies capable of expanding their offering and particularly activities requiring a large footprint, first-aid, mono or multidisciplinary health centres and remote medical examination and treatment centres. The possibility of accommodating other professions, particularly in specialist fields, is also under review.

Thus, the company is supporting the services of highly experienced, renowned professionals to develop health services within its portfolio. Having created, in 2019, Pharmalley, a partnership enabling young talented pharmacists to access next generation pharmacies (6 operations undergoing expansion or transfer-expansion), in the first half of 2020 Carmila created Dentalley to support the roll-out and running of top-class health centres (installation, equipment, recruitment, training, third party payment etc.). The first opening will take place in November at the Athis-Mons centre in Essonne with the objective of opening 50 sites in the next five years. The leading representatives of the profession are supporting Dentalley in developing this operation.

#### 4.6.3. LouWifi

Carmila also increases the appeal of its centres through the roll out of fibre optics, via its subsidiary LouWifi. As an expert in network integration, LouWifi installs and maintains low-voltage networks (including Wifi) in Carmila's centres for the benefit of retail tenants, thus providing them with high-quality connectivity, and offering visitors and retailers ultra-fast broadband.

LouWifi now handles 100% of shopping centres in the Carmila portfolio in France and 25 large shopping centres in Spain.

This service contributed to the growth in the opt-in database with 820,000 contacts in France and 65,000 contacts in Spain, where the service was launched in October 2019.

LouWifi brought its new expertise in video surveillance in-house, deployed in Nice Lingostière and Rennes Cesson.

#### 4.6.4. Lou5G

Finally, through its Lou5G subsidiary, Carmila provides land for antenna. Lou5G owns land on which telecom companies can install antennas under a lease agreement.

The activity, created in 2019, was formalised and structured with the signature of a framework agreement with each of the four national telecommunications operators. Almost 130 antenna have been leased (subject to conditions precedent), generating annual rental income of €1.5 million.

The first half of 2020 was marked by the lifting of conditions precedent on 40 leases, generating annual rent of €400 thousand, as well as by the creation of a dedicated team.

In addition to its business leasing land to telephone operators, Lou5G is preparing to build pylons in order to provide operators with a comprehensive service.

Therefore, Carmila is contributing to the nationwide ambition of reducing the digital fracture by pairing up with the governmental objectives of Blackspot coverage, 4G improvement, and preparation for the arrival of 5G.

### 4.7. Comments on the half year income

#### 4.7.1. Gross rental income (GRI) and Net Rental Income (NRI)

**Gross rental income**

| **Gross Rental income** | **30/06/2020** | | **30/06/2019** |
|---|---|---|---|
| | | Change vs. 30/06/2019 | |
| *(in thousands of euros)* | **Gross Rental income** | Current scope | **Gross Rental income** |
| France | 105 678 | -12,0% | 120 042 |
| Spain | 46 499 | -0,8% | 46 854 |
| Italy | 11 401 | -5,3% | 12 034 |
| **Total** | **163 578** | **-8,6%** | **178 930** |

Variation in Gross Rental Income reached -8.6% over the half year. Rents in the first quarter were billed according to the leases (quarterly billing payable in advance in France and Italy and monthly billing payable in advance in Spain). In order to maintain the cash position of tenant retailers, rents in the second quarter were billed on a monthly basis in arrears in all three countries. In France and Italy, the payment deadline was extended to 30 September 2020 and in Spain rent for April and May is due on 30 June and rent for June and July due on 31 July.

Carmila has committed to writing off the rent of Small Businesses in France at the request of the government. The full impact was recorded in the first half of 2020 in the amount of -13.2 million euros on rental revenues.

For the other tenants, the memorandums of understanding currently under negotiation will be signed in the second half of 2020; as such, these agreements have no impact on the accounts for the first half year.

Accruals for variable rent have also been adjusted to factor in the months when centres were closed (loss of 1.9 million euros in first half of 2020).

### Net Rental Income

| **Net Rental Income** | **30/06/2020** | | | | | **30/06/2019** |
|---|---|---|---|---|---|---|
| | | Change vs. 30/06/2019 | | | | |
| *(in thousands of euros)* | **Net Rental Income** | Constant scope | Constant scope (Covid-specific impact) | Constant scope (excluding Covid-specific impact) | Current scope | **Net Rental Income** |
| France | 95 898 | -12,7% | -14,5% | 1,3% | -14,7% | 112 428 |
| Spain | 41 765 | -2,8% | -3,1% | 0,3% | -3,6% | 43 304 |
| Italy | 9 794 | -11,7% | -7,1% | -4,7% | -12,8% | 11 230 |
| **Total** | **147 457** | **-10,1%** | **-10,7%** | **0,6%** | **-11,7%** | **166 962** |

Variation in Net Rental Income reached -€19.5 million, or -11.7% in the first half of 2020. The variation is broken down as follows:

Total like-for-like variation represents -€16.8 million, -10.1% over the first half. Growth generated by the extensions delivered in 2019 and by the other effects (effect of strategic vacancy in particular) is not included in like-for-like growth. The contribution of rent indexation included in like-for-like growth stands at +1.5%. Like-for-like perimeter represents 99% of the overall scope for the first half of 2020. Specific impacts have been accounted for in order to factor in the health crisis in the three countries: in addition to cancelling the rent of very small businesses in France and adjusting variable rent in the three countries (impacts described in the Gross Rental Income paragraph), provisions have been made to factor in the expected losses on receivables invoiced but not payable in the second quarter for tenants undergoing insolvency proceedings (impact -4.0 million euros on the first semester). These specific impacts of the health crisis account for -10.7% of like-for-like variation; like-for-like variation excluding these specific impacts is 0.6%.

Growth generated by the extensions was €0.6 million, or +0.3%. The Rennes Cesson extension delivered in the second half of 2019 is recognised in this line.

Zero growth was generated by acquisitions in the first half of 2020 since there were no acquisitions in 2019 nor in 2020.

The contribution of other effects is €-3.2 million, i.e. -1.9%. These other effects notably include the impact of strategic vacancies, that allow for restructuring and extension operations and one-off impacts accounted for in the first half of 2019.

### 4.7.2. Operating expenses

| **Operating expenses**<br>*(in thousands of euros)* | **30/06/2020** | **30/06/2019** |
|---|---|---|
| Income from management, administration and other activities | 2 959 | 2 657 |
| Other income | 2 475 | 2 391 |
| Payroll expenses | -12 970 | -13 234 |
| Operating expenses | -17 746 | -19 362 |
| **Payroll expenses** | **-25 282** | **-27 548** |

Operating expenses are down by 8.2% in the first half of 2020 compared with the first half of 2019.

This reduction of €2.3 million is mainly due to the reduction in expenses in the category Other overhead expenses. Owing to reduced activity during lockdown, costs have been postponed from the first half to the second half and variable fees are down as a result of extending rent payment terms in the second quarter and the potential impacts of the health crisis. The main components of Operating expenses are marketing expenses, chiefly relating to digital applications, and fees, including those paid to Carrefour for the provision of services (accounting, human resources, general services, etc.), as well as appraisal fees for the asset portfolio, legal and tax fees, including auditors' fees, financial communication and advertising fees, travel expenses and directors' fees.

Carmila wanted to maintain remote working for 100% of its staff without recourse to furlough measures over the lockdown period in order to stay in touch with tenants and consumers and make preparations for the reopening of centres at the end of lockdown. As such, the Payroll Expenses category has remained unchanged over the period.

Income from management and other income are up 7.6% over the period. This income includes new lease commission, marketing fund services dedicated to the development and attractiveness of the centres (retailers' associations), the re-billing to the Carrefour group of the share of payroll expenses for shopping centre management and LouWifi fees.

### 4.7.3. EBITDA

| **EBITDA**<br>*(in thousands of euros)* | **30/06/2020** | **30/06/2019** |
|---|---|---|
| **Operating income** | **- 95 002** | **64 794** |
| Elimination of change in fair value | 214 814 | 75 878 |
| Elimination of change in fair value in the Group share of companies consolidated under the equity | 1 732 | - 1 272 |
| Elimination of capital (gains)/losses | - 5 | 443 |
| Depreciation of tangible and intangible assets | - | 917 |
| **EBITDA** | **121 539** | **140 760** |
| | -13,7% | |

EBITDA stands at 121.5 million in the first half of 2020, down 13.7% compared to the first half of 2019.

### 4.7.4. Net financial income/(expense)

| *Financial expenses (in thousands of euros)* | 30/06/2020 | 30/06/2019 |
|---|---|---|
| Financial income | 334 | 240 |
| Financial expenses and allowances | - 27 516 | - 27 968 |
| **Cost of net indebtness** | **-27 182** | **-27 728** |
| Other financial income and expenses | - 2 470 | 2 144 |
| **Net financial income/(expense)** | **-29 652** | **-25 584** |

Net financial income (expense) amounted to -29.7 million euros in the first half of 2020.

The cost of net debt is -27.2 million euros at 30 June 2020, a 0.5 million euros improvement compared with 30 June 2019; this improvement is due to the optimisation of the financial structure (€100 million of term loan repaid in December 2019) and Carmila's hedging position (unwinding of five swaps and extending the maturity of two swaps).

Other financial income (expenses) shows a negative variation. This other income includes adjustments related to the application of IFRS 9. In the first half of 2020 and 2019 this category included an expense of €2.5 million to take into account the adjustment of the effective rate in relation to its original rate. In the first half of 2019, this included income of €4.7 million generated by exercising the option to extend the bank loan maturity date from June 2023 to June 2024.

## 4.8. EPRA performance indicators

### 4.8.1. EPRA earnings and recurring earnings

| EPRA EARNINGS *(in thousands of euros)* | 30/06/2020 | 30/06/2019 |
|---|---|---|
| **Consolidated net income (Group share)** | **- 126 700** | **26 883** |
| **Adjustments to EPRA earnings** | **217 921** | **84 760** |
| (i) Changes in value of investment properties, development properties held for investment and other interests | 214 814 | 75 878 |
| (ii) Profits or losses on disposals of investment properties | - 4 | 443 |
| (iii) Profits or losses on disposals of properties held for sale | - | - |
| (iv) Tax on profits or losses on disposals | - | - |
| (v) Negative goodwill / goodwill impairment | - | - |
| (vi) Changes in fair value of financial instruments and associated close-out | - 369 | - 169 |
| (vii) Acquisition costs for share deal acquisitions | - | - |
| (viii) Deferred tax in respect of EPRA adjustments | 1 748 | 9 880 |
| (ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation) | 1 732 | - 1 272 |
| (x) Non-controlling interests in respect of the above | - | - |
| (y) Other adjustments | | |
| **EPRA earnings** | **91 222** | **111 643** |
| Average number of shares | 136 390 591 | |
| **EPRA earnings per share** | **0,67** | **0,82** |
| Average number of shares (diluted) | 136 795 792 | 136 670 637 |
| **EPRA earnings per share (diluted)** | **0,67** | **0,82** |
| **Other adjustments** | **2 726** | **17** |
| IFRS 9 adjustments(1) | 2 728 | - 2 395 |
| Debt issuance costs paid offset by the reversal of amortised debt issuance | - 2 | 1 495 |
| Other non-recurring expenses or (income) | | 917 |
| **Recurring Earnings** | **93 948** | **111 660** |
| *Change vs N-1* | *-15,9%* | |
| **Recurring earnings per share** | **0,69** | **0,82** |
| *Change vs N-1* | *-15,7%* | |

Recurring earnings stand at 93.9 million euros over the first half of 2019, down by 15.9% over the period. Earnings per share are €0.69 down 15.7% compared to the financial year.

Comments on the other adjustments

(1) In the context of the application of IFRS 9, an expense is recognised in the first half of 2019 and 2020 to adjust the effective interest rate of debt to the original loan rate and income is recognised in the first half of 2020 over the outstanding term of this debt to account for the term extension negotiated.

(2) Debt issuance costs amortised on a straight-line basis over the duration of the loan are restated; debt issuance costs paid during the year are reintegrated in recurring income.

### 4.8.2. EPRA Cost Ratio

| **EPRA cost ratio** *(in millions of euros)* | | **30/06/2020** | **30/06/2019** |
|---|---|---|---|
| (i) | Administrative/operating expense line per IFRS income statement | 36,6 | 40,4 |
| | *Payroll expenses* | *34,9* | 36,0 |
| | *Property expenses* | *1,7* | 4,4 |
| (ii) | Net service charge costs/fees | 5,0 | 4,1 |
| (iii) | Management fees less actual/estimated profit element | -3,0 | -5,0 |
| (iv) | Other operating income/recharges intended to cover overhead expenses less any related profits | -2,5 | 0,0 |
| (v) | Share of costs of equity-accounted companies | 1,2 | 0,5 |
| (vi) | Impairment of investment properties and provisions included in property expenses | 0,0 | -1,3 |
| (vii) | Service charge costs recovered through rents but not separately invoiced | -0,9 | -1,0 |
| | **EPRA Costs (including direct vacancy costs)** | **36,5** | **37,7** |
| (viii) | Direct vacancy costs | 4,4 | 3,8 |
| | **EPRA Costs (excluding direct vacancy costs)** | **32,1** | **34,0** |
| (ix) | Gross Rental Income less ground rents – per IFRS | 163,6 | 178,9 |
| (x) | Less: service fee and service charge costs components of Gross Rental Income | -0,9 | -1,0 |
| (xi) | Add: share of Joint Ventures (Gross Rental Income less ground rents) | 2,2 | 2,3 |
| | Gross rental income | 164,9 | 180,3 |
| | **EPRA cost ratio (including direct vacancy costs)** | **22,1%** | **20,9%** |
| | **EPRA cost ratio (excluding direct vacancy costs)** | **19,5%** | **18,8%** |

The EPRA Cost Ratio improved by -70 bps during the first half of 2020 due to the decrease in rental income related to the health crisis impact.

Structure expenses include Operating expenses, Payroll expenses, Other operating income and expenses as well as the non-billable land administration expenses.

Charges on real estate include bad debt write-offs as well as non-billable maintenance and repair expenses.

### 4.8.3. Going concern NAV, EPRA NAV and EPRA NNNAV

**Going concern NAV**

| **Going concern NAV (including transfer taxes)** *(in thousands of euros)* | **30/06/2020** | **31/12/2019** |
|---|---|---|
| **Consolidated shareholders' equity - Group share** | **3 268 827** | **3 540 434** |
| Elimination of the fair value adjustments of hedging instruments | 33 145 | 25 556 |
| Reversal of the deferred income tax on potential capital gains | 177 762 | 175 685 |
| Transfer taxes | 305 646 | 317 358 |
| **Going concern NAV (including transfer taxes)** | **3 785 380** | **4 059 034** |
| *Change vs N-1* | *-6,7%* | |
| Diluted number of shares comprising the share capital at period end | 136 795 792 | 136 705 504 |
| **Going concern NAV per diluted share at end of period (in euros)** | **27,67** | **29,69** |
| *Change vs N-1* | *-6,8%* | |

## EPRA NAV

| EPRA NAV<br>*(in thousands of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Consolidated shareholders' equity - Group share** | **3 268 827** | **3 540 434** |
| Elimination of the fair value of hedging instruments | 33 145 | 25 556 |
| Reversal of the deferred income tax on potential capital gains | 177 762 | 175 685 |
| Optimisation of transfer taxes | 56 482 | 57 723 |
| **EPRA NAV (excluding transfer taxes)** | **3 536 216** | **3 799 399** |
| *Change vs N-1* | *-6,9%* | |
| Diluted number of shares comprising the share capital at period end | 136 795 792 | 136 705 504 |
| **EPRA NAV (excl. transfer taxes) per diluted outstanding share (in euros)** | **25,85** | **27,79** |
| *Change vs N-1* | *-7,0%* | |

## NNNAV EPRA

| Triple net asset value (NNNAV EPRA)<br>*(in thousands of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **EPRA NAV** | **3 536 216** | **3 799 399** |
| Fair value adjustments of hedging instruments | - 33 145 | - 25 556 |
| Fair value adjustments of fixed rate debt | - 83 435 | - 66 320 |
| Actual taxes on unrealised capital gains/losses | - 92 510 | - 91 323 |
| **Triple net asset value (NNNAV EPRA)** | **3 327 126** | **3 616 200** |
| *Change vs N-1* | *-8,0%* | |
| Diluted number of shares comprising the share capital at period end | 136 795 792 | 136 705 504 |
| **Triple Net NAV (NNNAV EPRA) per diluted outstanding share at end of period (in euros)** | **24,32** | **26,45** |
| *Change vs N-1* | *-8,1%* | |

New EPRA NAV indicators at 30 June 2020

| *(in thousands of euros)* | | EPRA NRV | EPRA NTA | EPRA NDV |
|---|---|---|---|---|
| | **IFRS Equity attributable to shareholders** | **3 268 827** | **3 268 827** | **3 268 827** |
| *Include / Exclude*:* | | | | |
| (i) | Hybrid instruments | - | - | - |
| | **Diluted NAV** | **3 268 827** | **3 268 827** | **3 268 827** |
| *Include*:* | | - | - | - |
| (ii.a) | Revaluation of IP (if IAS 40 cost option is used) | - | - | - |
| (ii.b) | Revaluation of IPUC (1) (if IAS 40 cost option is used) | - | - | - |
| (ii.c) | Revaluation of other non-current investments (2) | - | - | - |
| (iii) | Revaluation of tenant leases held as finance leases (3) | - | - | - |
| (iv) | Revaluation of trading properties (4) | - | - | - |
| | **Diluted NAV at Fair Value** | **3 268 827** | **3 268 827** | **3 268 827** |
| *Exclude*:* | | | | |
| (v) | Deferred tax in relation to fair value gains of IP (5) | -177 762 | -177 762 | |
| (vi) | Fair value of financial instruments | -33 145 | -33 145 | |
| (vii) | Goodwill as a result of deferred tax | - | - | - |
| (viii.a) | Goodwill as per the IFRS balance sheet | | - | - |
| (viii.b) | Intangibles as per the IFRS balance sheet | | 4 349 | |
| *Include*:* | | | | |
| (ix) | Fair value of fixed interest rate debt | | | -83 435 |
| (x) | Revaluation of intangibles to fair value | - | | |
| (xi) | Real estate transfer tax (6) | 305 646 | 56 482 | |
| | **NAV** | **3 785 380** | **3 531 867** | **3 185 392** |
| | Fully diluted number of shares | 136 795 792 | 136 795 792 | 136 795 792 |
| | **NAV per share** | **27,67** | **25,82** | **23,29** |
| | **Bridge with previous NAV** | | | |
| | **Going Concern NAV** | **3 785 380** | | |
| | Reinstatement of Intangibles as per the IFRS balance sheet | | 4 349 | |
| | **EPRA NAV** | | **3 536 216** | |
| | Reinstatement of Deferred taxes in Italy and for single asset company in Spain | | | 85 252 |
| | Reinstatement of optimized transfer taxes | | | 56 482 |
| | **EPRA NNNAV** | | | **3 327 126** |

(1) Difference between development property held on the balance sheet at cost and fair value of that development property
(2) Revaluation of intangibles to be presented under adjustment (x) Revaluation of Intangibles to fair value and not under this line item.
(3) Difference between finance lease receivables held on the balance sheet at amortised cost and the fair value of those finance lease receivables.
(4) Difference between trading properties held on the balance sheet at cost (IAS 2) and the fair value of those trading properties.
(5) Deferred tax adjustment for NTA should be calculated in line with the guidelines outlined under page 15.
(6) RETT should be adjusted in accordance with the guidelines outlined under page 17

* "Include" indicates that an asset (whether on or off balance sheet) should be added to the shareholders' equity, whereas a liability should be deducted.
* "Exclude" indicates that an asset (part of the balance sheet) is reversed, whereas a liability (part of the balance sheet) is added back.

### 4.8.4. EPRA vacancy rate

| | France | Spain | Italy | Total |
|---|---|---|---|---|
| Rental value of vacant premises (in millions of euros) | 15,9 | 7,2 | 0,8 | 23,9 |
| Total property portfolio rental value (in millions of euros) | 267,5 | 108,3 | 24,3 | 400,1 |
| **EPRA vacancy rate** | **5,9%** | **6,6%** | **3,5%** | **6,0%** |
| Impact of strategic vacancy | 1,5% | 2,4% | 1,4% | 1,8% |
| **Financial vacancy rate** | **4,4%** | **4,2%** | **2,1%** | **4,2%** |

The EPRA vacancy rate at 30 June 2020 was 6.0%.

The EPRA vacancy rate is the ratio between the market rent of vacant areas and the total market rent (of vacant and rented areas). The rental value used to calculate the EPRA vacancy rate is the gross rental value defined by expert appraisal.

Strategic vacancies correspond to the vacant premises required to implement renovation, extension, or restructuring projects in shopping centres.

### 4.8.5. EPRA yield: EPRA NIY and EPRA "Topped-Up" NIY

| **EPRA NIY and EPRA "Topped-Up" NIY** *(in millions of euros)* | **30/06/2020** | **31/12/2019** |
|---|---|---|
| **Total property portfolio value (excluding transfer taxes)** | **5 913,8** | **6 104,1** |
| (-) Assets under development and other | 72,3 | 68,8 |
| **Value of operating portfolio (excluding transfer taxes)** | **5 841,5** | **6 035,3** |
| Transfer taxes | 305,6 | 317,4 |
| **Value of operating portfolio (including transfer taxes) (A)** | **6 147,1** | **6 352,7** |
| **Net annualised rental income (B)** | **350,5** | **353,0** |
| Impact of rent adjustments | 6,2 | 5,0 |
| **Net rental income excluding rent adjustments (C)** | **356,7** | **358,0** |
| **EPRA Net Initial Yield (B) / (A)** | **5,7%** | **5,6%** |
| **EPRA Net Initial Yield excluding rent adjustments (C) / (A)** | **5,8%** | **5,6%** |

### 4.8.6. EPRA investments

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

| | **France** | | **Spain** | | **Italy** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | **30/06/2020** | **30/06/2019** | **30/06/2020** | **30/06/2019** | **30/06/2020** | **30/06/2019** | **30/06/2020** | **30/06/2019** |
| Acquisitions | 397 | 2 154 | 0 | 2 969 | 0 | 0 | 397 | 5 123 |
| Developments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Like-for-like investments | 26 257 | 49 888 | 1 854 | 1 798 | 79 | 572 | 28 190 | 52 258 |
| *Extensions* | 17 330 | 33 800 | 0 | 0 | 10 | 397 | 17 340 | 34 197 |
| *Restructurings* | 5 294 | 11 476 | 0 | 0 | 0 | 0 | 5 294 | 11 476 |
| *Renovations* | 535 | 1 058 | 1 854 | 1 723 | 63 | 6 | 2 452 | 2 787 |
| *Maintenance capex* | 3 098 | 3 554 | 0 | 75 | 6 | 169 | 3 104 | 3 798 |
| **Total investments** | **26 654** | **52 042** | **1 854** | **4 767** | **79** | **572** | **28 587** | **57 381** |

"Acquisitions" mainly include the acquisition of land as part of Lou5G's business. Lou5G is a TowerCo mainly focused on antenna development on Carmila and Carrefour's portfolio.

The development and extension investments relate primarily to assets located in France. These development and extension projects include:

- The extension of the shopping mall in Nice Lingostière, for €12.6M over the period. The extension is scheduled to open during the first trimester of 2021.

- The creation of a catering mall in Toulouse Purpan for €3.2M, which has already opened.

- Project studies related to the extension of the shopping mall in Laval for €1.2M.

Lastly, other investments at constant scope chiefly relate to assets being redeveloped where renovation and modernisation works are being carried out. They will upgrade pre-existing parts of the malls in order to optimise value creation. This balance includes several operations, among which the most significant are Calais-Coquelles (€0.8M), Thionville (€0.4M), and Bourg-en-Bresse (€0.4M) in France as well as Valladolid (€0.6M) in Spain.

## 5. FINANCIAL POLICY

### 5.1. Financial resources

**Bonds**

As part of its EMTN programme (Euro Medium Term Note Programme), approved by the AMF in July 2019, Carmila issued a new €100 million bond with a 9-year tenor and a 3.00% coupon on 26 June 2020.

Carmila also made a partial repayment of its bond maturing in March 2024, of €12.3 million.

Carmila's outstanding bond debt of €1,600 million at 31 December 2019 thus rose to €1,688 million on 30 June 2020.

**Loans from banks – non-current**

Carmila has a syndicated loan agreement with a pool of banks; the maturity date of this loan agreement is in June 2024 and the outstanding balance is €670 million.

**Compliance with the prudential ratios at 30 June 2020**

The loan agreement, along with the revolving credit facilities are subject to compliance with financial covenants measured at the closing date of each half-year and financial year. At 30 June 2020, Carmila complied with the financial covenants.

**ICR**

The ratio of EBITDA to the net cost of debt must be greater than 2.0 at the test dates.

**LTV**

The ratio of consolidated net financial debt to the fair value of the investment assets (including transfer taxes) must not exceed 0.55 on the same dates with the possibility of exceeding this ratio for one half-year period.

**Debt Maturity**

Debt maturity stands at 4.7 years at 30 June 2020.

**Interest Cover Ratio**

| *(in thousands of euros)* | | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| | | 12 months | 12 months |
| **EBITDA** | **(A)** | **263 348** | **282 569** |
| **Cost of net indebtness** | **(B)** | **53 627** | **56 718** |
| **Interest Cover Ratio** | **(A)/(B)** | **4,9** | **5,0** |

**Loan-to-Value Ratio (before dividend payment)**

| *(in thousands of euros)* | | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| **Net financial debt** | **(A)** | **2 228 601** | **2 241 766** |
| Current and non-current financial liabilities | | 2 705 739 | 2 416 000 |
| Net cash | | - 477 138 | - 174 088 |
| Short term investment | | - | - 146 |
| **Property portfolio including transfer taxes** | **(B)** | **6 219 440** | **6 421 482** |
| **Loan-to-Value Ratio including transfer taxes** | **(A)/(B)** | **35,8%** | **34,9%** |
| Property portfolio excluding transfer taxes | (C) | 5 913 794 | 6 104 124 |
| Loan -to-value ratio excluding transfer taxes | (A)/(C) | 37,7% | 36,7% |

Carmila's Shareholders' Meeting held on 29 June 2020 approved the 2019 dividend payment of one euro per share and voted to offer shareholders an option to receive the dividend payment in shares. The share subscription was opted for at 46.7%. On 27 July Carmila will pay the dividend's cash component for €72.5M. Following this payment, Carmila's LTV ITT will stand at 37.0%.

**Loan-to-Value Ratio (after dividend payment)**

| *(in thousands of euros)* | | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| **Net financial debt** | (A) | **2 301 048** | **2 241 766** |
| Current and non-current financial liabilities | | 2 705 739 | 2 416 000 |
| Net cash | | - 404 691 | - 174 088 |
| Short term investment | | - | - 146 |
| **Property portfolio including transfer taxes** | (B) | **6 219 440** | **6 421 482** |
| **Loan-to-Value Ratio including transfer taxes** | **(A)/(B)** | **37,0%** | **34,9%** |
| Property portfolio excluding transfer taxes | (C) | 5 913 794 | 6 104 124 |
| Loan -to-value ratio excluding transfer taxes | (A)/(C) | 38,9% | 36,7% |

**Net debt / EBITDA**

| *(in thousands of euros)* | | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| **Net debt** | **(A)** | **2 228 601** | **2 241 766** |
| **EBITDA** | **(B)** | **263 348** | **282 569** |
| **Net debt / EBITDA** | **(A)/(B)** | **8,5** | **7,9** |

Gross financial liabilities do not 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 and updated every year. The outstanding balance at 30 June 2020 is €248 million of which €185 million maturing in 2021.

### Revolving Credit Facility

Carmila has a revolving credit facility of €759 million with leading banks maturing on 16 June 2024. As of 30 June 2020, €100 million was drawn on this RCF line. It was fully reimbursed on 9 July 2020.

### Breakdown of financial debt by maturity date and average rate

| ***in thousands of euros*** | **Gross amount** | **Starting date** | **Lease maturity** |
|---|---|---|---|
| Bond issue I- Notional amount €600 million, coupon 2.375% | 600 000 | 18/09/2015 | 18/09/2023 |
| Bond issue II- Notional amount €588 million, coupon 2.375% | 587 739 | 24/03/2016 | 16/09/2024 |
| Bond issue III- Notional amount €350 million, coupon 2.125% | 350 000 | 07/03/2018 | 07/03/2028 |
| Private Placement I - Notional €50 million, coupon 1.89% | 50 000 | 06/11/2019 | 06/11/2031 |
| Private Placement II - Notional €100 million, coupon 3.000% | 100 000 | 26/06/2020 | 26/06/2029 |
| Credit agreement | 670 000 | 16/06/2017 | 16/06/2024 |
| Drawn amount on the RCF | 100 000 | 16/06/2017 | 16/06/2024 |
| Commercial papers | 248 000 | 31/12/2016 | 16/06/2024 |
| **Total** | **2 705 739** | | |

At 30 June 2020, the maturity of the debt was 4.7 years at an average interest rate of 1.8% including hedging instruments (excluding amortisation of issuance premiums, cancellation expenses for capitalised financial instruments and the non-utilisation fee for undrawn credit lines). The average interest rate excluding hedging instruments was 1.7%.

### 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.

In order to optimise its hedging, Carmila extended the maturity of 2 fixed-rate payer swaps to 2029. The notional amount of these extended swaps is €135 million.

At 30 June 2020, the Carmila portfolio of derivative instruments set up with leading banking partners comprised:

- 6 fixed-rate payer swaps against 3 month Euribor for a notional amount of €410 million covering a period up to, for the longest of them, December 2030; 25 million euros will effectively start in December 2020

- one cap for a nominal amount of €100 million maturing in 2023

These hedging instruments, still effective, were recognised as cash flow hedges. 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.

The fixed rate position represents 77% of the gross debt at 30 June 2020 (position hedged with Swaps) and 80% including the Caps.

### 5.3. Cash

| *(in thousands of euros)* | **30/06/2020** | **31/12/2019** |
|---|---|---|
| Cash | 482 664 | 178 172 |
| Cash equivalents | 0 | - |
| **Cash and cash equivalents** | **482 664** | **178 172** |
| Bank facilities | -5 526 | -4 141 |
| **Net cash and cash equivalents** | **477 138** | **174 031** |

Carmila has a strong cash position as of 30 June 2020; this position enables Carmila to pay the cash component of the dividend on 27 July and repay the outstanding balance of €100 million drawn on the RCF line to achieve a cash position of around €300 million at the end of July 2020.

### 5.4. Rating

On 27 March 2020, as part of a sectoral review, S&P confirmed Carmila's "BBB" rating whilst revising the company's outlook from "stable" to "negative".

### 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.

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 gross rental income at Carmila level;
- 70% of capital gains; and
- 100% of dividends from subsidiaries subject to the SIIC regime.

Carmila's Shareholders' Meeting held on 29 June 2020, acting on a proposal from the Board of Directors, approved the 2019 dividend payment of one euro per share (as opposed to 1.50€ per share initially planned), and offered shareholders an option to receive the dividend payment in shares, which was subscribed at 46.7%. Carrefour and institutional shareholders on the Board of Carmila, representing 78% of the share capital, have already committed to receiving 50% of the dividend in shares.

## 6. EQUITY AND SHAREHOLDING

| *in thousands of €* | Number of shares | Share capital | Issuance premium | Merger premium |
|---|---|---|---|---|
| On 1st January 2020 | **136 681 843** | 820 091 | 520 611 | 1 608 558 |
| Dividends - 29 June 2020 Shareholders' Meeting | **-** | - | - | - 117 531 |
| New shares issued | **139 306** | 836 | - 836 | - |
| **On 30 June 2020** | **136 821 149** | **820 927** | **519 775** | **1 491 027** |

At June 2020 the share capital was made up of 136,821,149 shares split into three share classes, each with a nominal value of six euros (€6) fully subscribed and paid up. These actions were allocated as follows: 136,561,695 class A shares, 120,148 class B shares, and 139,306 class C shares.

The class C shares were issued on 16 May as part of Carmila's preference share based bonus plan for its key employees and corporate officers. This capital increase was charged against issuance premiums for 836 thousand euros.

At 30 June 2020, Carrefour is Carmila's largest shareholder with an equity investment of 35.3% in Carmila's share capital. Predica holds 9.2% of the share capital, Colony holds 8.8% and Cardiff 8.8%.

Dividend will be paid on 27 July; 5.8M shares will be issued at this date. As such, a liability of €136.6M was accounted for in equity, including €117.5M charged against issuance premiums, and €19.0M charged against distributable reserves.

# 7. ADDITIONAL INFORMATION

## 7.1. Changes in governance

At the meeting of the Board of Directors on 15 June 2020, Mr Alexandre de Palmas, Chairman and CEO of Carmila, notified its members of his decision to accept the position of Executive Director of Carrefour Spain from 1 July 2020.

In the long-term, these duties do not appear to be compatible with those of CEO of Carmila. Consequently, the Board of Directors has tasked its Compensation and Nominating Committee with making recommendations on the governance of the Company and, with these in mind, beginning a selection process for the succession of Mr Alexandre de Palmas.

Mr Alexandre de Palmas will retain his position as Chairman, CEO and director of Carmila until the end of this process, and will continue to manage the company alongside Deputy CEOs Mr Géry Robert-Ambroix and Mr Sébastien Vanhoove.

## 7.2. Risk Factors

The risk factors in the Universal Registration Document filed on 24/04/2020 are up to date as of 30/06/2020.

The half-yearly results set out the various impacts of the health crisis in qualitative and quantitative terms and do not include changes to these risk factors.

## 7.3. Outlook

On 2 April 2020, Carmila indicated that the health crisis made it difficult to estimate the 2020 results as indicated when the annual results were published on 13 February 2020.

On the basis of its first semester results and the outlook for the second half of 2020, Carmila anticipates an evolution of its recurring earnings between -14% and -18% for 2020. This outlook is based on the assumption that no re-containment measures or closure of sites to the public will occur in the second half of 2020.

# CONDENSED HALF-YEAR FINANCIAL STATEMENTS
# AT 30 JUNE 2020

# Contents.

*This document is a free translation into English of the "Comptes semestriels condensés au 30 juin 2020" and has no other value than an informative one. Should there be any difference between the French and the English version, only the French language version shall be deemed authentic and considered as expressing the exact information published by Carmila.*

# 1. CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

## 1.1. Consolidated statement of comprehensive income

| **IFRS EPRA standard presentation** *(in thousands of euros)* | | **30/06/2020** | **30/06/2019** |
|---|---|---|---|
| **Gross Rental Income** | | **163 578** | **178 930** |
| Charges rebilled to tenants | | 50 348 | 50 533 |
| **Total Income from rental activity** | | **213 926** | **229 463** |
| Property tax expenses | | (22 736) | (21 417) |
| Service charges | | (36 690) | (36 685) |
| Property expenses (landlord) | | (7 043) | (4 399) |
| **Net Rental Income** | **9.1** | **147 457** | **166 962** |
| Overhead expenses | 9.2 | (25 282) | (27 548) |
| *Income from management, administration and other activities* | | *2 959* | *2 657* |
| *Other income* | | *2 475* | *2 391* |
| *Payroll expenses* | | *(12 970)* | *(13 234)* |
| *Other overhead expenses* | | *(17 746)* | *(19 362)* |
| Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions | 9.3 | (1 439) | (833) |
| Other operating income and expenses | 9.4 | (128) | (23) |
| Gain (loss) on disposals of investment properties and equity investments | 5.1 | 4 | (443) |
| Change in fair value adjustments | 6.2 | (214 814) | (75 878) |
| Share in net income of equity-accounted investments | 8.3 | (800) | 2 557 |
| **Operating income** | | **(95 002)** | **64 794** |
| Financial income | | 334 | 240 |
| Financial expense | | (27 516) | (27 968) |
| **Cost of net indebtness** | | **(27 182)** | **(27 728)** |
| Other financial income (expenses) | | (2 470) | 2 144 |
| **Financial income (expense)** | **7.1** | **(29 652)** | **(25 584)** |
| **Income before taxes** | | **(124 654)** | **39 210** |
| Income tax | 10.1 | (2 188) | (12 181) |
| **Consolidated net income** | | **(126 842)** | **27 029** |
| **Group share** | | **(126 700)** | **26 883** |
| **Non-controlling interests** | | **(143)** | **146** |
| Average number of shares comprising Carmila's share capital | 8.8.2 | 136 390 591 | 136 368 528 |
| Earnings per share, in euros (Group share) | | (0.93) | 0.20 |
| Fully diluted average number of shares comprising Carmila's share capital | 8.8.2 | 136 795 792 | 136 670 637 |
| Fully diluted earnings per share, in euros (Group share) | | (0.93) | 0.20 |

| **Consolidated statement of comprehensive income** *(in thousands of euros)* | | **30/06/2020** | **30/06/2019** |
|---|---|---|---|
| **Consolidated net income** | | **(126 842)** | **27 029** |
| | | | |
| **Items to be subsequently recycled in net income** | | (8 288) | (17 243) |
| Cash-flow hedges (effective part) | *7.2.8* | (8 216) | (17 243) |
| Fair value of other financial assets | | (72) | - |
| Related income tax | | - | - |
| **Items not to be subsequently recycled in net income** | | - | - |
| Re-valuation of the net liabilities under defined-benefit schemes | *13.3.1* | - | - |
| Related income tax | | - | - |
| **Consolidated net comprehensive income** | | **(135 130)** | **9 786** |

## 1.2. Consolidated statement of financial position

### ASSETS

| *(in thousands of euros)* | | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| Intangible assets | *8.1* | 4 349 | 4 262 |
| Property, plant and equipment | *8.2* | 3 683 | 4 244 |
| Investment properties carried at fair value | *6.1* | 5 808 927 | 6 001 608 |
| Investment properties carried at cost | *6.1* | 72 283 | 68 785 |
| Investment in equity-accounted companies | *8.3* | 50 450 | 52 459 |
| Other non-current assets | *8.4* | 12 620 | 12 427 |
| Deffered tax assets | *10.3* | 11 309 | 11 548 |
| **Non-current assets** | | **5 963 619** | **6 155 333** |
| Investment properties held for sale | 6.3 | - | - |
| Trade receivables | *8.5* | 195 658 | 117 105 |
| Other current assets | *8.6* | 76 730 | 69 127 |
| Cash and cash equivalent | *8.7* | 482 664 | 178 172 |
| **Current assets** | | **755 052** | **364 404** |
| **Total Assets** | | **6 718 671** | **6 519 736** |

### LIABILITIES & SHAREHOLDERS' EQUITY

| *(in thousands of euros)* | | 30/06/2020 | 31/12/2019 |
|---|---|---|---|
| Share capital | | 820 927 | 820 091 |
| Additional paid-in capital | | 2 010 802 | 2 129 169 |
| Treasury shares | | (2 398) | (2 676) |
| Other comprehensive income | | (51 194) | (42 906) |
| Consolidated retained earnings | | 617 390 | 528 543 |
| Consolidated net income - Group chare | | (126 700) | 108 213 |
| **Shareholders' equity - Group share** | | **3 268 827** | **3 540 434** |
| Non-controlling interests | | 5 289 | 5 612 |
| **Shareholders' equity** | **8.8** | **3 274 116** | **3 546 046** |
| Non-current provisions | *8.9* | 7 487 | 6 865 |
| Non-current financial debt | *7.2* | 2 488 677 | 2 295 954 |
| Lease deposits and guarantees | | 76 939 | 77 722 |
| Non-current tax liabilities and deferred tax liabilitie: | *10.2 & 10.3* | 177 762 | 175 685 |
| Other non-current liabilities | *8.10* | 5 | 7 489 |
| **Non-current liabilities** | | **2 750 870** | **2 563 715** |
| Current financial debt | *7.2* | 278 638 | 160 313 |
| Bank facilities | | 5 526 | 4 141 |
| Current provisions | | 658 | 658 |
| Trade payables | *8.11* | 27 108 | 28 855 |
| Fixed assets payables | *8.11* | 88 731 | 81 674 |
| Current tax and payroll related liabilities | *8.12* | 77 824 | 49 356 |
| Other current liabilities | *8.12* | 215 200 | 84 978 |
| **Current liabilities** | | **693 685** | **409 975** |
| **Total liabilities and shareholders' equity** | | **6 718 671** | **6 519 736** |

## 1.3. Consolidated cash-flow statement

| *(in thousands of euros)* | *Note* | 30/06/2020 | 30/06/2019 |
|---|---|---|---|
| **Consolidated net income** | | **(126 842)** | **27 029** |
| Elimination of income from equity-accounted investments | *8.3* | 800 | (2 557) |
| Elimination of depreciation, amortisation and provisions | | 1 455 | (392) |
| Elimination of change in fair value adjustments | *6.1* | 213 483 | 76 868 |
| Elimination of capital (gain) loss on disposals | | (7) | 443 |
| Other non-cash income and expenses | | 3 620 | 3 698 |
| **Cash-flow from operations after cost of net debt and tax** | | **92 509** | **105 089** |
| Elimination of tax expense (income) | *10.1* | 2 188 | 12 181 |
| Elimination of cost of net debt | | 27 182 | 26 032 |
| **Cash-flow from operations before cost of net debt and tax** | | **121 879** | **143 302** |
| Change in operating working capital | | (71 860) | 28 251 |
| Change in lease deposits and guarantees | | (869) | 492 |
| Income tax paid | | (663) | 1 430 |
| **Cash-flow from operating activities** | | **48 487** | **173 475** |
| Change in fixed assets payables | | 8 632 | 8 630 |
| Acquisitions of investment properties | *6.1* | (28 587) | (57 381) |
| Acquisitions of other fixed assets | | (426) | (185) |
| Change in loans and advances | | (179) | 1 449 |
| Disposal of investment properties and other fixed assets | | 94 | 743 |
| Dividends received | | 1 210 | 1 684 |
| **Cash-flow from investment activities** | | **(19 257)** | **(45 061)** |
| Share capital increase | *8.8* | | |
| Net sale (purchase) of treasury shares | | 278 | 675 |
| Issuance of bonds | | 100 000 | |
| Issuance of new bank loans | *7.2* | 302 000 | 84 235 |
| Loan repayments | *7.2* | (113 535) | (1 185) |
| Change in short-term investment disclosed in other current receivables | | | 62 356 |
| Interest paid | | (15 021) | (17 375) |
| Interest received | | 334 | 240 |
| Dividend and share premium distributed to shareholders | | (180) | (204 877) |
| **Cash-flow from financing activities** | | **273 877** | **(75 931)** |
| **Change in net cash position** | | **303 107** | **52 484** |
| *Opening cash position* | | *174 031* | *64 901* |
| *Closing cash position* | *8.7* | *477 138* | *117 385* |

## 1.4. Statement of changes in consolidated equity

| *(in thousands of euros)* | Note | Share capital | Additional paid-in capital | Treasury shares | Other comprehensive income | Consolidated retained earnings | Consolidated net income | Shareholders' equity - Group share | Non-controlling interests | Shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 december 2018** | | **819 370** | **2 268 204** | **(3 861)** | **(31 983)** | **431 612** | **163 557** | **3 646 899** | **5 781** | **3 652 680** |
| Share capital transactions | | 676 | (676) | | | | | | | |
| Share-based payments | | | | | | 114 | | **114** | | **114** |
| Treasury share transactions | | | | 675 | | | | **675** | | **675** |
| Dividend paid | | | (138 216) | | | | | **(204 716)** | (161) | **(204 877)** |
| Allocation of 2017 net income | | | | | | 163 557 | (163 557) | | | |
| **Net income of the year** | | | | | | | **26 883** | **26 883** | **146** | **27 029** |
| **Other comprehensive income** | | | | | **(17 243)** | | | **(17 243)** | | **(17 243)** |
| Other changes | | | | | | (484) | | **(484)** | | **(484)** |
| **Balance at 30 June 2019** | | **820 046** | **2 129 312** | **(3 186)** | **(49 226)** | **528 299** | **26 883** | **3 452 128** | **5 766** | **3 457 894** |
| Share capital transactions | | 45 | (45) | | | | | | | |
| Share-based payments | | | | | | (131) | | **(131)** | | **(131)** |
| Treasury share transactions | | | | 510 | | | | **510** | | **510** |
| Dividend paid | | | (98) | | | 271 | | **173** | (199) | **(26)** |
| **Net income of the year** | | | | | | | **81 330** | **81 330** | **45** | **81 375** |
| **Other comprehensive income** | | | | | **6 320** | | | **6 320** | | **6 320** |
| Other changes | | | | | | 104 | | **104** | | **104** |
| **Balance at 30 December 2019** | | **820 091** | **2 129 169** | **(2 676)** | **(42 906)** | **528 543** | **108 213** | **3 540 434** | **5 612** | **3 546 046** |
| Share capital transactions | *8.8* | 836 | (836) | | | | | | | |
| Share-based payments | *13.3.2* | | | | | | | | | |
| Treasury share transactions | *8.8.2* | | | 278 | | | | **194** | | **194** |
| Dividend paid | *2.3* | | (117 531) | | | (19 032) | | **(136 563)** | (180) | **(136 743)** |
| Allocation of 2018 net income | | | | | | 108 213 | (108 213) | | | |
| **Net income of the year** | | | | | | | **(126 700)** | **(126 700)** | **(143)** | **(126 843)** |
| **Other comprehensive income** | | | | | **(8 288)** | | | **(8 288)** | | **(8 288)** |
| Other changes | | | | | | (250) | | **(250)** | | **(250)** |
| **Balance at 30 June 2020** | | **820 927** | **2 010 802** | **(2 398)** | **(51 194)** | **617 390** | **(126 700)** | **3 268 827** | **5 289** | **3 274 116** |

The line "*share capital transactions*" reflects the creation of 139,306 class C preference shares under the bonus preference share plans for key Group employees and corporate officers.

## 2. KEY HIGHLIGHTS OF THE FIRST HALF OF 2020

**General context and health crisis related to covid-19**

The three countries in which Carmila operates, France, Spain and Italy, have been subject for several weeks to opening restrictions of shops to essential shops only.

Carmila's shopping centres, which are local community sites throughout the country, have retained an essential function for the population during this period of crisis.

As they are all anchored to Carrefour hypermarkets, they have remained accessible to the public, and the shops in the shopping centres authorised to operate have also remained open. Non-essential stores remained closed in accordance with the regulations specific to each country (in France: from 17 March to 11 May, i.e. eight weeks; in Spain: from 9 March to 25 May 25/ 11 June, i.e. 11 weeks; in Italy: from 12 March to 18 May, i.e. nine weeks).

Since the centres have been fully reopened, the level of activity has been encouraging, with average traffic in France in June 2020 equal to 84% of the attendance in June 2019. Over the same period, the average change in turnover for retailers in the three countries is down by 6%.

In order to support tenants in the face of this health crisis, discussions have been initiated by adapting on a case-by-case basis the amenities that could be granted in view of the commitments given by the tenants. At 30 June 2020, 23% of negotiations (in terms of number of leases) resulted in an agreement for all 3 countries. The impact of the franchises of the agreements reached is 9% of the annual rent.

The financial results for this half-year are atypical due to the direct and indirect impact of the health crisis and the rent deferral measures granted to retailers. In all three countries, second-quarter rents were invoiced in arrears on a monthly basis and the due date was postponed to 30 June and 30 July in Spain and to 30 September in France and Italy.

Assessment of these impacts have been recorded in the accounts for the rent waivers granted specifically for Small Businesses ("TPEs") in France, the decrease in variable rents and expected in specialty leasing revenues, depreciation allowances in trade receivables related to the health crisis and notably for receivables of the second quarter. The change in net rents at constant scope was -10.1% and the change in recurring income was -15.9% over the half year.

The experts paid particular attention to the impact of the crisis on the market value of assets. The exceptional measures induced by the health crisis are confronting property valuation experts with market circumstances that have never been encountered before. The reliability of the experts' work is not questioned but specifies the exceptional context in which it was carried out. These valuations are based on material market uncertainty due to the potential effects of the health crisis. The change in asset value on a like-for-like basis was -3.2%.

Carmila's liquidity was strengthened during the health crisis: cash position amounts to 477 million euros at 30 June 2020, enabling it to face the crisis with confidence. Carmila does not have any major debt maturities before 2023.

Carmila follows a prudent strategy in the management of its equity; the dividend initially proposed at €1.5 per share has been reduced to €1 per share for payment on 27 July 2020 with a 46.7% share subscription option. The savings in equity amounted to €131 million. At 30 June 2020, Carmila's Loan-to-value (including transfer taxes) ratio was 35.8%.

**Tax regime in Spain (SOCIMI)**

Since 1 January 2020, Spanish entities have opted for the special tax regime for REITs. Under special SOCIMI tax regime in Spain (REIT), real estate income is tax-exempted provided that the requirements of the SOCIMI regime are met. At election date, capital gains prior to the entry into the SOCIMI regime are determined at the outset and will become subject to current income tax upon disposal of the asset. Capital gains realized after election for the regime are exempt from capital gains tax and are subject to distribution requirement.

SOCIMIs have to meet minimum profit-sharing requirements, as follows:

- 80% of the profit resulting from the real estate leasing and ancillary activities;
- 50% of the profits resulting from the transfer of properties and shares linked to the Company's business provided that the remaining profits are reinvested in other real estate properties or equity investments within a maximum period of three years from the date of the transfer or, failing this 100% of the profits must be distributed as dividends.

Spanish SOCIMIs may be subject to a special 19% withholding tax on dividend distributions unless it can prove that shareholders with an ownership interest of 5% or more are subject to income tax at a minimum rate of 10%.

**Change in governance**

At the Board of Directors' meeting held on 15 June 2020, Mr Alexandre de Palmas, Chief Executive Officer of Carmila, informed its members of his decision to accept the position of Executive Director of Carrefour Spain as of 1 July 2020.
As these new functions therefore appear to be incompatible in the long term with those of Carmila's CEO, the Board of Directors has consequently instructed its Appointments and Remuneration Committee to make recommendations on the governance of the Company and, taking these recommendations into account, to launch a selection process with a view to the succession of Mr Alexandre de Palmas.
Mr Alexandre de Palmas will remain Chairman and Chief Executive Officer and Director of Carmila until the completion of this process, and will continue to manage the Company alongside Mr Géry Robert-Ambroix and Mr Sébastien Vanhoove, Executive Vice Presidents

## 2.1. Investments

**During the half-year, investments have focused on extensions and the restructuring of the existing French portfolio assets.**

### 2.1.1 Acquisitions

The Group continued to invest in the development of the Lou5G antennas project through land acquisitions from the Carrefour Group (7 acquisitions in the first half-year).

### 2.1.2 Development and extensions

Over the half-year period, the Group has also continued to redevelop its existing assets through value-creating restructuring and extension projects.

Accordingly, the Group continued the extension work initiated in the former years on the Nice Lingostière (€12.1 million over the first half of 2020, total investment to date of €68.4 million), Toulouse Purpan (€3.2 million in 2020) sites and the restructuration work on Calais Coquelles site (€0.8 million euros over the first half of 2020, total investment to date of €18.6 million euros)

## 2.2. Disposals

During the half-year, Carmila did not carry out any material asset disposals.

## 2.3. Distribution of dividends

On 29 June 2020, the Shareholders' Meeting approved, based on a proposal by the Board of Directors, the distribution of a dividend of €1.00 per share (compared to €1.50 per share initially planned) for the 2019 financial year. Shareholders will be offered to opt for a dividend in shares. The option period for the election of share dividend goes from 7 July 2020 to 21 July 2020 and the payment date is set for 27 July 2020.

Carrefour and the institutional shareholders present at the Carmila Board, representing 78% of the share-capital, have already undertaken to opt for the payment of the dividend in shares for at least 50% of their holding.
As at 30 June 2020, the dividend has been accrued for a total amount of €136 563 thousand in the financial statements.

## 2.4. Debt and financing

As part of its EMTN programme, Carmila issued a €100 million new bond (private placement) on 26 June 2020 with a maturity of 9 years and a coupon of 3.00%.

On 30 June 2020, Carmila made an early repayment of a part of its bond maturing in 2024 for €12,261 thousand net of costs.
After this transaction, Carmila's average debt maturity was 4.7 years as of 30 June 2020.

# 3. ACCOUNTING PRINCIPLES AND METHODS

The present half-year consolidated financial statements were prepared in accordance with *IAS 34 "Interim financial reporting*" and should be read in conjunction with the latest annual consolidated financial statements for the financial year ended 31 December 2019, as included in the Registration Document filed with the AMF by the Group on 24 April 2020. They do however contain a selection of notes which explain significant events and transactions, in order to understand the changes which have taken place in the Group's financial position and performance since the previous annual financial statements.

Unless otherwise stated as amendments or standards newly applicable to the financial year, the accounting principles used for these condensed half-year financial statements are the same as those applied for the preparation of the consolidated financial statements for the financial year ended December 31, 2019. Only the principles and methods concerning the most significant aggregates are reminded in this document.

These half-year consolidated financial statements were prepared under the supervision of the Board of Directors of 29 July 2020. The Board approved and authorised their publication for the period from 1 January to 30 June 2020.

## 3.1. Presentation of the Group

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

The Group owns a portfolio of 215 shopping centres and retail parks, mainly as a result of transactions carried out in 2014. In April 2014, Carmila acquired 126 sites in France, Spain and Italy from the Klépierre Group and six shopping malls in France from Unibail-Rodamco. The same year, the Group received a contribution from the Carrefour group comprising 47 sites in France, along with various premises and an equity investment in Spain.

Carmila S.A. ("the Company"), which is the Group's parent company, has a SIIC status (French REIT) under French law. Its registered office is located at 58, avenue Émile Zola, 92100 Boulogne-Billancourt, France.

Initially, the company Carmila S.A.S. was incorporated by Carrefour on 4 December 2013 for the sole purpose of the operations described above, which took place in 2014. On 12 June 2017, the company was merged into Cardety S.A, a listed company on the Paris Stock Exchange, at that time, and was simultaneously renamed Carmila S.A. during this operation. Since that date, the group's consolidated financial statements reflect the inclusion of this reverse acquisition.

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

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

At 30 June 2020, the largest shareholder is the Carrefour group, which has an equity investment of 35.3% in Carmila's share capital, which it consolidates in its financial statements using the equity method. Carrefour is developing a strategic partnership with Carmila, aimed at revitalising and transforming shopping centres adjoining its hypermarkets in France, Spain and Italy. The other 64.7% of the share capital is mainly owned by long-term investors from major insurance companies or leading financial players. The three other strategic shareholders are Predica (9.2%), Colony (8.8%) and BNP Pariba Cardif (8.8%).

## 3.3. Accounting standards

### IFRS standards applied

The Carmila Group's consolidated financial statements at 30 June 2020 have been prepared in accordance with the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) as adopted by the European Union at 30 June 2020, comprising the IFRS, the IAS (International Accounting Standards) *as* well as their interpretations (SIC and IFRIC).

The European Union adopted the following standards, interpretations and amendments, which are mandatory from 1 January 2020:

- Amendments to IAS 1and IAS 8 on clarifying the definition of "material";

- Amendments to IFRS 3 related to the definition of a business;

- Amendments and precisions to the *Conceptual Framework for Financial Reporting* and updated references to the *Conceptual Framework* in affected standards;

- Amendments to IFRS 9, IFRS 7 and IAS 39 related to the interest rate benchmark reform;

These amendments have no impact on the condensed financial statements as at 30 June 2020.

The Group has undertaken no early application of any standards.

### 3.4. Principal estimates and judgements by management

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

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

- **the measurement of the fair value of investment property** (*Note 6* "*Investment property*"). The Group has its property assets appraised every six months by independent appraisers according to the methods described in Note 6. The appraisers use assumptions for future cash flows and rates with a direct effect on property values;

- **the valuation of financial instruments.** The Group measures the fair value of the financial instruments that it uses in accordance with the standard models and practices on the market and IFRS 13, as described in Note *7.2.8 Hedging transactions*;

- **the provisions for risks and other potential** liabilities related to operations (Note *8.9 "Non-current provisions");*

- **the assumptions used to calculate and recognise deferred taxes** (*Note 10 Taxes*).

# 4. SCOPE OF CONSOLIDATION AND METHODS

## 4.1. Half-year highlights

On March 11 2020, Carmila Santiago SLU was merged into its parent company Carmila Espana SL.

This operation has no impact in the consolidated financial statements.

## 4.2. Description of main partnerships

**AS Cancelas – Spain**

The shares and voting rights in the Spanish company As Cancelas are held equally by Carmila and its partner, Grupo Realia. All resolutions are adopted by a 50.01% majority. Property management, marketing and management of the centre are handled by the Group, whereas administration is handled by Grupo Realia.

Carmila qualifies this relationship as a joint-control, thereby representing a joint venture. Thus the company is consolidated according to the equity method.

## 5. SEGMENT REPORTING

### 5.1. Operating income by operating segment

| (in thousands of euros) | France | | Spain | | Italy | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 |
| **Gross Rental income** | **105 678** | **120 042** | **46 499** | **46 854** | **11 401** | **12 034** | **163 578** | **178 930** |
| Real estate expenses | (2 362) | (2 006) | (1 266) | (983) | (441) | (434) | (4 069) | (3 423) |
| Non-recovered rental charges | (2 894) | (2 062) | (1 976) | (1 951) | (139) | (133) | (5 009) | (4 146) |
| Property expenses (landlord) | (4 524) | (3 546) | (1 492) | (616) | (1 027) | (237) | (7 043) | (4 399) |
| **Net Rental Income** | **95 898** | **112 428** | **41 765** | **43 304** | **9 794** | **11 230** | **147 457** | **166 962** |
| Overhead expenses | (18 989) | (20 626) | (5 053) | (5 313) | (1 240) | (1 609) | (25 282) | (27 548) |
| *Income from management, administration and other activities* | *2 377* | *2 112* | *222* | *203* | *360* | *342* | *2 959* | *2 657* |
| *Other income* | *2 398* | *2 329* | *18* | *11* | *59* | *51* | *2 475* | *2 391* |
| *Payroll expenses* | *(10 696)* | *(11 102)* | *(1 725)* | *(1 587)* | *(549)* | *(545)* | *(12 970)* | *(13 234)* |
| *Other overhead expenses* | *(13 068)* | *(13 965)* | *(3 568)* | *(3 940)* | *(1 110)* | *(1 457)* | *(17 746)* | *(19 362)* |
| Other income from operations | - | - | - | - | - | - | - | - |
| Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions | (1 314) | (603) | (96) | (101) | (29) | (129) | (1 439) | (833) |
| Other recurring operating income and expense | (86) | (23) | (43) | - | - | - | (129) | (23) |
| Share of net income in equity accounted investments - current | - | - | 1 034 | 877 | (15) | (19) | 1 019 | 858 |
| **Operating income - current** | **75 509** | **91 176** | **37 607** | **38 767** | **8 510** | **9 473** | **121 626** | **139 416** |
| Other non-recurring operating income and expense | - | - | - | - | - | - | - | - |
| Gain (losses) on disposals of investment properties and equity investm | 4 | (443) | - | - | - | - | 4 | (443) |
| Gain (losses) on disposals of intangible and other tangible assets | 1 | - | - | - | - | - | 1 | - |
| Change in fair value adjustments | (174 368) | (82 537) | (41 564) | 7 459 | 1 118 | (800) | (214 814) | (75 878) |
| *Increase of fair value adjustment properties* | *5 818* | *29 978* | *2 516* | *18 646* | *1 507* | *1 495* | *9 841* | *50 119* |
| *Decrease of fair value adjustment properties* | *(180 186)* | *(112 515)* | *(44 080)* | *(11 187)* | *(389)* | *(2 295)* | *(224 655)* | *(125 997)* |
| Share of net income in equity accounted investments - non-current | - | - | (1 822) | 1 698 | 2 | 1 | (1 820) | 1 699 |
| **Operating income** | **(98 854)** | **8 196** | **(5 779)** | **47 924** | **9 630** | **8 674** | **(95 002)** | **64 794** |

The changes in Net Rental Income amount to €-19.5 million, equivalent to -11.7% in the first half of 2020. The variation is analysed as follows:

The like-for-like decrease amounts to €-16.8 million, or -10.1% over the first half. Growth generated by the extensions commissioned in 2019 and by the other effects (such as the effect of strategic vacancy in particular) is not comprised in the like-for-like growth. The contribution of rent indexation included in the like-for-like growth stands at +1.5%. The like-for-like scope of activity represents 99% of the overall scope for the first half of 2020. Specific impacts have been accounted for as a result of the health crisis in all three countries: in addition to the cancellation of rents for very small businesses (Très Petites Entreprises, TPE) in France for an amount of €-13.2 million and the adjustment made to variable rents in all three countries, depreciation allowances were recorded to factor in the expected losses on trade receivables, in particular on the receivables invoiced to tenants undergoing insolvency procedures for the second quarter and for which payment was deferred (the impact is of €-4.0 million for the first half year). The contribution of these specific consequences of the health crisis in the like-for-like variation stands at -10.7%. The change on a like-for-like basis excluding these specific impacts is 0.6%.

Growth resulting from shopping mall extensions contributes €+0.6 million, or +0.3%. The Rennes Cesson extension commissioned during the second half year of 2019 in included in this calculation.

Growth generated by acquisitions over the first half of the year is nil since there has been no acquisitions in 2019 nor 2020.

The other effects contribute €-3.2 million, or -1.9%. These include the impact of strategic vacancies required to carry out restructuring or extensions and one-off impacts taken during the first half of 2019

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### 5.2. Breakdown of investment property by operating segment

The value of investment properties by country is presented separately for assets valued at fair value and for assets valued at cost (as defined in Note 6 - *Investment properties).*

| (in thousands of euros) | 30/06/2020 | 31/12/2019 |
|---|---|---|
| **Investment properties carried at fair value** | **5 808 927** | **6 001 608** |
| France | 4 152 056 | 4 305 544 |
| Spain | 1 302 480 | 1 342 870 |
| Italy | 354 391 | 353 194 |
| **Investment properties carried at cost** | **72 283** | **68 785** |
| France | 72 283 | 68 735 |
| Spain | - | 50 |
| Italy | - | - |
| **TOTAL** | **5 881 210** | **6 070 393** |

At 30 June 2020, regarding the value of assets, 71.8% of the Group's investment properties were located in France (compared to 72.1% at 31 December 2019), 22.2% in Spain (compared to 22.1%) and 6.0% in Italy (compared to 5.8%). The analysis of these items is presented under Note 6.1 - *Details of investment properties carried at fair value and at cost*.

### 5.3. Breakdown of capital expenditures by operating segment

Real estate investments for the period are presented by country and are disclosed separately for acquisitions, new project and extensions, or capital expenditure in the portfolio on a like-for-like basis:

| ('in thousands of euros) | France | | Spain | | Italy | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 |
| Acquisitions | 397 | 2 154 | - | 2 969 | - | - | 397 | 5 123 |
| New Projects | - | - | - | - | - | - | - | - |
| Like-for-like capital expenditures | 26 257 | 49 888 | 1 854 | 1 798 | 79 | 572 | 28 190 | 52 258 |
| Extensions | 17 330 | 33 800 | - | - | 10 | 397 | 17 340 | 34 197 |
| Restructuring | 5 294 | 11 476 | - | - | - | - | 5 294 | 11 476 |
| Renovation | 535 | 1 058 | 1 854 | 1 723 | 63 | 6 | 2 452 | 2 787 |
| Maintenance Capex | 3 098 | 3 554 | - | 75 | 6 | 169 | 3 104 | 3 798 |
| **TOTAL Capital Expenditures** | **26 654** | 52 042 | **1 854** | 4 767 | **79** | 572 | **28 587** | 57 381 |

***Acquisitions*** mainly comprise the acquisition of land plots as part of the business of Lou5G, which specializes in the development of optic fibres and 5G technology.

The ***extensions*** mainly concern assets in France. These developments and extensions notably relate to:

- the extension of the Nice-Lingostière shopping centre for €12.6 million over the period, with an opening planned during the first quarter of 2021;
- the creation of a food court in the Toulouse/Purpan shopping mall for €3.2 million, , which opening is planned in July 2020;
- the preliminary studies related to the extension of the Laval shopping centre amounting €1.2 million.

Lastly, the ***capital expenditure, on a like-for-like basis,*** is mainly spent on assets being redeveloped, where renovation and modernisation works have been carried out on existing parts in order to optimise value creation. This includes a great variety of operations, the most significant of which concern the sites of Calais Coquelles (€0.8 million), Thionville (€0.4 million) and Bourg-en-Bresse (€0.4 million) in France, and the Valladolid (€0.6 million) in Spain.

## 6. INVESTMENT PROPERTIES

### Accounting policies

#### Method applied: fair value

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

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

The fair value excludes transfer taxes and costs (taxes are assessed on the basis of a direct disposal of the asset even though these costs may sometimes be reduced due to a disposal through a share deal of the company holding the asset concerned).

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

#### Cost of investment property – general

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

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

In addition, intangible fixed assets such as lease rights or commercial rights for common areas for the specialty leasing business are *taken* into account in the valuations made by appraisers, and are therefore incorporated in the asset value shown in the consolidated financial statements.

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

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

#### Cost of investment property – under construction

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

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

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

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

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

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

#### Appraisal method

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

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

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

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

- Net-income capitalisation method

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

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

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

All net present values of rents taking into account the benefits granted to lessees, all charges on empty premises and other non-recurring costs or work are then deducted from the value thus obtained.

- Discounted cash flow method

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

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

The appraisers appointed by Carmila are as follows:

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

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

Compensation paid to appraisers, previously approved for appraisal campaigns, is set at a flat rate depending on the number of retail units and complexity of the appraised assets. It is entirely independent from the valuation of the assets.

The valuations completed by the independent appraisers are reviewed internally by the relevant Department as well as by competent individuals within each operational division. This process includes discussions regarding the assumptions used by the independent appraisers, as well as a review of the results of the valuations. These reviews of the valuation process occur every six months and involve the investment department and the independent appraisers.

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

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

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

Investment property acquired prior to the previous last six months earlier is assessed by independent experts at 30 June and 31 December each year.

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

*in thousands of euros*

| Investment properties carried at fair value - 31/12/2018 | 5 953 655 | Investment properties carried at cost - 31/12/2018 | 62 605 |
|---|---|---|---|
| Acquisitions | 5 523 | Acquisitions | 2 836 |
| Change in scope of consolidation | - | Change in scope of consolidation | - |
| Investments | 70 413 | Investments | 41 042 |
| Capitalised interest | 253 | Capitalised interest | 611 |
| Disposal and removals from scope of consolidation | (6 361) | Disposal and removals from scope of consolidation | - |
| Other movements and reclassifications | 33 162 | Other movements and reclassifications | (38 309) |
| Right-of-use (IFRS 16) | 35 135 | Right-of-use (IFRS 16) | - |
| Change in fair value | (90 172) | Change in fair value | - |
| **Investment properties carried at fair value - 31/12/2019** | **6 001 608** | **Investment properties carried at cost - 31/12/2019** | **68 785** |
| Acquisitions | 397 | Acquisitions | - |
| Change in scope of consolidation | - | Change in scope of consolidation | - |
| Investments | 9 562 | Investments | 18 136 |
| Capitalised interest | - | Capitalised interest | 492 |
| Disposal and removals from scope of consolidation | (77) | Disposal and removals from scope of consolidation | - |
| Other movements and reclassifications | 11 723 | Other movements and reclassifications | (15 039) |
| Right-of-use (IFRS 16) | 528 | Right-of-use (IFRS 16) | (91) |
| Change in fair value | (214 814) | Change in fair value | - |
| **Investment properties carried at fair value - 30/06/2020** | **5 808 927** | **Investment properties carried at cost - 30/06/2020** | **72 283** |

### 6.1.1 Investment properties carried at fair value

The "*Investments*" mainly comprise the capital expenditures made on a like-for-like basis and the restructurings valued by the appraisers.

The *"Other movements and reclassifications"* shows the net balance of commissioning during the period and the reclassification from assets measured at cost at 31 December 2019 to assets measured at fair value.

The "*Right-of-use (IFRS 16)*" takes into account the revaluations of variable rents, as part of the application of IFRS 16.

Finally, the "*Change in fair value*" records gains or losses on the value of assets using appraisals by independent real estate experts. This line includes the recognition of the IPUC for the Nice project for an amount of €2,030 thousand. The change in fair value is analysed by country in Note 6.2 - *Valuation assumptions and sensitivity analysis.*

### 6.1.2 Investment properties carried at cost

The *"Investments" and "Capitalised interest"* primarily include the Nice-Lingostière (€12.6 million) and Laval (€1.2 million) projects started or ongoing during the period.

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

| *in thousands of euros* | | 30/06/2020 |
|---|---|---|
| Investment properties carried at fair value - Acquisitions | *6.1* | 397 |
| Investment properties carried at fair value - Entry in the scope of consolid. | *6.1* | - |
| Investment properties carried at cost - Acquisitions | *6.1* | - |
| Investment properties carried at cost - Entry in the scope of consolidation | *6.1* | - |
| **TOTAL Acquisitions and entry in the scope of consolidation** | | **397** |
| **TOTAL Acquisitions - investments by country** | *5.3* | **397** |

| *in thousands of euros* | | 30/06/2020 |
|---|---|---|
| Investment properties carried at fair value - Investment | *6.1* | 9 562 |
| Investment properties carried at fair value - Capitalised interest | *6.1* | - |
| | | - |
| Investment properties carried at cost - Investments | *6.1* | 18 136 |
| Investment properties carried at cost - Capitalised interest | *6.1* | 492 |
| **TOTAL Investments and capitalised interests** | | **28 190** |
| Development and extensions | *5.3* | - |
| Like for like investments | *5.3* | 28 190 |
| **TOTAL Acquisitions - dévelopment and extensions and like for like investments** | *5.3* | **28 190** |

## 6.2. Valuation assumptions and sensitivity analysis

At 30 June 2020, all the assets measured at fair value have been subject to appraisal. These valuations are based on material market uncertainty due to the potential effects of the health crisis.

The balances of rental charge deferrals and front-end fees recorded on the balance sheet and spread over the fixed term of the leases amounted to €39.8 million. These amounts are taken into account in the appraisal method used by the independent appraisers for their valuation and thus included in the book value and taken into account in the calculation of the change in the fair value adjustment.

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

| *30/06/2020 - Weighted average* | Yield[(1)] | Rent in € per sq.m [(2)] | Discount rate [(3)] | Exit rate [(4)] | CAGR of NRI [(5)] |
|---|---|---|---|---|---|
| France | 5,5% | 262 | 6,1% | 5,9% | 1,5% |
| Spain | 6,6% | 226 | 8,5% | 6,4% | 1,7% |
| Italy | 6,0% | 291 | 7,2% | 6,3% | 1,8% |

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

An increase in capitalisation rates was observed in France (+22 bps) and Spain (+21 bps). Due to the market situation and the health crisis, appraisers have considered higher discount and exit rates for France and Spain in their DCF. At Group level, average annual growth rates are relatively contained in comparison with those of December 31, 2019:

| 31/12/2019 - Weighted average | Yield(1) | Rent in € per sq.m (2) | Discount rate (3) | Exit rate (4) | CAGR of NRI (5) |
|---|---|---|---|---|---|
| France | 5,4% | 264 | 5,9% | 5,8% | 1,6% |
| Spain | 6,4% | 227 | 8,5% | 6,4% | 1,7% |
| Italy | 6,2% | 293 | 7,2% | 6,3% | 1,8% |

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

| | France | | Spain | | Italy | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 |
| Change in fair value adjustments | (174 368) | (82 537) | (41 564) | 7 459 | 1 118 | (800) | (214 814) | (75 878) |
| *Increase of fair value adjustment properties* | *5 818* | *29 978* | *2 516* | *18 646* | *1 507* | *1 495* | *9 841* | *50 119* |
| *Decrease of fair value adjustment properties* | *(180 186)* | *(112 515)* | *(44 080)* | *(11 187)* | *(389)* | *(2 295)* | *(224 655)* | *(125 997)* |

Based on the asset fair value, excluding transfer taxes and related costs, the average yield on assets has increased and stands at 6.11% at 30 June 2020 (compared to 5.9% at 31 December 2019).

All else being equal, a 15 basis-point increase in yields would result in a decrease in the value of the total portfolio, including transfer taxes and duties (excluding assets under development or equity-accounted and excluding the effect of changes in rents equal to the decrease in yield) of €147 million (or 2.4%). A 25 basis-point increase in the yield rate would reduce the value of the portfolio by €241 million (-3.9%). The 50 basis-point increase in the yield rate would reduce the value of the portfolio by €464 million (-7.6%).

### 6.3. Investment properties held for sale

At 30 June 2020, there were no investment properties held for sale.

# 7. FINANCING AND FINANCIAL INSTRUMENTS

**Application of IFRS 9 – renegotiation of debt**

Carmila is financed in particular by way of a bank loan for a nominal value of €770 million. The loan was underwritten in 2013 and has been renegotiated several times. Successive renegotiations did not make any substantial modifications to the initial contract as defined under IFRS 9. As a result, at the first-time application date of 1 January 2018, the book value of the debt with its original effective interest rate (EIR) was recognised as equity, leading to a €19,754 thousand decrease in the value of the debt and an increase in equity for the same amount. This reduction of the debt's original EIR is spread over the residual duration of the underlying liability.

In June 2018, that same debt was renegotiated. The maturity of the debt was extended by one year, to 2023. No other terms of the loan were modified. This reduction of the debt at its original EIR led to the recognition of a gain of €4,472 thousand recorded in other financial income, spread out over the residual duration of the underlying liability.

Finally, in May 2019, that same debt was renegotiated. The maturity of the debt was extended by one year, to 2024. No other terms of the loan were changed. This reduction of the debt at its original EIR led to recognizing a gain of €4,707 thousand recorded in other financial income, spread out over the residual duration of the underlying liability. At 31 December 2020, the total charge linked to the spreading over time of the reduction of the original EIR of the liability amounted to €2,728 thousand and is recognised in other financial expenses.

## 7.1. Net financial income/expense

### 7.1.1 Cost of net indebtedness

| *(in thousands of euros)+L25HH10:K26* | 30/06/2020 | 30/06/2019 |
|---|---|---|
| **Financial income** | **334** | **240** |
| Interest on current-accounts and loans | 192 | 135 |
| Financial income on cash equivalents | 142 | 105 |
| Captalised interest | - | - |
| Other financial income | - | - |
| **Financial expense** | **(27 516)** | **(27 968)** |
| Interest expense on bonds | (18 343) | (17 821) |
| Interest expense on borrowings from lending institutions | (2 626) | (3 268) |
| Interest expense capitalised | 492 | 346 |
| Amortisation of costs, bond redemption premiums and deferred swaps reversal costs | (4 225) | (3 224) |
| Interest expense on swaps | (2 394) | (3 491) |
| Other interest expense | (419) | (503) |
| Interest on current-accounts | (1) | - |
| Other financial expenses | (1) | (5) |
| **Cost of net indebtedness** | **(27 182)** | **(27 728)** |

Over the period, the cost of net indebtedness breaks down as follows:

- Interest on bonds stands at €18,343 thousand, compared to €17,821 thousand in June 2019. This increase is due to the bond issued in November 2019 with a nominal value of €50 million and a coupon of 1.89%, which has a half-year impact of €0.5 million.
- Interest on bank borrowings is €2,626 thousand and has been decreasing since the €100 million repayment of the loan made in December 2019.
- An amortisation expense for bond premiums and debt issuance costs stands at €4,225 thousand, including amortisation of cancelled swaps for €2,216 thousand.
- Net expenses on hedging derivatives amounted to €2 394 thousand compared to €3,491 thousand in June 2019. This decrease is due to the cancellation of five swaps in December 2019 and the renegotiation of two swaps with beneficial rates in January 2020.
- Other interest expenses on loans and equivalent of €419 thousand represent the impact of the application of IFRS 16;

### 7.1.2 Other financial income and expenses

| *in thousands of euros* | 30/06/2020 | 30/06/2019 |
|---|---|---|
| **Other financial income** | **2 093** | **6 839** |
| Financial income from investments | - | 120 |
| Change in value of financial instruments | 2 093 | 787 |
| Reversal of short-term investment provision | - | 1 225 |
| Other financial income | - | 4 707 |
| **Other financial expenses** | **(4 561)** | **(4 696)** |
| Change in fair value of financial instruments | - | - |
| Commitment fees on undraw credit facilities | (1 258) | (1 465) |
| Unrealised loss on short-term investments | - | (545) |
| Amortisation of IFRS 9 implementation | (2 728) | (2 312) |
| Other financial expenses | (575) | (374) |
| **Other financial income and expenses** | **(2 470)** | **2 144** |

The net balance of other financial income and expenses decreased by €4,785 million. As at 30 June 2019, the Group recognised a €4,707 thousand income related to the application of IFRS 9 as a result of the one-year extension of the debt and its restatement to the original effective interest rate

In addition, the Group recorded a provision reversal of €1,225 thousand on the market value of short-term investments held in portfolio.

As at 30 June 2020, the income is related to the credit risk on derivatives for a total amount of €2,093 thousand.

Other financial expenses mainly comprise commitment fees for the undrawn credit lines amounting to €1,258 thousand, decreasing due to the cancellation of a confirmed credit facility agreement in the amount of €250 million during this first half-year, and the cross-charging of the impact of IFRS 9 on the restatement to the original effective interest rate of the debt, for €2,728 thousand.

## 7.2. Current and non-current financial liabilities

At 30 June 2020, Carmila has been assigned a BBB flat rating with a negative outlook by S&P.

### 7.2.1 Change in indebtedness

| *in thousands of euros* | 31/12/2019 | Change | Issuance | Repayment | Reclassifications | Other movements | Fair value adjustment | 30/06/2020 |
|---|---|---|---|---|---|---|---|---|
| **Non-current financial liabilities** | **2 261 398** | **2 009** | **301 648** | **(110 252)** | **(9 457)** | **-** | **8 216** | **2 453 562** |
| Bonds | 1 600 000 | - | 100 000 | (12 261) | - | - | - | 1 687 739 |
| Bond issuance premiums | (8 459) | - | (388) | 902 | - | - | - | (7 945) |
| Borrowings from lending institutions | 670 000 | - | 200 000 | (100 000) | - | - | - | 770 000 |
| Effective interest rate adjustment | (15 684) | - | 2 728 | - | (4 327) | - | - | (17 283) |
| Loan and bond issuance fees | (10 014) | - | (692) | 1 107 | - | - | - | (9 599) |
| Derivative instruments - liabilities | 25 556 | 2 009 | - | - | (5 130) | - | 8 216 | 30 651 |
| **Current financial liabilities** | **161 954** | **1 385** | **172 429** | **(59 929)** | **8 914** | **-** | **(2 093)** | **282 660** |
| Borrowing from lending institutions - current | (3 641) | - | - | (453) | 4 327 | - | - | 233 |
| Accrued interest on loans | 15 454 | - | 70 397 | (59 476) | - | - | - | 26 375 |
| Other loans and related debt-current | 146 000 | - | 102 032 | - | - | - | - | 248 032 |
| Derivative instruments - liabilities | - | - | - | - | 4 587 | - | (2 093) | 2 494 |
| Bank facilities | 4 141 | 1 385 | - | - | - | - | - | 5 526 |
| **Other financial debt related to IFRS 16** | **37 056** | **-** | **-** | **(821)** | **-** | **384** | **-** | **36 619** |
| Other financial debt IFRS 16 - non current | 34 556 | - | - | - | 175 | 384 | - | 35 115 |
| Other financial debt IFRS 16 - current | 2 500 | - | - | (821) | (175) | - | - | 1 504 |
| **Gross debt** | **2 460 408** | **3 394** | **474 077** | **(171 002)** | **(543)** | **384** | **6 123** | **2 772 841** |

Other loans and related debts represent outstanding commercial paper, in the amount of €248 million as at 30 June 2020. Borrowings from lending institutions include a drawdown of €100 million from the Revolving Credit Facility .

### 7.2.2 Principal Group financing

| *(in thousands of euros)* | Borrower | Currency of Issue | Interest rate | Final maturity date | Repayment profile | Initial amount | Amount drawn at 30/06/2020 |
|---|---|---|---|---|---|---|---|
| Bonds | | | | | | 1 700 000 | **1 687 739** |
| | Carmila SA | EUR | 2.375% | sept-23 | in fine | 600 000 | **600 000** |
| | Carmila SA | EUR | 2.375% | sept-24 | in fine | 600 000 | **587 739** |
| | Carmila SA | EUR | 2.125% | mar-28 | in fine | 350 000 | **350 000** |
| | Carmila SA | EUR | 1.890% | nov-31 | in fine | 50 000 | **50 000** |
| | Carmila SA | EUR | 3.000% | juin-29 | in fine | 100 000 | **100 000** |
| Bank loans | | | | | | 770 000 | **670 000** |
| | Carmila SA | EUR | Euribor 3M | june 24 | in fine | 770 000 | **670 000** |
| Commercial Paper | | | | | | 600 000 | **248 000** |
| | Carmila SA | EUR | | | | 600 000 | **248 000** |
| Revolving Credit Facility | | | | | | 759 000 | **100 000** |
| | Carmila SA | EUR | | | | 759 000 | **100 000** |
| Other financing - mortgages | | | | | | 916 | **233** |
| | Financière Géric | EUR | 2.70% | dec-20 | amortised | 916 | **233** |
| **TOTAL** | | | | | | **3 829 916** | **2 705 972** |

### 7.2.3 Bonds

Between 2015 and 2019, Carmila issued 4 bonds for a total amount of €1,600 million euros. They are repayable at maturities ranging from 2023 to 2031.

On June 26, 2020, Carmila issued a private bond placement with a nominal value of 100 million euros and a maturity of 9 years. After deducting structuring fees, recorded as a deduction from the nominal amount of the debt, Carmila received 99,162 thousand euros as net proceeds.

On June 30th, Carmila made a partial early repayment of it bond maturing in 2024 for a total net amount of €12,261 thousand.

As of June 30, Carmila's outstanding bond debt stands at €1,688 million.

At 30 June 2020, €11,808 thousand in premiums and issue costs remain to be amortised over the residual period of the underlying debts.

### 7.2.4 Borrowings from banks

In 2017, Carmila signed a loan agreement with a pool of banks. The intial drawdown amout of €770 million were early repaid for €100 million in 2019, bringing the net amount at €670 million as at 30 June 2020. The loan is repayable at maturity in 2024.

At 30 June 2020, €5,710 thousand in issuance costs for these loans remain to be amortised over the period of the underlying debts.

### 7.2.5 Compliance with the prudential ratios at 30 June 2020

This loan agreement and that of the Revolving Credit Facilities are subject to compliance with financial covenants measured at the closing date of each half-year and year:

- *Interest Cover*: the ratio of EBITDA to the net cost of debt must be greater than 2.00 at the test dates. This ratio totalled 4.9x at 30 June 2020 (Compared with 5.0x at 31 December 2019);

- *Loan-to-Value*: the ratio of consolidated net financial debt to the fair value of the investment assets (including transfer costs) must not exceed 55% on the same date with the possibility of exceeding this ratio for a six month period. This ratio stood at 35.8% at 30 June 2020 (compared with 34.9% at 31 December 2019).

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

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

At 30 June 2020, the Group complied with the applicable covenants.

### 7.2.6 Other loans

In 2015, Carmila acquired Financière Géric. This company had taken out amortisable bank loans for which the residual outstanding amount was €233 thousand at 30 June 2020, maturing in December 2020. The outstanding amount of these loans is guaranteed by a mortgage on the assets of the Thionville shopping centre.

The Group 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 and renewed annually.

The outstanding balance at the end of June 2020 was €248 million, of which €185 maturing in 2021. The maximum outstanding balance drawn over the period was €248 million.

As part of its 2017 refinancing, Carmila also negotiated a revolving credit facility agreement in the amount of €759 (the "RCF") maturing on 16 June 2024, drawn down for 100 million euros at 30 June 2020. A second revolving facility of €250 million expiring during the first half-year has not been renewed.

### 7.2.7 Breakdown of financial debt by maturity date

At 30 June 2020, financial debt maturity broke down as follows:

| *(in thousands of euros)* | 30/06/2020 | Less than 1 year | 2 years | 3 years | 4 years | 5 years or more |
|---|---|---|---|---|---|---|
| **Bonds** | **1 701 268** | **22 730** | **(2 666)** | **(2 727)** | **598 203** | **1 085 728** |
| Bonds - non-current | 1 687 739 | - | - | - | 600 000 | 1 087 739 |
| Bond redemption premiums | (7 945) | (1 888) | (1 934) | (1 981) | (1 271) | (871) |
| Accrued interests | 25 337 | 25 337 | - | - | - | - |
| Issuance costs | (3 863) | (719) | (732) | (746) | (526) | (1 140) |
| **Bank loans** | **748 252** | **95 531** | **(5 757)** | **(5 775)** | **664 252** | **-** |
| Borrowings from bank - non-current | 770 000 | 100 000 | - | - | 670 000 | - |
| Effective interest rate adjustment | (17 283) | (4 321) | (4 321) | (4 321) | (4 321) | - |
| Issuance costs | (5 736) | (1 419) | (1 436) | (1 454) | (1 427) | - |
| Accrued interest | 1 038 | 1 038 | - | - | - | - |
| Borrowings from bank - current | 233 | 233 | - | - | - | - |
| Other loans and related debt - current | - | - | - | - | - | - |
| **Other financial debt related to IFRS 16** | | | | | | |
| Other financial debt IFRS 16 - non current | 35 115 | - | 1 376 | 1 239 | 930 | 31 570 |
| Other financial debt IFRS 16 - current | 1 504 | 1 504 | - | - | - | - |
| **Bank and bond borrowings** | **2 486 139** | **119 765** | **(7 047)** | **(7 263)** | **1 263 385** | **1 117 298** |
| Derivative instruments - non-current liabilities | 30 651 | - | 5 124 | 5 023 | 4 850 | 15 654 |
| Derivative instruments - current liabilities | 2 494 | 2 494 | - | - | - | - |
| Bank facilities | 5 526 | 5 526 | - | - | - | - |
| **Gross debt by maturity date** | **2 524 810** | **127 785** | **(1 923)** | **(2 240)** | **1 268 235** | **1 132 952** |

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

| **Year of repayment** *(in thousands of euros)* | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 et + | TOTAL |
|---|---|---|---|---|---|---|---|
| Principal | 248 686 | 0 | 0 | 600 000 | 1 270 000 | 500 000 | 2 618 686 |
| Interest | 50 099 | 51 653 | 51 883 | 47 679 | 34 057 | 36 680 | 272 051 |
| **Group Total (principal + interest)** | **298 785** | **51 653** | **51 883** | **647 679** | **1 304 057** | **536 680** | **2 890 737** |

### 7.2.8 Hedging transactions

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

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

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

| *(in thousands of euros)* | Fair value level | Fair value in profit and loss | Fair value in OCI period impact | Loans and receivables | Liabilities at amortised cost | Liabilities at fair value | Value in balance sheet 30/06/2020 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | **708 014** |
| Security deposits | | | | 12 920 | | | **12 920** |
| Trade receivables | | | | 195 658 | | | **195 658** |
| Other current financial receivables | | | | 16 626 | | | **16 626** |
| Short term investment | Level 1 | 146 | | | | | **146** |
| Cash and cash equivalent | Level 1 | 482 664 | | | | | **482 664** |
| **LIABILITIES** | | | | | | | **2 704 057** |
| Bonds | | | | | 1 679 794 | | **1 679 794** |
| Bank loans | | | | | 743 118 | | **743 118** |
| Commercial papers | | | | | 248 000 | | **248 000** |
| Financial derivatives liabilities | Level 2 | | -10 432 | | | | **33 145** |

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

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

The valuation of marketable securities and other current financial receivables is based on the last quoted price.

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

The fixed interest rate position (fixed-rate debt + swapped variable-rate debt) represents 77% of gross debt at 30 June 2020 (compared with 82% at end of 2019).

During the first half-year 2020, the Group has renegotiated its swap maturities which include a non-active swap and five fixed-rate payer swaps against three-month Euribor for a notional amount of €410 million at 30 June 2020, the longest of which matures in December 2030. This strategy has been set up in consistency with the future debt forecast.

The Group also holds a cap of €100 million contracted in 2019 and maturing in June 2023.

These derivatives have been contracted with leading partner banks. They hedge the future variable-rate interest payments of the Group's financing, the highly probable nature of which is confirmed by the €670 million variable rate bank loan.

These hedging instruments were recognised as cash-flow hedge.

As a consequence of this cash-flow hedge accounting the derivative instruments are recognised on the closing balance sheet at their market value, with the change in fair value on the effective part of the hedge recognised in shareholders' equity (OCI) and the ineffective part in profit and loss under "*Other financial income and expenses*".

The fair value of the swaps at 30 June 2020 is 100% effective and therefore recognised in shareholders' equity for €10,432 thousand. The change in OCI during the first half of 2020 is -€8,288 thousand and includes -€10,432 thousand in changes in fair value on the Swaps, +€2,216 thousand in recycling of OCI to profit or loss (cash payments of previously cancelled swaps) and €72 thousand related to non-consolidated shares held by the Group.

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

| *in thousands of euros* | **Drop in interest rates of 0.5%** | | **Rise in interest rates of 0.5%** | |
|---|---|---|---|---|
| | **Change in equity** | **Change in profit and loss** | **Change in equity** | **Change in profit and loss** |
| Swap as CFH | (17 705) | - | 16 882 | - |

## 7.3. Management of financial risks and hedging strategy

### 7.3.1 Credit risk

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

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

Cash investments are restricted to high-quality instruments; speculative or risky investments other than bonds risks are excluded.

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

### 7.3.2 Liquidity risk

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

Carmila's policy is to ensure that the Group's available liquid funds are sufficient to meet its obligations. In the short term, the liquidity risk is under control since cash and financial investments, as well as the easily accessible credit lines, more than cover current liabilities.

Carmila has a revolving credit facility at its disposal totalling €759 million with a maturity in June 2024. At 30 June 2020, the facility has been drawn down by 100 million euros.

### 7.3.3 Other financial risks

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

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

With regard to interest-rate risk, Carmila has implemented a hedging policy with the use of derivatives (interest rate swaps and plain vanilla options), as described in Note 7.2.8 - *Hedging transactions.*

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

# 8. DETAIL OF OTHER BALANCE-SHEET ITEMS

## 8.1. Intangible fixed assets

| *in thousands of euros* | 31/12/2019 | Acquisitions | Allowances / reversals | Reclassification / scrapped | 30/06/2020 |
|---|---|---|---|---|---|
| Software | 1 676 | 46 | (201) | - | 1 521 |
| Other intangible assets | 16 485 | 226 | - | 2 | 16 713 |
| Intangible assets in progress | 19 | 40 | - | (8) | 51 |
| Intangible assets - gross value | 18 180 | 312 | (201) | (6) | 18 285 |
| Amortisation / software impairment | (1 093) | - | 144 | - | (949) |
| Amortisation / impairment of other intangible fixed assets | (12 826) | - | (162) | - | (12 988) |
| Intangible assets - total amortisation | (13 919) | - | (18) | - | (13 937) |
| **Total intangible assets - net value** | **4 262** | **312** | **(219)** | **(6)** | **4 349** |

## 8.2. Property, plant and equipment

| *in thousands of euros* | 31/12/2019 | Acquisitions | Allowances / reversals | Change in accounting method | Reclassification / scrapped | 30/06/2020 |
|---|---|---|---|---|---|---|
| Technical plant, machinery and equipment | 4 232 | 17 | - | - | 107 | 4 356 |
| Office and computer equipment | 490 | 55 | - | - | - | 545 |
| Transport equipment | 599 | - | - | 44 | - | 643 |
| Company's offices building | 2 755 | - | - | (188) | - | 2 567 |
| Other property, plant and equipment | 102 | - | - | - | - | 102 |
| Property, plant and equipment - gross value | 8 178 | 72 | - | (144) | 107 | 8 213 |
| Deprec/impairment of technical plant, machinery and equipment | (2 490) | - | (156) | - | - | (2 646) |
| Depreciation/impairment of office and computer equipment | (416) | - | (18) | - | - | (434) |
| Depreciation/impairment of transport equipment | (342) | - | (128) | - | - | (470) |
| Depreciation/impairment of company's offices building | (639) | - | (293) | - | - | (932) |
| Deprec/impairment of other property, plant and equipment fixed | (47) | - | (1) | - | - | (48) |
| Property, plant and equipment - total depreciation | (3 934) | - | (596) | - | - | (4 530) |
| **Total property, plant and equipment net** | **4 244** | **72** | **(596)** | **(144)** | **107** | **3 683** |

At 30 June 2020, property plant and equipment mainly includes fixtures and office equipment for the Group's offices and services centres in France and Spain. No acquisitions or write-offs occurred during the period.

## 8.3. Investments in equity-accounted companies

### Accounting policies

The accounting policies applied are described in *Note 4.2. – Description of main partnerships*. The details of equity-accounted companies are available in Note *15. - List of consolidated companies*.

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

| *in thousands of euros* | 31/12/2019 | Net income | Distribution | Capital increase | 30/06/2020 |
|---|---|---|---|---|---|
| Investment in equity-accounted companies | 52 459 | (800) | (1 210) | - | 50 450 |

At 30 June 2020, this item exclusively includes As Cancelas (Spain), acquired in 2014 and currently in operation, and Carmila Thiene (Italy), which is developing a project.

**Financial information on equity-accounted entities**

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

| *in thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Investment properties | 133 297 | 136 774 |
| Other non-current assets | 1 396 | 1 379 |
| Deffered tax assets | 530 | 214 |
| Non-current assets | 135 223 | 138 367 |
| Trade receivables | 1 807 | 396 |
| Other current assets | 543 | 816 |
| Cash and Cash equivalent | 1 889 | 3 905 |
| Current assets | 4 239 | 5 117 |
| **Total assets** | **139 462** | **143 484** |

| | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Shareholders' equity | 90 687 | 93 684 |
| Equity | 90 687 | 93 684 |
| Borrowings and financing from associates | 28 247 | 28 126 |
| Other non current liabilities | 16 596 | 18 160 |
| Non current liabilities | 44 843 | 42 286 |
| Current liabilities | 3 932 | 3 514 |
| **Total liabilities and shareholders' equity** | **139 462** | **143 484** |

| | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Gross rental income | 4 420 | 9 348 |
| **Net income** | **(1 601)** | **4 376** |
| Dividend distributed | 2 419 | 3 365 |

## 8.4. Other non-current assets

| *in thousands of euros* | 31/12/2019 | Acquisitions | Disposals | Other movements | 30/06/2020 |
|---|---|---|---|---|---|
| Non-consolidated equity interests | 744 | 182 | - | - | 926 |
| Advances to associates or non-consol. companies | 1 | - | - | - | 1 |
| Security deposits | 12 834 | 92 | (6) | - | 12 920 |
| Other financial assets | 71 | - | (3) | - | 68 |
| Other non-current assets - gross value | 13 650 | 274 | (9) | - | 13 915 |
| Impairment of other non-current assets | (1 223) | - | - | (72) | (1 295) |
| **Other non-current assets - net** | **12 427** | **274** | **(9)** | **(72)** | **12 620** |

The security deposits recognised as non-current assets substantially all relate to deposits made with the local Spanish administrative authority, which requires that a percentage of the security deposits received from tenants be deposited to these authorities in a special escrow account.

## 8.5. Trade receivables

**Accounting policies**

Trade receivables mainly comprise rent to be received from tenants, front-end fees and fees from services rendered to tenants. In the event of loss in value, these receivables are subject to depreciation, which takes into account the debtor's capacity to honour its debt and the period for which the receivable is overdue. The Group makes a 50% bad debt provision when the receivable is overdue by over 6 months and less than one year, and at 100% of the receivables if overdue by more than a year. In addition, for any tenant presenting a risk of insolvency, a bad debt provision is made for 100% of the receivables due. These are tenants in safeguard procedures, in receivership, insolvency or liquidation, or any tenant for which a significant credit risk has been identified.

Lastly, pursuant to the application of IFRIC 21, provisions were recorded for all property taxes owed for the year 2020 as of 1 January of this year. Simultaneously, a provision for the share of property taxes rebilled to tenants was recorded as unbilled revenue. Accordingly, net tax charge at 30 June is equivalent to the net taxes expected for the year. This adjustment has no impact on the annual financial statements.

| *in thousands of euros* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Trade receivables - gross value | 224 783 | 140 875 |
| Depreciation of trade receivables | (29 125) | (23 770) |
| **Trade receivables and other receivables - net** | **195 658** | **117 105** |

There is a significant increase in trade receivables, up to €83 million at end June 2020. This increase is essentially due to the measures taken by the Group for the collectability of the second quarter 2020 trade receivables in the wake of the health crisis. Indeed, in order to support the tenants during this period, Carmila chose, on all three geographies and for the whole of the second quarter of 2020, to adapt its invoicing of rents and charges by dividing them into 3 monthly instalments falling due at the end of each month instead of the contractual payment terms which are a prepayment at the outset of the quarter.

Consequently, in France and Italy, the outstanding receivables include the third quarter billing and a large portion of the second quarter which are not yet paid and for which it is agreed to defer payment to September.

In Spain, the outstanding balance results from the June billing. The remaining receivables for the second quarter, currently under negotiation, appear as due in 15 to 60 days in the following table.

| (in thousands of euros) | Accounting balance | Outstanding | Overdue | < 15 days | >= 15 days < 30 days | >= 30 days < 60 days | >= 60 days < 90 days | >= 90 days < 180 days | >= 180 days < 360 days | >= 360 days | TOTAL Provision |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Spain | 22 835 | 9 788 | 13 047 | (180) | 2 490 | 2 003 | 1 643 | 1 533 | 160 | 5 398 | (5 388) |
| Italy | 13 237 | 9 622 | 8 051 | - | - | - | 44 | 439 | 552 | 2 580 | (3 774) |
| France | 163 610 | 136 919 | 26 690 | (9) | 126 | 28 | (462) | 2 505 | 9 082 | 15 421 | (19 963) |
| **TOTAL Group (including VAT)** | **199 682** | **156 329** | **47 789** | **(189)** | **2 616** | **2 031** | **1 225** | **4 477** | **9 793** | **23 399** | **(29 125)** |

The aged balance excludes accrued receivables, and for income other than rental income.

## 8.6. Other current assets

| *(in thousands of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Tax receivables | 31 438 | 28 787 |
| Corporate tax receivables | 3 676 | 3 083 |
| Other tax receivables | 27 762 | 25 704 |
| Financial receivables | 25 305 | 22 231 |
| Receivables related to investment properties | 25 056 | 21 485 |
| Derivative instruments - assets | - | 543 |
| Short term investment | 249 | 203 |
| Other receivables | 19 987 | 18 109 |
| Receivables from charges rebilled to tenants | 11 438 | 9 792 |
| Other miscellaneous receivables | 8 100 | 8 007 |
| Prepaid expenses | 449 | 310 |
| **Total other receivables - gross value** | **76 730** | **69 127** |
| Depreciation of other receivables | - | - |
| **Other current receivables - net** | **76 730** | **69 127** |

Financial receivables relating to investments mainly include the Group's loans to equity-accounted companies (As Cancelas for €11,500 thousand and Carmila Thiene for €5,126 thousand).

The increase in "Other receivables" is mainly due to the increase in charges rebilled to tenants for capital expenditures and co-ownership expenses.

## 8.7. Net cash

### Accounting policies

Cash equivalents are short-term investments (available immediately or with a maturity of less than three months), highly liquid, easily convertible into a defined amount of cash, and subject to a negligible risk of change in value. Cash equivalents were presented as other current financial assets to the extent that all the criteria defined in IAS 7 "*Cash and cash equivalents*" do not appear to be met to classify these short term investments as cash equivalents.

The breakdown of the change of the Group's cash is explained in Note 1.3 - *The consolidated cash-flow statement*.

| *(in thousands of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Cash | 482 664 | 178 172 |
| Cash equivalent | - | - |
| Cash and cash equivalent | 482 664 | 178 172 |
| Bank facilities | (5 526) | (4 141) |
| **Net cash** | **477 138** | **174 031** |

Carmila has a sizable cash position at 30 June 2020; this cash availability enables Carmila to pay the cash portion of the dividend on July 27 and to repay the outstanding amount drawn on the RCF of 100 million euros and attain a net cash position of approximately €300 million at the end of July 2020.

## 8.8. Equity

### 8.8.1 Share capital and premiums

| *(in thousands of euros)* | Number of shares | Share capital | Issuance premium | Merger premium |
|---|---|---|---|---|
| On 1 January 2020 | **136 681 843** | 820 091 | 520 611 | 1 608 558 |
| Acrued dividend GM 29/06/2020 | **-** | - | - | (117 531) |
| New shares issued | **139 306** | 836 | (836) | - |
| **On 30 June 2020** | **136 821 149** | **820 927** | **519 775** | **1 491 027** |

At 30 June 2020, the share capital was made up of 136,821,149 shares of three categories, each with a nominal value of six euros (€6) fully subscribed and paid up. These shares are made up of 136,561,695 class A shares, 120,148 class B shares and 139 306 class C shares.

These class C shares have been issued on 16 May 2020 as part of the preferred share allocation plan for key employees and corporate officers of Carmila. The capital increase has been offset against the issuance premium for an amount of €836 thousand.

On 29 June 2020, the Shareholders' Meeting approved, a Board of Directors' proposal of a dividend distribution of €1.00 per share (as compared to €1.50 per share initially planned) for the 2019 financial year. Shareholders were offered the option to receive this dividend in shares. The option period for the dividend payment in shares ranges from July 7 to July 21, 2020 and the payment date is set for July 27, 2020.
Carrefour and the institutional shareholders present on the Carmila Board, representing 78% of the capital, have already agreed to opt for the payment of the dividend in shares for at least 50% of their holding.

An accrued dividend has been recognised in the financial statements for an amount of €136,563 thousand, €117,531 of which has been registered against the merger premium and €19,032 against distributable retained earnings.

### 8.8.2 Earnings per share

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

Fully diluted earnings per share are determined by adjusting earnings attributable to bearers of ordinary shares and the average weighted number of ordinary shares in circulation, as necessary, to accommodate the effects of all potentially dilutive instruments as well as the potential shares in particular those to be issued under the share-based bonus plans.

| At 30 June 2020 | |
|---|---|
| Average number of shares (undiluted) | 136 390 591 |
| Number of shares resulting from share-based payments present and future at 30 June 2020 | 405 201 |
| Average number of shares (fully diluted) | 136 795 792 |

## 8.9. Provisions

| *(In thousands of euros)* | 31/12/2019 | Allowances | Reversal | Reclassification | Actuarial adjustments (OCI) | 30/06/2020 |
|---|---|---|---|---|---|---|
| Other contingency provisions | 6 158 | 635 | (15) | (11) | - | 6 767 |
| Total contingency provisions | 6 158 | 635 | (15) | (11) | - | 6 767 |
| Provision for pensions and retirement benefits | 707 | 32 | (19) | - | - | 720 |
| Total provisions for charges | 707 | 32 | (19) | - | - | 720 |
| **Total non-current provisions** | **6 865** | **667** | **(34)** | **(11)** | **-** | **7 487** |

Contingency provisions include all tenant-related disputes and litigations and any other operating risks. These provisions were reviewed to better understand the facts and circumstances of these disputes (e.g. ongoing negotiations with possible lease renewal) and the possible appeal procedures (right of withdrawal). There were no noteworthy changes in these disputes or litigation.

## 8.10. Other non-current liabilities

The opening figures included an earn-out payment related to the acquisition of an asset in 2016, in which the estimates of future performance and amounts were sufficiently reliable to justify the accruing of this earn-out payment.

As the payment is expected to take place in 2021, the amount has been reclassified in current fixes asset supplier payables at the end June 2020.

## 8.11. Trade and fixed-asset supplier payables

| *(in thousands of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Fixed assets payables | 88 731 | 81 674 |
| Miscellaneous trade payables | 5 346 | 4 508 |
| Trade payables and invoices yet to be recei | 21 762 | 24 347 |
| **Trade and fixed assets payables** | **115 839** | **110 529** |

The main variation is due to the reclassification of an earn-out payment related to the acquisition of an asset in 2016 which is expected in 2021, as described above. This earn-out amounts to €7.5 million at closing date.

## 8.12. Other current liabilities

| *(in thousands of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Tax and payroll related payables | 77 824 | 49 356 |
| Tax liabilities (excluding corporate income tax) | 61 442 | 29 974 |
| Tax liabilities - corporate income tax | 8 352 | 8 508 |
| Social-security liabilities | 8 030 | 10 874 |
| Miscellaneous liabilities | 215 200 | 84 978 |
| Other miscellaneous debts | 154 367 | 16 462 |
| Prepaid income | 60 833 | 68 516 |
| **Other current liabilities** | **293 024** | **134 334** |

The increase in tax and payroll-related payables is primarily linked to the recognition of the entire property tax at 1 January 2020 under IFRIC 21, although it is paid during the second half of the year. This recognition of the property tax at 30 June represents a liability of €18.5 million for France.

In addition, there is an increase in the accrued VAT payable which is due upon the settlement of trade receivables. This settlement has been differed as part of the health crisis measures.

The increase in miscellaneous liabilities results from the accrued dividend amounting €136,563 thousand at end June 2020.

# 9. DETAIL OF NET INCOME STATEMENT ITEMS

## 9.1. Net rental income

### Accounting policies

**Gross rental income**

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

Pursuant to IFRS 16 and SIC 15, any inducements granted by a lessor when negotiating or renewing an operating lease should be recognised as an integral part of the consideration accepted for use of the leased asset, regardless of the nature, form or payment date of those inducements:

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

**Property expenses**

- Real estate expenses include:
  - fees paid (or amortisation of initial payments) when the land is subject to a ground lease or a lease with a term of less than one year;
  - the expense and rebilling of the property tax, tax on offices and tax on waste removal, when these are rebillable. The property tax is a non-rebillable expense in Italy. Other taxes that are unrelated to the ownership rights and non-rebillable are presented under overheads.
- Non recoverable rental charges:

These charges mainly represent expenses on vacant premises and yet unrecovered expenses not yet invoiced. These charges mainly comprise co-ownership expenses, as well as net income and expenses for marketing and cross-charged works.

- Property expenses (landlord):

These consist of rental charges borne by the landlord, expenses related to non-rebillable works, litigation costs, net customer risk as well as property management costs.

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

| *(in thousands of euros)* | **30/06/2020** | **30/06/2019** |
|---|---|---|
| Rent | 163 608 | 179 235 |
| Front-end fees and other indemnities | (30) | (305) |
| Gross Rental Income | 163 578 | 178 930 |
| Property tax | (22 115) | (21 417) |
| Charges rebilled to tenants | 18 046 | 17 994 |
| Real estate expenses | (4 069) | (3 423) |
| Rental charges | (31 150) | (36 685) |
| Charges rebilled to tenants | 26 141 | 32 539 |
| Non-recovered rental charges | (5 009) | (4 146) |
| Management fees | (303) | (26) |
| Charges rebilled to tenants | 8 | - |
| Losses and depreciation of receivables | (6 171) | (3 450) |
| Other expenses | (577) | (923) |
| Property expenses (landlord) | (7 043) | (4 399) |
| **Net Rental Income** | **147 457** | **166 962** |

The changes in Net Rental Income decreased by €-19.5 million or -11.7% in the first half of 2020. The variation is analysed as follows:

The like-for-like decrease amounts to €-16.8 million, or -10.1% over the first half. Growth generated by the extensions commissioned in 2019 and by the other effects (such as the effect of strategic vacancy in particular) is not comprised in the like-for-like growth. The contribution of rent indexation included in the like-for-like growth stands at +1.5%. The like-for-like scope of activity represents 99% of the overall scope for the first half of 2020. Specific impacts have been accounted for as a result of the health crisis in all three countries: in addition to the cancellation of rents for very small businesses (TPEs) in France for an amount of €-13.2 million and the adjustment made to variable rents in all three countries, depreciation allowances were recorded to factor in the expected losses on trade receivables, in particular on the receivables invoiced to tenants undergoing insolvency procedures for the second quarter and for which payment was deferred (the impact is of €-4.0 million for the first half year). The contribution of these specific consequences of the health crisis in the like-for-like variation stands at -10.7%. The change on a like-for-like basis excluding these specific impacts is 0.6%.

Growth resulting from shopping mall extensions contributes €0.6 million, or +0.3%. The Rennes Cesson extension commissioned in the second half of 2019 is included in this calculation.

Growth generated by acquisitions during the first half year is nil, since there were no acquisitions in 2019 or 2020.

The other effects contribute -€3.2 million, or -1.9%. These include the impact of the strategic vacancies required to carry out restructuring or extensions and one-off impacts taken during the first half of 2019.

## 9.2. Overhead expenses

| *(in thousands of euros)* | **30/06/2020** | **30/06/2019** |
|---|---|---|
| Income from management, administration and other activities | 2 959 | 2 657 |
| Other income | 2 475 | 2 391 |
| Payroll expenses | (12 970) | (13 234) |
| Other overhead expenses | (17 746) | (19 362) |
| **Overhead expenses** | **(25 282)** | **(27 548)** |

### 9.2.1 Income from management, administration and other activities

This income mainly includes initial letting fees and various re-billings by real estate companies to co-owners.

### 9.2.2 Other service income

Other service income comprises the rebilling of overheads, mainly to the Carrefour group, in particular for the management of shopping centres and letting fees, in France and Spain.

### 9.2.3 Payroll expenses

Payroll expenses amounted €12,970 thousand at 30 June 2020, down by 2%.

Since 2016, the Group has set up share-based bonus plans for executives and key employees. Over the period, the benefits associated with these plans are recognised as payroll expenses in the amount of €586 thousand, including the social security contribution, against €721 thousand at 30 June 2020.

### 9.2.4 Other external expenses

Other external expenses mainly comprise marketing expenses and contributions by the lessor to the marketing funds (€3.4 million), fees (€9.7 million), including those paid to the Carrefour group under service agreements (accounting, human resources, maintenance services, etc.), appraisal fees for the property portfolio, financial communication and advertising fees, and travel expenses. This last item also includes convention attendance and travel expenses, banking fees, subcontracting costs, etc.

Non-real estate taxes and duties are also included (€1.6 million) such as the CFE and CVAE taxes in France.

## 9.3. Depreciation, amortisation, provisions and impairment

| *(in thousands of euros)* | 30/06/2020 | 30/06/2019 |
|---|---|---|
| Depreciation and amortisation allowance for fixed assets and impairment of intangible fixed assets | (823) | (917) |
| Reversal / accruals for provisions of contingent liabilities and current assets | (616) | 84 |
| **Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions** | **(1 439)** | **(833)** |

Depreciation, amortisation and impairment concern mainly software, facilities and furniture in office buildings where the Group has its registered offices..

The net provisions for contingencies and liabilities bear mainly on property disputes with tenants, current assets, and potential tax disputes in France.

## 9.4. Other operating income and expenses

This item is not material at 30 June 2019 and does not require any specific comment.

## 10. TAXES

### 10.1. Income tax expense

The recorded tax expense is determined on the basis of management's best estimate at 30 June 2020.

In France, the Group benefits from the specific tax regime for REITs (Real Estate Investment Trusts). The tax regime for French SIIC (REIT) exempts companies from paying tax on their income from real estate activities, provided, among other criteria, that at least 95% of net income from rental activities and 70% of gains on the disposal of real estate assets are distributed to shareholders.

Since 1 January 2020, Spanish entities have opted for the special tax regime for REITs. Under special SOCIMI tax regime in Spain (REIT), real estate income is tax-exempted provided that the requirements of the SOCIMI regime are met. At election date, capital gains prior to the entry into the SOCIMI regime are determined at the outset and will become subject to current income tax upon disposal of the asset. Capital gains realized after election for the regime are exempt from capital gains tax and are subject to distribution requirement.

SOCIMIs have to meet minimum profit-sharing requirements, as follows:

- 80% of the profit resulting from the leasing of real estate and ancillary activities;
- 50% of the profits resulting from the transfer of properties and shares linked to the Company's business provided that the remaining profits are reinvested in other real estate properties or equity investments within a maximum period of three years from the date of the transfer or, failing this 100% of the profits must be distributed as dividends.

Spanish SOCIMIs may be subject to a special 19% withholding tax on dividend distributions unless it can prove that shareholders with an ownership interest of 5% or more are subject to income tax at a minimum rate of 10%.

| *(in thousands of euros)* | 30/06/2020 | 30/06/2019 |
|---|---|---|
| Deferred tax | (1 748) | (10 162) |
| Withholding tax | (85) | (192) |
| Current tax | (355) | (1 827) |
| **Income tax charge** | **(2 188)** | **(12 181)** |

The deferred tax expense totals €1,748 thousand and is mainly due to temporary differences related to the fair value of assets in Italy. On the contrary to last year, Spanish entities are now exempted from tax since they elected for SOCIMI regime on 1 January 2020. Therefore, no deferred tax has been recognised on the fair value adjustments of Spanish assets nor for French companies who elected for the SIIC regime in the past.

The tax payable by the Group is €355 thousand. The change as compared to last year results from a decrease in the income tax of Italian entities (€1,425 thousand) in relation with their lower earnings, by the tax exemption of Spanish entities (€325 thousand) and by a slight increase in the French entities under ordinary tax regime, specially Louwifi (€174 thousand)

## 10.2. Current tax assets and liabilities

| *(in thousands of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Tax credits | 3 676 | 3 083 |
| **Total tax assets** | **3 676** | **3 083** |
| Tax liabilities non-current | - | - |
| Tax liabilities current | 8 319 | 8 475 |
| Liabilities related to tax consolidation | 33 | 33 |
| **Total tax liabilities** | **8 352** | **8 508** |

The French companies subject to corporate income tax opted for the SIIC regime on 1 June 2014. Financière Géric chose the SIIC regime at 1 January 2017. An accrual was recorded in the 2016 financial statements for the total amount of exit tax to be paid. On the balance sheet, at 30 June 2019, the remaining exit tax liability of Financière Géric totalled €4,569 thousand payable in December 2020.

## 10.3. Deferred tax assets and liabilities

| *(in thousands of euros)* | 31/12/2019 | Profit and loss impact | Change in scope of consolidation | Other | 30/06/2020 |
|---|---|---|---|---|---|
| Deferred tax - assets | 11 548 | 119 | - | (358) | 11 309 |
| Deferred tax - liabilities | 175 685 | 1 867 | - | 210 | 177 762 |
| **Net balance of deferred tax** | **(164 137)** | **(1 748)** | **-** | **(568)** | **(166 453)** |
| **<u>Breakdown of differed tax by category</u>** | | | | | |
| Properties | (175 685) | (1 867) | - | 367 | (177 185) |
| Tax losses | 11 548 | - | - | (3 037) | 8 511 |
| Other items | - | 119 | - | 2 102 | 2 221 |
| **Net balance of deferred tax** | **(164 137)** | **(1 748)** | **-** | **(568)** | **(166 453)** |

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

**Off-balance-sheet commitment**

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

**Contingent liabilities**

As at 30 June 2020, there are no dispute liabilities - other than those already booked – to report

### 11.1. Commitments received

| *(in thousands of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Unused credit facilities | 659 000 | 1 009 000 |
| **Commitments related to Group financing** | **659 000** | **1 009 000** |
| Bank guarantees received from tenants | 25 133 | 25 703 |
| **TOTAL commitments received** | **684 133** | **1 034 703** |

#### 11.1.1 Credit facilities

The Group is financed through equity and borrowings contracted by the parent company. At 30 June 2020, the Group has one Revolving Credit Facility in the amount of €759 (the "RCF") maturing on 16 June 2024, drawn down for €100 million at 30 June 2020.

#### 11.1.2 Bank guarantees received from tenants

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

#### 11.1.3 Other guarantees received – liability guarantee

As part of the acquisition of the Italian assets, Carmila Italia received an assessment notice from the tax authorities. This tax risk is offset by a liability guarantee granted by the seller, which has, in the meantime, made the payment to the tax authority by the seller as a precaution.

### 11.2. Commitments given

| *(in thousands of euros)* | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Financial guarantees issued | 233 | 686 |
| **Commitments related to Group financing** | **233** | **686** |
| Commitments under conditions precedent | - | - |
| Commitments to complete works | 11 733 | 20 235 |
| Rental guarantees and deposits | 11 376 | 10 331 |
| Commitments given on swaps | - | - |
| **Commitments related to the Group operating activities** | **23 109** | **30 566** |
| **TOTAL commitments given** | **23 342** | **31 252** |

#### 11.2.1 Financial guarantees issued

Prior to its acquisition by the Group, Financière Géric granted prime mortgages for an initial amount of €13 million as a guarantee to its bank financing. At 30 June 2020, the outstanding amount guaranteed is €233 thousand. The underlying outstanding matures in December 2020.

#### 11.2.2 Commitments under conditions precedent

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

#### 11.2.3 Commitments to complete works

Work commitments relate to the projects approved by the Investment Committee and/or already under contract and not recognised on the balance sheet. These are mainly restructuring projects in France. At 30 June 2020, the works commitment concern mainly the restructuring of Cité Europe at Coquelles. The decrease over the period is primarily due to the additional payments made in relation to this project.

#### 11.2.4 Rental guarantees and deposits

The rental guarantees and deposits item mainly comprises guarantees covering the operating premises of the Group and its subsidiaries. It also includes, since 2018, a guarantee given to the tax authorities by the Italian subsidiaries for the application of its consolidated VAT regime.

#### 11.2.5 Commitments given on swaps

As at 30 June 2020, the Group had not contracted any swaps or any other derivatives awaiting execution and application.

### 11.3. Reciprocal commitments

Directly linked to development and redevelopment projects, reciprocal commitments relate to acquisition contracts (VEFA) and other contracts for real estate development. At 30 June 2020, secured acquisition contracts totalled €26.425 thousand mainly related to of the Nice Lingostière project.

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

## 12. TRANSACTIONS WITH RELATED PARTIES

On 16 April 2014, the Carrefour group and Carmila signed agreements giving a mandate for representation or services to be performed by Carrefour for Carmila and vice versa. The term of these agreements was set at five years, i.e. until 15 April 2019, and has been extended until 31 December 2020.

In addition, Carrefour and Carmila signed an agreement on the implementation of the renovation and development of Carmila's assets. The letter agreement has been extended in 2017 to 31 December 2027.

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

## 13. EMPLOYEE COMPENSATION AND BENEFITS

### 13.1. Employee benefits

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

#### 13.1.1 Retirement plans

At 31 December 2019, the Group applied the following principal actuarial assumptions:

- discount rate: 0.75%
- salary indexation: 2.0%

These assumptions remained unchanged as at 30 June 2020.

#### 13.1.2 Share-based payments

On 16 May 2020, 139 306 class C preference shares were issued under the bonus preference share-based plan n°6 for Carmila key employees and corporate officers. The capital increase has been offset against the issuance premium.

On 12 June 2020, Plan n°3 (2017) came to maturity and 31 814 shares were attributed to key employees and corporate officers. The allocation was made by using treasury shares owned by Carmila.

On 29 June 2020, the annual Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019 gave the Board the authorisation to award preference shares ("D Shares") to employees and corporate officers, convertible into existing or newly issued ordinary shares of the Company provided performance criteria (described below) is met. This plan, for senior executives and employees, represents a total of 145,747 preference shares, of which will be issued in 2021.

This incorporates, in addition to a continued employment criterion, the fulfilment of conditions relating to the Group's financial performance:

• 1/4 relates to the total shareholder return measured over three years, by end 2022, as compared to a panel,

• 1/4 relates to the growth in recurring earnings per share,

• 1/4 relates to the fulfilment of CSR criteria by the end of 2022,

• 1/4 relates to the total stock market yield over three years by the end of 2022, as compared to a panel.

# 14. ADDITIONAL INFORMATION

## 14.1. Subsequent events

**Result of the option to receive the 2019 dividend payment in shares**

The Carmila Annual Shareholders' Meeting held on June 29, 2020 decided to offer shareholders the option to receive the 2019 dividend in shares. The issue price of the new shares has been set at €10.98 per share, representing 95% of the average opening prices quoted on Euronext Paris during the 20 trading days preceding the date of the Annual Shareholders' Meeting, less the net amount of the dividend of €1 per share and rounded upwards to the nearest euro cent. The option period was opened from 7July to 21 July 2020. At the end of the option period, shareholders having elected to receive the 2019 dividend payment in shares represented approximately 46.6% of Carmila's outstanding shares. For the purposes of the dividend payment in shares, 5,795,730 new shares will be issued, representing 4.23% of the share capital and 4.25% of the voting rights of Carmila on the basis of the share capital and the voting rights as of 30 June 2020. The settlement and delivery of the shares as well as their admission to trading on Euronext Paris occurred on 27 July 2019. The shares will bear dividend rights as from 1 January 2020 and will be fully fungible with existing shares already listed. The total cash dividend paid to the shareholders which did not opt for the payment in shares amounts to approximately €72 million and was paid on 27 July 2020.

## 15. LIST OF CONSOLIDATED COMPANIES

| List of consolidated companies<br>Fully consolidated companies | Country | % interest<br>June 2020 | December 2019 | Change | % control<br>June 2020 | December 2019 | Change |
|---|---|---|---|---|---|---|---|
| **FRANCE** | | | | | | | |
| **Carmila SA** | **France** | **100,00%** | **100,00%** | **-** | **100,00%** | **100,00%** | **-** |
| Carmila France SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Almia Management SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI du centre Commercial de Lescar | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI de l'Arche | France | 50,00% | 50,00% | - | 50,00% | 50,00% | - |
| SCI des Pontots | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Anglet | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Coquelles | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Labège | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Orléans | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Carmila Bourges | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| SCI Sothima | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Hyparmo Sarl | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Bay1Bay2 SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Financière Géric SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Louwifi SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Crèche sur Saone SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Evreux SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Ventures France SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| KC11 SNC | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Best of the web SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Saran SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Nice SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Lou5G SAS | France | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| **SPAIN** | | | | | | | |
| Carmila España SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Santiago SLU (absorbed) | Spain | 0,00% | 100,00% | -100,00% | 0,00% | 100,00% | -100,00% |
| Carmila Talavera SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Huelva SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Mallorca SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Puerto SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Cordoba SL | Spain | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| **ITALY** | | | | | | | |
| Carmila Holding Italia SRL | Italy | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Italia SRL | Italy | 100,00% | 100,00% | - | 100,00% | 100,00% | - |
| Carmila Milano Nord SRL | Italy | 100,00% | 100,00% | - | 100,00% | 100,00% | - |

| List of consolidated companies<br>Equity accounted companies | Country | June 2020 | December 2019 | Change | June 2020 | December 2019 | Change |
|---|---|---|---|---|---|---|---|
| As Cancelas | Spain | 50,00% | 50,00% | - | 50,00% | 50,00% | - |
| Carmila Thiene SRL | Italy | 50,10% | 50,10% | - | 50,10% | 50,10% | - |

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# Carmila

Société Anonyme
58, Avenue Emile Zola
92100 Boulogne-Billancourt

Share capital of € 820,926,894

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

For the period from January 1 to June 30, 2020

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

For the period from January 1 to June 30, 2020

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Carmila, for the period from January 1 to June 30, 2020,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on July 29, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future outlooks. Our role is to express a conclusion on these financial statements based on our review.

### I. Conclusion on the financial statements

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

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

**II. Specific verification**

We have also verified the information presented in the half-yearly management report prepared on July 29, 2020 on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense, on the 29th July, 2020

The Statutory Auditors

KPMG S.A.

French original signed by

Eric Ropert
*Partner*

Adrien Johner
*Partner*

DELOITTE & ASSOCIÉS

French original signed by

Stephane Rimbeuf
*Partner*