2023 HALF-YEAR FINANCIAL REPORT INCLUDING THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CARMILA

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1. PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

1.1. Person responsible for the Half-year Financial Report

Marie Cheval, Chair and Chief Executive Officer of Carmila

1.2. Statement 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."

Marie Cheval, Chair and Chief Executive Officer of Carmila

2. FIRST-HALF 2023 BUSINESS REVIEW

2.1. Footfall and retailer sales

	Change in footfall and retailer sales in 2023 versus 2022		
France	First-quarter 2023	Second-quarter 2023	First-half 2023
Footfall as a % of 2022	104%	101%	102%
Retailer sales as a percentage of 2022	109%	103%	106%
Spain	First-quarter 2023	Second-quarter 2023	First-half 2023
Footfall as a % of 2022	107%	104%	106%
Retailer sales as a percentage of 2022	114%	106%	110%
Italy	First-quarter 2023	Second-quarter 2023	First-half 2023
Footfall as a % of 2022	111%	106%	108%
Retailer sales as a percentage of 2022	111%	102%	107%
Total	First-quarter 2023	Second-quarter 2023	First-half 2023
Footfall as a % of 2022	105%	102%	103%
Retailer sales as a percentage of 2022	110%	103%	107%

Retailer sales were up by 7% in the first half of 2023 compared with first-half 2022, anchored by the strength of Carrefour hypermarkets. The period saw the continuation of the cost-of-living crisis, but was also marked by an improved economic outlook, inflation levelling off and sustained consumer spending.

Footfall was also higher year on year, rising 3% and demonstrating the relevance of Carmila's shift towards a refreshed merchandise mix, with new retail brands and new products and services. Footfall was also boosted by omnichannel marketing initiatives, leveraging synergies with Carrefour.

The improvement in footfall was particularly significant in Spain (up 5.5% compared with the first half of 2022). Spain is currently experiencing stronger business momentum, notably thanks to tourism, which is fuelling performance for the largest shopping centres in Carmila's Spanish portfolio, located in tourist and coastal areas.

2.2. Leasing activity

2.2.1. Summary

Carmila's leasing activity was dynamic in the first half of 2023, with 417 new leases signed, although the figure was lower than in the same period of 2022 (down 15.0%). The total minimum guaranteed rent (MGR) on new leases was €21.8 million, or 6.0% of the rental base. Rent levels on the leases signed were 0.4% higher than those of the previous leases.

	30 June 2023				
	Leased vacant premises		Renewals		Total
(in thousands of euros)	Number of leases	Annual MGR	Number of leases	Annual MGR	Reversion
France	113	7,040	75	5,554	-0.8%
Spain	76	2,765	129	4,971	2.2%
Italy	15	951	9	537	1.0%
Total	**204**	**10,756**	**213**	**11,062**	**0.4%**

	30 June 2023		30 June 2022		30 June 2021	
	Total		Total		Total	
(in thousands of euros)	Number of leases	Annual MGR	Number of leases	Annual MGR	Number of leases	Annual MGR
France	188	12,594	233	14,265	291	18,396
Spain	205	7,736	266	10,240	219	7,506
Italy	24	1,488	18	1,165	31	1,653
Total	**417**	**21,818**	**517**	**25,670**	**541**	**27,555**

Carmila's strategy includes refreshing the merchandise mix of its centres, focusing particularly on healthcare and retailers that promote purchasing power across all sectors, and diversifying its rental base, thereby gradually reducing its exposure to Clothing & Accessories.

Leasing momentum remained robust, enabling the rapid reletting of units affected by the court-ordered liquidation of a number of French ready-to-wear retailers. At 30 June 2023, Carmila's tenants affected by administration proceedings in France represented 2.6% of the rental base in France (0.6% in court-ordered liquidation).

In France, new leases were signed with the following retailers during the first half of the year:

- In dynamic sectors such as sport, telephony, health and well-being: Fitness Park, Courir, Free, SFR, Bouygues, Qipao Beauty, Alain Afflelou, Lazeo, as well as a number of pharmacies and medical laboratories.

- Innovative and leading retailers: Normal, Blue Box, Lovisa, Adopt', La Boutique du Coiffeur, Le Comptoir de Mathilde, Darty and Leonidas.
- Food service: Crêpe Touch, Subway, Yogurt Factory and Donuts & Donuts.
- Retailers partnered by Carmila Retail Development: Cigusto, Bohébon and Mon Petit Herbier.

Leasing activity was also buoyant in Spain, where new leases were signed with discount brands such as Pepco and Kik. In the food service sector, Carmila is continuing to work with major international brands such as KFC, as well as local independent retailers (including traditional cafés and new trends such as bubble tea shops).

In the sports segment, Carmila has signed several new leases with Décimas, a leading retailer in Spain. Pet stores developed further at Carmila stores in Spain in first-half 2023 with the opening of a new store for Spanish national brand Kiwoco. Lastly, in the health & beauty sector, Carmila continued its partnerships with national brands such as Druni (perfumery) and Soloptical.

2.2.2. Temporary retail activity

The service platform includes Carmila's temporary retail activity offering, focused on providing space in Carmila centres for short to medium-term periods. Designed to be complementary with traditional stores, temporary retail gives visitors the opportunity to discover an increasingly innovative offering. Temporary retail is focused on two areas:

- Specialty Leasing;
- Pop-up Stores.

	First-half 2023			First-half 2022			Change
(in thousands of euros)	**Specialty Leasing**	**Pop-up Stores**	**Total SL+PS**	**Specialty Leasing**	**Pop-up Stores**	**Total SL+PS**	**%**
France	2,583	819	3,402	2,460	1,126	3,586	-5.1%
Spain	2,524	179	2,703	2,334	142	2,476	9.2%
Italy	628	80	708	597	63	660	7.3%
Total	**5,735**	**1,078**	**6,813**	**5,391**	**1,331**	**6,722**	**1.3%**

Specialty Leasing

Specialty Leasing helps re-energise shopping centres by enriching the customer experience. This activity covers both the leasing of space in shopping centres and car parks, and digital advertising partnership agreements.

In the first half of 2023, Specialty Leasing was buoyant, both in terms of advertising business and the signing of a large number of long-term leases for kiosks. Carmila centres also hosted several events organised by producers of new consumer goods and household furnishings as well as innovative concepts such as temporary exhibitions, eye-iris photo kiosks, and the sale of food products designed to enhance the customer experience (ice creams, doughnuts, cookies, food trucks, candy floss, bubble tea, etc.).

Specialty Leasing revenue came in 6% higher year on year.

Pop-up Stores

Carmila offers retailer tenants the opportunity to open pop-up stores for periods ranging from 1 day to 36 months. The pop-up store concept is burgeoning, and helps re-energise Carmila centres, particularly suited to new and innovative concepts, such as the first physical DNVB stores and sales events.

Leasing activity for Pop-up Stores remained dynamic in the first half of 2023, with 146 leases signed compared with 124 in first-half 2022 (up 18%). The key points of the period were the growth and good performances delivered by clearance and discount stores, as well as the success of market-style events and pop-up events focused on leisure and entertainment.

2.2.3. Structure of leases

With 5,631 leases under management at 30 June 2023, Carmila has a solid and diversified base of tenants, with rents from the Carrefour group representing less than 1% of net rental income in first-half 2023. Annualised rents totalled €374.6 million.

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

	At 30 June 2023			At 31 Dec. 2022*		
Country	Number of leases	Annualised contractual rent (€m)	% of total	Number of leases	Annualised contractual rent (€m)	% of total
France	3,458	250.7	66.9%	3,519	244.7	66.6%
Spain	1,790	99.7	26.6%	1,928	99.7	27.1%
Italy	383	24.2	6.5%	367	23.1	6.3%
Total	**5,631**	**374.6**	**100%**	**5,814**	**367.5**	**100%**

The data shown above for 30 June 2023 takes into account the disposal of four assets in Spain and two assets in France, resulting in 152 fewer leases and €7.0 million in lost rent.
* At 31 December 2022, 368 co-ownership arrangements were included in the 5,814 leases and were restated at 30 June 2023.

Principal tenant retailers

At 30 June 2023, the 15 leading tenants accounted for 17.8% of annualised rents, with no individual retailer accounting for 2.0% or more of gross rental income.

The table below shows the annualised rents and business segment of the 15 largest tenants at 30 June 2023.

Tenant	Business segment	Annualised contractual rent (€m)	% of total
	At 30 June 2023		
Alain Afflelou	Health & Beauty	6,3	1,7%
Inditex	Clothing & Accessories	6,2	1,7%
Feu Vert	Services	5,7	1,5%
Orange	Culture, Gifts & Leisure	5,7	1,5%
Jules Brice Bizzbee	Clothing & Accessories	5,1	1,4%
McDonald’s	Food & Restaurants	5,1	1,4%
H&M	Clothing & Accessories	4,4	1,2%
Nocibé	Health & Beauty	4,3	1,2%
Micromania	Culture, Gifts & Leisure	3,9	1,0%
Burger King	Food & Restaurants	3,5	0,9%
Yves Rocher	Health & Beauty	3,5	0,9%
Flunch	Food & Restaurants	3,4	0,9%
Mango	Clothing & Accessories	3,3	0,9%
Kiabi	Clothing & Accessories	3,2	0,9%
Histoire d’Or	Culture, Gifts & Leisure	3,1	0,8%
		66,7	**17,8%**

Breakdown of contractual rent by business segment on an annualised basis

The table below shows Carmila’s annualised rents by business segment at 30 June 2023:

	At 30 June 2023			At 31 Dec. 2022*		
Business segment	Number of leases	Annualised contractual rent (€m)	% of total	Number of leases	Annualised contractual rent (€m)	% of total
Clothing & Accessories	1,211	111.3	29.7%	1,301	112.4	30.6%
Health & Beauty	1,240	74.0	19.8%	1,250	71.8	19.5%
Culture, Gifts & Leisure	928	58.7	15.7%	943	56.3	15.3%
Food & Restaurants	866	51.4	13.7%	869	48.6	13.2%
Household Furnishings	277	30.8	8.2%	266	29.0	7.9%
Services	865	26.7	7.1%	923	28.0	7.6%
Sports	164	21.2	5.7%	183	21.0	5.7%
Other	80	0.5	0.1%	79	0.5	0.1%
Total	**5,631**	**374.6**	**100%**	**5,814**	**367.5**	**100%**

The decrease in Clothing & Accessories and Services rents as a proportion of total rents (decreases of 58 and 74 basis points, respectively) mainly benefited the Culture, Gifts & Leisure (up 26 basis points), Food & Restaurants (up 51 basis points), Household Furnishings (up 26 basis points) and Health & Beauty (up 36 basis points) segments. The proportions of the rental base represented by the other segments remained stable in terms of rent.
* At 31 December 2022, 368 co-ownership arrangements were included in the 5,814 leases and were restated at 30 June 2023.

Lease expiry dates

At 30 June 2023, the average lease term was 4.8 years, breaking down as 5 years in France, 5 years in Spain and 2.5 years in Italy.

The table below shows the expiry dates for commercial leases relating to the property portfolio for the 2023-2032 period (data at 30 June 2023:

Lease expiry dates	Number of leases	Lease maturity*	Annualised contractual rent (€m)
Expired 31 December 2022	416		28.5
2023	414	0.2	17.7
2024	558	1.1	32.7
2025	426	2.1	22.1
2026	555	3.1	33.6
2027	638	4.1	45.1
2028	486	5.0	34.9
2029	389	6.1	29.1
2030	564	7.2	40.1
2031	487	8.0	32.3
2032	363	9.1	24.3
Beyond 2032	335	15.0	34.1
Total	**5,631**	**4.8**	**374.6**

* Average remaining lease maturity in years.

2.2.4. Financial occupancy rate

	Financial occupancy (excl. strategic vacancies)		
Country	30 June 2023	31 Dec. 2022	30 June 2022
France	96.3%	96.6%	96.3%
Spain	95.2%	95.7%	95.4%
Italy	98.6%	98.6%	98.9%
Total	**96.1%**	**96.5%**	**96.2%**

At 30 June 2023, the consolidated financial occupancy rate of Carmila's assets was 96.1%, slightly lower than at end-June 2022 (96.2%), including 96.3% in France (96.3% at end-June 2022), 95.2% in Spain (95.4% at end-June 2022) and 98.6% in Italy (98.9% at end-June 2022).

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 appraisers. The financial occupancy rate is stated excluding strategic vacancies, which are the vacancies made necessary in order to carry out renovation, expansion, or restructuring projects within the shopping centres.

The impact of strategic vacancies is 1.1% in France, 3.1% in Spain and 0.6% in Italy, which represents a consolidated impact for Carmila of 1.6% at 30 June 2023.

2.2.5. Retailer occupancy cost ratio

The occupancy cost ratio of Carmila's tenants broken down by country at 30 June 2023 (12 month rolling basis) and 31 December 2022 is as follows:

	Occupancy cost ratio		
	12-months rolling		*12-months rolling*
Country	**30 June 2023**	**31 Dec. 2022**	**30 June 2022**
France	10.2%	10.3%	10.5%
Spain	10.9%	10.8%	11.3%
Italy	11.4%	11.6%	11.9%
Total	**10.4%**	**10.5%**	**10.8%**

The occupancy cost ratio of Carmila's tenants broken down by country at 30 June 2023 (12 month rolling basis) corresponds to: France 10.2%, Spain 10.9% and Italy 11.4%.

The decline in the occupancy cost ratio is attributable to changes in the merchandise mix and in particular, to reduced exposure to the Ready-to-Wear sector.

Occupancy cost ratio is an important indicator for Carmila in determining the proper level of rent for each tenant as a function of its business and in evaluating the financial health of a tenant over the term of its lease.

The occupancy cost ratio is defined as the ratio between (i) rent and rental charges (excluding VAT) and (ii) retailer sales.

The rental charges used to calculate the occupancy cost ratio comprise rents and property taxes that are passed on to tenants. Rent does not include lease incentives (rent-free periods, step-up rents, abatements) and rental charges do not include marketing costs passed on to tenants.

2.3. Outlook

Confirmation of recurring earnings per share expected in 2023: €1.57

Recurring earnings per share for Carmila in 2023 are expected to be €1.57. This earnings expectation corresponds to 8% organic growth (at constant scope and versus 2022 recurring earnings per share adjusted for the non-recurring income resulting from rent recovered from prior periods). It includes the impact of the disposals and new mortgage loan mentioned below.

2.4. Other significant events and other information

Agreement to acquire Galimmo SCA

On 12 July 2023, Carmila signed an agreement with the controlling shareholders of Galimmo SCA to acquire 93% of the company's capital. The potential acquisition of Galimmo will be completed simultaneously with the acquisition of Cora France by Carrefour.

The complementarity of Carmila and Galimmo's geographical footprints and their respective track records in asset management are an opportunity to create a unique player in retail real estate in France.

Galimmo's 52 assets, mostly located in the north-east of France, were valued at €688 million at end-December 2022. The aim is to deploy the power of the Carrefour-Carmila ecosystem in this new geographic area.

The total consideration for the acquisition of 100% of the shares of Galimmo would represent €294 million, to be paid in cash by Carmila. The transaction is estimated to increase Carmila's pro forma Loan-to-Value ratio[1] by around 160 basis points.

The potential transaction offers a compelling value proposition to Carmila's shareholders, with an implied net initial yield of 9.8% on Galimmo's portfolio and accretion of both Net Asset Value per share (5% pro forma[2] increase) and recurring EPRA earnings per share (3% to 5% pro forma[2] increase). Estimated annual run-rate synergies amount to €5 million, mostly related to overhead costs (excluding staff costs).

The transaction is expected to close in the summer of 2024 once all related anti-trust and regulatory approvals have been obtained.

Galimmo SCA currently holds a 15% stake in a Belgian entity which owns seven shopping centres in Belgium. Prior to completion of the transaction, Galimmo will sell this stake to the entity's controlling shareholders, together with a current account granted to the Belgian entity, for a total cash consideration of €76 million, thereby reducing its pro forma net debt to around €65 million, with an LTV ratio of 9%.

Completion of two disposals agreed in February 2023 for a total of €90 million

Following the signing of two agreements with family offices in February 2023 for the sale of a portfolio of four assets in Spain and one asset in Montélimar in France, Carmila announced the completion of the two transactions in April 2023. The agreed sale price of the portfolio in Spain was €75 million, including transfer taxes, in line with appraisal values. The portfolio comprises four shopping centres, Los Patios and Alameda in Malaga, and Los Barrios and Gran Sur in Algeciras. The agreed sale price of the asset in Montélimar is €15 million, in line with the appraisal value.

These two sales follow on from the disposal of a portfolio of six assets in France, completed in June 2022, and together they represent an aggregate €240 million in disposals. With these transactions, Carmila has therefore exceeded by €40 million its €200 million disposal target for the first two years of its “Building Sustainable Growth” strategic plan.

A disposal in France for €8 million

In connection with its new target, announced in February 2023, to achieve a total of €100 million in disposals by the end of 2024, on 19 April 2023, Carmila sold an asset in Tarnos, France. The agreed sale price was €8 million (including transfer taxes), in line with the appraisal value at end-2022.

New €276 million secured loan

Carmila signed on 17 April 2023 a new secured loan for an amount of €276 million, maturing in 2030 and bearing interest at 3-month EURIBOR +175 basis points. The variable-rate component is hedged as part of Carmila's overall hedging policy, which aims to hedge net debt against changes in short-term interest rates. This new credit facility took the form of a loan contracted by four subsidiaries of Carmila France (Carmila Nice, Carmila Evreux, Carmila Saran and Carmila Coquelles), and is secured by their assets. The LTV ratio of this financing with respect to the appraisal values of the four assets at 31 December 2022 is 49.4%.

Following the drawdown of the new loan, at 30 June 2023, Carmila had €692 million in cash on its balance sheet. This amount covers the redemption at maturity of a bond maturing in September 2023, the outstanding amount of which is €322 million, and largely covers the redemption at maturity of a bond maturing in September 2024, the outstanding amount of which is €539 million.

[1] EPRA LTV including RETTs

[2] Based on reported figures at 31 December 2022.

The refinancing of these bond issues, principally through the two bank loans put in place in July 2022 and April 2023, will result in a gradual increase in Carmila's average cost of debt. Carmila's average cost of debt after hedging is estimated at around 3% in 2025. In the first half of 2023, Carmila's average cost of net debt was 2.5%, up by around 10 basis points compared with 2022.

Additional interest rate hedging since end-December 2022

Since end-December 2022, Carmila has put in place additional interest rate hedging for the coming years through both swaps and swaptions. The total nominal amount of interest rate hedging instruments put in place by Carmila as of 30 June 2023 is €860 million and the interest costs of its net debt at constant scope are almost entirely hedged with respect to changes in short-term interest rates between now and the end of 2025.

Completion of a €20 million share buyback programme in first-half 2023

During the first half of 2023, Carmila carried out a €20 million share buyback programme, launched on 1 March and completed on 14 June 2023. The 1,394,980 shares acquired under the buyback programme, representing around 1.0% of the share capital, were subsequently cancelled.

Ongoing asset transformation strategy

Carmila is pressing ahead with its asset transformation strategy through small-scale restructurings and projects designed to create new restaurants and food courts. Carmila expects to deliver around thirty projects of this type in 2023, representing a total investment of around €40 million. In addition, 13 Carmila sites have been included in the Carrefour-Nexity urban development project.

Carmila recognised for its energy efficiency measures

Carmila is targeting “net zero” Scopes 1 & 2 carbon emissions by 2030. Carmila's 2019-2030 carbon pathway (1.5°C for Scopes 1 & 2 and 2°C for Scope 3) has been validated by the SBTi.

With this in mind, Carmila's teams come up with an ambitious plan to reduce energy consumption, through a combination of technological innovation (artificial intelligence, building management systems, etc.), investment (replacing HVAC equipment, lighting) and careful management of our facilities. In recognition of these efforts, Carmila has been awarded the Cube Flex Shield, a prize organised by the French electricity grid operator RTE, Action for Market Transformation and French building performance institute IIFPEB, and presented by the French Minister for Energy Transition on 15 June 2023.

Continued development of Next Tower

During the first half of 2023, mobile telephone operators continued their fast-paced rollout of new towers, with the aim of increasing the density of existing 4G coverage and building coverage for 5G, the new broadband standard.

These developments vindicate Next Tower's business model and its role in reducing the digital divide. At 30 June 2023, €1.5 million of rental income had been secured and the €2 million mark is set to be passed by the end of the year.

Next Tower has 121 rent-generating towers in France and Spain, and around a hundred additional towers currently being studied and developed. Next Tower continues to strengthen its relationships with all operators.

3. ASSETS AND VALUATION

3.1. Key figures concerning the portfolio

3.1.1. Description of the portfolio

At 30 June 2023, Carmila had 202 shopping centres and retail parks adjoining Carrefour hypermarkets located in France, Spain and Italy, valued at more than €6.0 billion, including transfer taxes and work in progress, for a total leasable area of close to 1.6 million sq.m.

In France, Carmila is the owner of its assets which are either divided into units or held under co-ownership arrangements. In Spain, Carmila holds its assets through co-ownership arrangements. All of Carmila's assets in Italy are fully owned.

The real estate of Carrefour's hypermarkets and supermarkets, as well as the car parks adjoining the shopping centres held by Carmila, are owned by Carrefour group entities.

3.1.2. Presentation of Carmila's most significant assets

Out of 202 commercial real estate assets making up Carmila's portfolio, 15 assets represent 41% of the appraisal value (including transfer taxes) and 27% of the gross leasable area at 30 June 2023. The following table provides information about these 15 properties:

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)
France					
BAB 2 - Anglet	1967	2014	2017	130	27,365
Toulouse Labège	1983	2014	-	129	24,249
Calais-Coquelles	1995	2014	2019	160	54,622
Thionville	1971	2016	-	160	32,060
Bay 2	2003	2014	-	104	20,817
Nice-Lingostière	1978	2014	2021	100	21,170
Vitrolles	1971	2018	-	83	24,977
Montesson	1970	2014	-	66	13,262
Saran-Orléans	1971	2014	2017	91	38,988
Chambourcy	1973	2014	2015	74	21,305
Évreux	1974	2014	2017	79	37,811
Perpignan Claira	1983	2014	2013	80	21,159
Orléans Place D'Arc	1988	2014	2018	64	13,606
Total France (top 13)				**1,320**	**351,391**
Spain					
Fan Mallorca	2016	2016	2016	105	38,141
Huelva	2013	2014	2013	92	33,378
Total Spain (top 2)				**197**	**71,519**
Total (top 15)				**1,517**	**422,910**
Group total				**6,679**	**1,580,684**

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 their construction or acquisition cost including transfer taxes and expenses, and subsequently measured at their fair value. Any changes in fair value are recognised through the income statement.

The fair values used are determined based on the findings of independent appraisers. Carmila uses appraisers to value its entire portfolio at the end of every half-year. The assets are inspected by the appraisers annually. The appraisals 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 needed to value the assets, and specifically the rent roll, the vacancy rate, rental arrangements and the main performance indicators for tenants (retailer sales).

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

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

- No sites in France were rotated between the appraisers Cushman & Wakefield and Catella in the first half of 2023, as there had been a change of appraiser at all sites in 2019-2020.
- The last third of the portfolio in Spain was rotated between the appraisers Cushman & Wakefield and Catella in first-half 2022.
- In the first half of 2023, Carmila sold six shopping centres located in France (Tarnos and Montélimar) and Spain (Los Patios and Alameda II in Malaga and Los Barrios and Gran Sur in Algeciras).
- Properties held by equity-accounted companies are recognised at the fair value of the shares in these companies and also take into account advances and credit lines granted by the Group.

Geographical segmentation of the portfolio

The valuation of the portfolio (attributable to the Group) was €6,021.8 million including transfer taxes at 30 June 2023, and breaks down as follows:

Gross asset value (GAV) Including transfer taxes (ITT)	30 June 2023		
Country	(in €m)	%	In number of assets
France	4,323.6	71.8%	119
Spain	1,354.5	22.5%	75
Italy	343.7	5.7%	8
Total	**6,021.8**	**100%**	**202**

Apart from the fair values determined by the appraisers for each shopping centre, this assessment takes into account assets under construction that amounted to €19.9 million at 30 June 2023. Investments in equity-accounted assets (As Cancelas in Spain and the Magnirayas portfolio in France) are included on the basis of the fair value of the shares held by the Group in the companies holding the assets, and also take into account the advances and credit lines granted by the Group for a total amount of €77.4 million.

3.2.2. Change in asset valuations

Gross asset value (GAV) of portfolio, incl. transfer taxes	30 June 2023					31 Dec. 2022		30 June 2022	
				Period-on-period change					
(in millions of euros)	GAV ITT (€m)	%	In number of assets	Reported	Like-for-like*	GAV ITT (€m)	%	GAV ITT (€m)	%
France	4,323.6	71.8%	119	-1.5%	-0.8%	4,390.6	71.2%	4,393.3	71.3%
Spain	1,354.5	22.5%	75	-5.3%	-0.1%	1,429.9	23.2%	1,417.9	23.0%
Italy	343.7	5.7%	8	-0.4%	-0.4%	345.1	5.6%	353.6	5.7%
Total	**6,021.8**	**100%**	**202**	**-2.3%**	**-0.6%**	**6,165.7**	**100%**	**6,164.8**	**100%**

*** Excluding the disposal of the Spanish portfolio, Tarnos and Montélimar**

During the first half of 2023, the total value of Carmila's assets decreased by €143.9 million, or 2.3%, and can be analysed as follows:

- the value of the assets on a like-for-like basis decreased by 0.6%, or €37.7 million. The like-for-like change is calculated on a comparable shopping centre basis, excluding extensions over the period.

- Other changes are due to:
  - changes in the scope of consolidation (disposal of a portfolio of four assets in Spain and two assets in France), representing a €96.9 million negative impact, or a 1.6% reduction in asset value,
  - the €8.7 million decrease in work in progress, reducing asset value by 0.1%,
  - the decrease in value of Next Tower (€0.7 million negative impact), which had a nil impact on asset value.

3.2.3. Change in yields

	NIY			NPY		
	30 June 2023	31 Dec. 2022	30 June 2022	30 June 2023	31 Dec. 2022	30 June 2022
France	5.95%	5.82%	5.73%	6.25%	6.06%	6.00%
Spain	7.15%	7.06%	6.87%	7.42%	7.30%	7.09%
Italy	6.63%	6.53%	6.18%	6.77%	6.64%	6.26%
Total	**6.26%**	**6.14%**	**6.02%**	**6.54%**	**6.37%**	**6.26%**

3.2.4. Breakdown of the appraisal values by CNCC typology

In accordance with the typology drawn up by the French shopping centre trade body (*Conseil National des Centres Commercial* – CNCC), 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 2023, regional shopping centres and large shopping centres accounted for 79% of the market value of Carmila's portfolio.

	Appraisals at 30 June 2023			
	GAV ITT (€m)	% of value	Average NRI (€/sq.m.)	NIY
Regional shopping centres	1,545.4	36%	335	5.6%
Large shopping centres	1,881.8	44%	297	5.9%
Local shopping centres	880.6	20%	187	6.7%
Other*	15.8	0%	448	6.9%
France	**4,323.6**	**100%**	**271**	**6.0%**
Regional shopping centres	357.3	26%	254	6.1%
Large shopping centres	622.0	46%	215	7.3%
Local shopping centres	375.2	28%	265	7.7%
Spain	**1,354.5**	**100%**	**236**	**7.2%**
Regional shopping centres	16.7	5%	249	6.4%
Large shopping centres	306.6	89%	254	6.6%
Local shopping centres	20.3	6%	283	7.2%
Italy	**343.7**	**100%**	**255**	**6.6%**
Regional shopping centres	1,919.4	32%	316	5.6%
Large shopping centres	2,810.4	47%	266	6.3%
Local shopping centres	1,276.1	21%	208	7.0%
Other*	15.8	0%	448	6.9%
Grand Total	**6,021.8**	**100%**	**261**	**6.3%**

** Next Tower.*

3.2.5. Reconciliation of the valuation assessment with the value of investment properties on the statement of financial position

(in millions of euros)	30 June 2023	31 Dec. 2022
Gross asset value of portfolio (ITT)	6,021.8	6,165.7
Work in progress	(19.9)	(28.5)
Valuation of the share of equity-accounted companies	(77.4)	(78.0)
Transfer taxes and registrations (excluding equity-accounted companies)	(300.4)	(306.0)
Gross asset value ETT (A)	**5,624.2**	**5,753.2**
Fair value of building leases (IFRS 16) (B)	33.3	31.7
Investment property carried at appraisal value (statement of financial position) (A+B)	**5,657.5**	**5,784.9**

3.3. Valuation report prepared by Carmila's independent appraisers

3.3.1. General context of the valuation

Context and terms of the engagement

In accordance with the instructions of Carmila (the "Company") as detailed in the signed valuation contracts between Carmila and the valuers, we have valued the assets held by the Company, taking account of their ownership (freehold, ground lease, etc.). This Summary Report, which summarises the terms of our engagement, has been prepared for inclusion in the Company's Universal Registration Document.

The valuations were undertaken locally by our valuation teams present in each market. In order to estimate the market value for each asset, we have not only taken into consideration domestic retail investment transactions, but have also considered transactions on a European level. We confirm that our valuations have been prepared in a similar way to other valuations undertaken in Europe, in order to maintain a consistent approach and to take into consideration all the market transactions and information available.

The valuations are based on the discounted cash flow method and the capitalisation method that are regularly used for these types of assets.

Our valuations were undertaken at 30 June 2023.

Reference documents and general principles

We confirm that our valuations were performed in accordance with the appropriate sections of the Code of Conduct of the November 2021 Edition of the RICS Valuation – Global Standards (the "Red Book"), effective 31 January 2022. This is a valuation basis accepted on an international level. Our valuations are compliant with IFRS and IVSC guidance. The valuations have also been prepared on the basis of the AMF recommendations on the presentation of valuations of real estate assets owned by listed companies, published on 8 February 2010. Furthermore, they take into account the recommendations of the Barthès de Ruyter report on valuations of real estate owned by listed companies, published in February 2000.

We confirm that we have prepared our valuations as external and independent valuers as defined by the Red Book standards published by RICS.

Basis of valuation

Our valuations correspond to market value and are reported to the Company on both a gross (market value before deduction of transfer costs) and net basis (market value after deduction of transfer costs).

3.3.2. Valuation considerations and assumptions

Information

The Company's management were asked to confirm that the information provided relating to the assets and tenants is complete and accurate in all significant aspects. Consequently, we have assumed that all relevant information known by our contacts within the Company that could impact value has been made available to us and that this information is up to date in all significant aspects. This includes running costs, works undertaken, financial elements, including turnover rents, lettings signed or in the process of being signed, and rental incentives, in addition to the list of let and vacant units.

Leasable areas

We have not measured the assets and have therefore based our valuations on the leasable areas that were provided to us.

Environmental analysis and ground conditions

We have not been asked to undertake a study of ground conditions or an environmental analysis, and therefore have not investigated past events in order to determine if the ground or buildings are or have been contaminated. Unless provided with information to the contrary, we have worked on the assumption that the assets are not and should not be affected by ground pollution and that the state of the land will not affect their current or future usage.

Urban planning

We have not studied building or other permits and have assumed that the assets have been built and are occupied and used in conformity with all necessary authorisations and that any outstanding legal issues have been resolved. We have assumed that the layout of assets conforms to legal requirements and town planning regulations, notably concerning the structural materials, fire safety, and health and safety. We have also assumed that any extensions in progress are being undertaken in line with urban planning rules and that all necessary permissions have been obtained.

Title deeds and tenancy schedules

We have relied upon the tenancy schedules, summaries of complimentary revenues, non-recoverable charges, capital projects and the business plans which were provided to us. We have assumed, with the exception of what may be mentioned in our individual asset reports, that the assets are not inhibited by any restriction which could impede a sale and that they are free from any restrictions or charges. We have not read the title deeds and have taken as correct the rental, occupational and all other pertinent information that has been provided to us by the Company.

Condition of the assets

We have taken note of the general condition of each asset during our inspection. Our instruction does not include a building or structural survey but we have indicated in our report, where applicable, any maintenance problems that were immediately apparent during our inspection. The assets have been valued based on the information provided by the Company according to which no deleterious material was used in their construction.

Taxation

Our valuations were undertaken without taking into account potential sales or legal fees or taxes which would come into effect in the case of a transfer. The rental and market values produced are net of VAT.

Explanatory note on market conditions: conflict in Ukraine

Despite the post-Covid economic recovery, Europe is currently experiencing mounting uncertainty due to the major global impacts from the war in Ukraine and strong inflationary pressures, with price rises significantly above their historical level. Employees in some industries are also threatening strike action in response to the rising cost of living. We are seeing European countries raise their benchmark interest rates in response to rising inflation, which in turn is driving up borrowing costs. These factors affect growth and consumer confidence. Given the potential for market conditions to evolve rapidly in response to a volatile economic and political climate, we stress the importance of the date on which properties are valued and the market climate in which the appraisal opinion was prepared.

3.3.3. Confidentiality and disclosure

Finally, and in accordance with our standard practice we confirm that our valuation reports are confidential and are addressed solely to Carmila. Accordingly, we accept no liability to third parties. This report, or an extract thereof, may not be published or reproduced in any document, declaration, memorandum or communication with any third party without our prior written consent as regards the form and context in which this information may appear. In signing this Summary Report, the valuation firms accept no liability for the valuations carried out by the other firms.

Jean-Philippe Carmarans
Head of Valuation & Advisory France
Cushman & Wakefield Valuation France

Tony Loughran
Partner
C&W Valuation & Advisory, Spain

Simone Scardocchia
Head of Corporate Valuation
BNP Paribas Real Estate, Italy

Jean-François Drouets
Chairman
Catella Valuation

Ana Flores
Head of Valuation
Catella Property Spain SA

4. FINANCIAL PERFORMANCE

4.1. Selected financial information

(in millions of euros)	First-half 2023	First-half 2022
Gross rental income	188.8	182.8
Net rental income	175.0	172.2
EBITDA (excluding fair value adjustments)(1)	153.2	149.5
Fair value adjustments on investment properties	74.2	52.7
Operating income	78.4	196.7
Net financial expense	(38.3)	(37.2)
Net income attributable to owners	34.9	156.6
Earnings per share(3)	0.24	1.08
EPRA earnings(2)	114.0	114.5
EPRA earnings per share(3)	0.79	0.79
Recurring earnings(4)	121.9	120.1
Recurring earnings per share(3)	0.85	0.83

1 For a definition of EBITDA (excluding fair value adjustments) and the reconciliation with the closest IFRS indicator, see the "Comments on the first-half activity" section.

2 For a definition of "EPRA earnings", see the "EPRA performance indicators" section.

3 Average number of shares: 143,473,746 at 30 June 2023 and 144,936,550 at 30 June 2022.

4 Recurring earnings are equal to EPRA earnings excluding certain non-recurring items. See the "EPRA performance indicators" section.

Selected financial information from the statement of financial position

(in millions of euros)	First-half 2023	31 Dec. 2022
Investment properties (appraisal value excluding transfer taxes)	5,657.4	5,784.9
Cash and cash equivalents and marketable securities	692.0	356.7
Financial liabilities (current and non-current)	2,971.8	2,610.2
Equity attributable to owners	3,346.0	3,501.7

Financial information related to key indicators and ratios

(in millions of euros)	30 June 2023	31 Dec. 2022
Net debt	2,244.4	2,203.9
EPRA LTV	39.2%	37.6%
EPRA LTV (incl. RETTs)	37.3%	35.8%
Interest coverage ratio (ICR)1	4.5x	4.5x
EPRA Net Tangible Assets (EPRA NTA)	3,464.2	3,628.7
EPRA NTA per share2	24.35	25.26
Appraisal value (including transfer taxes and work in progress and equity-accounted companies)	6,021.8	6,165.7

1 Ratio of EBITDA (excluding fair value adjustments) to cost of net debt.

2 Year end, fully diluted, on the basis of 142,277,363 shares at 30 June 2023 and 143,670,123 shares at 31 December 2022.

4.2. Financial statements

4.2.1. Consolidated statement of comprehensive income

(in thousands of euros)	First-half 2023	First-half 2022
Gross rental income	**188,836**	**182,806**
Charges rebilled to tenants	58,424	54,671
Total income from rental activity	**247,260**	**237,477**
Real estate expenses	(26,913)	(24,894)
Rental charges	(42,617)	(39,116)
Property expenses (landlord)	(2,779)	(1,248)
Net rental income	**174,951**	**172,219**
Overhead expenses	(23,800)	(23,909)
Income from property management, administration and other activities	*6,258*	*5,247*
Other income	*4,794*	*2,360*
Payroll expenses	*(14,247)*	*(13,385)*
Other external expenses	*(20,605)*	*(18,131)*
Additions to depreciation and amortisation of property, plant and equipment and intangible assets, and provisions	(476)	(124)
Other operating income and expenses	(68)	(238)
Gains and losses on disposals of investment properties and equity investments	108	(2,888)
Change in fair value adjustments	(74,178)	52,675
Share in net income (loss) of equity-accounted companies	1,841	(1,011)
Operating income	**78,378**	**196,724**
Financial income	9,496	653
Financial expenses	(40,168)	(30,854)
Cost of net debt	**(30,672)**	**(30,201)**
Other financial income and expenses	(7,607)	(7,017)
Net financial expense	**(38,279)**	**(37,218)**
Income before taxes	**40,099**	**159,506**
Income tax	(5,229)	(2,611)
Consolidated net income	**34,870**	**156,895**
Attributable to owners of the parent	**34,863**	**156,626**
Non-controlling interests	**7**	**269**
Average number of shares comprising Carmila's share capital	143,473,746	144,936,550
Earnings per share (attributable to owners) (in euros)	0.24	1.08
Diluted average number of shares comprising Carmila's share capital	143,618,393	145,204,340
Diluted earnings per share (attributable to owners) (in euros)	**0.24**	**1.08**

Consolidated statement of comprehensive income (in thousands of euros)	First-half 2023	First-half 2022
Consolidated net income	**34,870**	**156,895**
Items that will be reclassified subsequently to net income	(4,761)	51,081
Effective portion of cash flow hedges	(4,761)	51,081
Fair value of other financial assets	-	-
Related income tax	-	-
Items that will not be reclassified subsequently to net income	-	-
Actuarial gains and losses on defined benefit plans		-
Related income tax	-	-
Total comprehensive income	**30,109**	**207,976**

4.2.2. Consolidated statement of financial position

ASSETS

(in thousands of euros)	**30 June 2023**	**31 Dec. 2022**
Intangible assets	3,456	3,637
Property, plant and equipment	3,339	2,976
Investment properties carried at fair value	5,657,414	5,784,937
Investment properties carried at cost	19,859	28,509
Investments in equity-accounted companies	75,338	75,548
Other non-current assets	73,287	70,330
Deferred tax assets	6,257	9,851
Non-current assets	**5,838,950**	**5,975,789**
Trade receivables	120,538	101,689
Other current assets	75,509	79,140
Cash and cash equivalents	692,010	356,707
Current assets	**888,057**	**537,536**
Total assets	**6,727,007**	**6,513,325**

EQUITY AND LIABILITIES

(in thousands of euros)	**30 June 2023**	**31 Dec. 2022**
Share capital	854,724	863,094
Additional paid-in capital	1,646,897	1,825,225
Treasury shares	(2,716)	(2,696)
Other comprehensive income	46,201	50,962
Consolidated retained earnings	765,413	545,755
Consolidated net income	34,863	219,329
Equity attributable to owners	**3,345,382**	**3,501,668**
Non-controlling interests	5,666	5,784
Total equity	**3,351,048**	**3,507,453**
Non-current provisions	8,368	8,523
Non-current financial liabilities	2,508,177	2,534,492
Lease deposits and guarantees	81,236	80,782
Non-current tax and deferred tax liabilities	135,233	141,179
Other non-current liabilities	-	2
Non-current liabilities	**2,733,014**	**2,764,978**
Current financial liabilities	463,612	75,721
Bank facilities	33	20
Current provisions	90	87
Trade payables	18,938	19,721
Payables to suppliers of non-current assets	6,171	12,868
Accrued tax and payroll liabilities	69,835	47,044
Other current liabilities	84,266	85,433
Current liabilities	**642,945**	**240,894**
Total equity and liabilities	**6,727,007**	**6,513,325**

4.2.3. Consolidated statement of cash flows

(in thousands of euros)	First-half 2023	First-half 2022
Consolidated net income	**34 870**	**156 895**
Elimination of income from equity-accounted companies	(1 841)	1 011
Elimination of depreciation, amortisation and provisions	7 694	4 428
Elimination of fair value adjustments	73 401	(47 909)
Elimination of capital gains and losses on disposals	(108)	2 888
Other non-cash income and expenses	819	1 145
Cash flow from operations after cost of net debt and tax	**114 835**	**118 458**
Elimination of tax expense (income)	5 229	2 611
Elimination of cost of net debt	30 672	30 201
Cash flow from operations before cost of net debt and tax	**150 736**	**151 270**
Change in operating working capital	(12 717)	26 268
Change in lease deposits and guarantees	105	27
Income tax paid	815	3 432
Net cash from operating activities	**138 939**	**180 997**
Change in payables on non-current assets	(5 264)	(13 120)
Acquisitions of investment properties	(32 036)	(44 973)
Acquisitions of other non-current assets	(2 109)	(15 295)
Change in loans and advances	-	(2 215)
Disposal of investment properties and other non-current assets	94 977	143 662
Dividends received	1 563	1 217
Net cash used in investing activities	**57 131**	**69 276**
Corporate actions	-	(29 500)
Net sale (purchase) of treasury shares	(20 020)	(1)
Issuance of bonds	20 950	-
Increase in bank loans	335 855	-
Loan repayments	-	(55 063)
Change in marketable securities included in other current receivables	-	(155)
Interest paid	(39 809)	(26 590)
Interest received	9 067	653
Dividends and share premiums distributed to shareholders	(166 823)	(143 696)
Net cash from (used in) financing activities	**139 220**	**(254 352)**
Net change in cash and cash equivalents	**335 290**	**(4 079)**
Cash and cash equivalents at start of period	356 687	238 186
Cash and cash equivalents at end of period	691 977	234 107

4.2.4. Consolidated statement of changes in shareholders' equity

(in thousands of euros)	Share capital	Additional paid-in capital	Treasury shares	Other comprehensive income	Consolidated retained earnings	Consolidated net income	Equity attributable to owners	Non-controlling interests	Total equity
Balance at 31 December 2022	**863,094**	**1,825,225**	**(2,696)**	**50,962**	**545,755**	**219,328**	**3,501,668**	**5,784**	**3,507,453**
Corporate actions	(8,370)	(11,630)					**(20,000)**		**(20,000)**
Share-based payments							**-**		**-**
Treasury share transactions			(20)		819		**799**		**799**
Dividend paid		(166,698)					**(166,698)**	(125)	**(166,823)**
Appropriation of 2022 net income					219,329	(219,329)	**-**		**-**
Net income for the period						**34,863**	**34,863**	**7**	**34,870**
Other comprehensive income reclassified to income				1,484			**1,484**		**1,484**
Change in fair value of other financial assets							**-**		**-**
Change in fair value of hedging instruments				(6,245)			**(6,245)**		**(6,245)**
Actuarial gains and losses on retirement benefits				-			**-**		**-**
Other comprehensive income				**(4,761)**			**(4,761)**		**(4,761)**
Other changes					(490)		**(490)**	2	**(488)**
Balance at 30 June 2023	**854,724**	**1,646,897**	**(2,716)**	**46,201**	**765,413**	**34,863**	**3,345,381**	**5,666**	**3,351,048**

4.3. Comments on the first-half activity

4.3.1. Gross rental income and net rental income

Gross rental income *(in thousands of euros)*	**First-half 2023** Gross rental income	**First-half 2023** Year-on-year change reported	**First-half 2022** Gross rental income
France	127,719	1.7%	125,533
Spain	48,937	6.9%	45,767
Italy	12,180	5.9%	11,506
Total	**188,836**	**3.3%**	**182,806**

Net rental income	**First-half 2023**			**First-half 2022**
		Year-on-year change		
(in thousands of euros)	**Net rental income**	Like for like	Reported	**Net rental income**
France	119,580	5.3%	1.5%	117,830
Spain	43,877	2.5%	0.1%	43,834
Italy	11,494	3.7%	8.9%	10,555
Total	**174,951**	**4.5%**	**1.6%**	**172,219**

Net rental income totalled €175.0 million, up €2.7 million, or 1.6%, in the first half of 2023. This increase is attributable to the factors described below.

The impact of acquisitions and disposals was a negative €5.0 million or 2.9% (sale of the Magnirayas, Tarnos and Montélimar assets in France and four assets in Andalusia in Spain, and acquisition of the Rosaleda shopping centre in Malaga, Spain).

Organic like-for-like growth as adjusted for these impacts came out at €7.7 million, or 4.5%. The share of indexation included in growth at constant scope is a positive 3.7%.

4.3.2. Rent collection

	First-half 2023							
	First-quarter 2022	Second-quarter 2022	Third-quarter 2022	Fourth-quarter 2022	**Full-year 2022**	First-quarter 2023	Second-quarter 2023	**First-half 2023**
Gross collection rate (total amount invoiced)	97.8%	98.2%	97.4%	97.3%	**97.7%**	95.6%	93.5%	**94.5%**

4.3.3. Overhead expenses

Overhead expenses *(in thousands of euros)*	**30/06/2023**	**30/06/2022**
Income from property management, administration and other activities	6,258	5,247
Other income from services	4,794	2,360
Payroll expenses	(14,247)	(13,385)
Other external expenses	(20,605)	(18,131)
Overhead expenses	**(23,800)**	**(23,909)**

Overhead expenses remained stable year on year.

Income from property management, administration and other activities, and other income from services

This item totalled €6.3 million in the first half of 2023, an increase of €1.0 million or 19.3% compared to first-half 2022. The year-on-year rise was mainly attributable to management fees for services provided to Magnirayas and for the portfolio of Andalusian assets that Carmila sold but still manages, amounting to €0.5 million.

"Income from property management, administration and other activities" consists of (i) rebilled shopping centre management costs and (ii) technical and marketing fees.

Other income from services

Other income from services was up €2.4 million due to the increase in marketing services rebilled to retailers' associations. This increase reflects the rise in marketing costs (see below).

Payroll expenses

Payroll expenses amounted to €14.2 million in the first half of 2023, a €0.9 million (6.4%) rise on first-half 2022, mainly reflecting salary increases.

Other external expenses

Other external expenses represented €20.6 million in first-half 2023, an increase of €2.5 million, or 13.6%. Higher external expenses mainly reflect anticipated marketing costs in the first half due to an increase in the number of projects, and were offset by a rise in rebillings of marketing costs to retailers' associations (see "Other income from services" above).

Excluding payroll expenses, overhead expenses were down by €1.0 million despite higher inflation-related costs, thanks to the overhead cost savings and an increase in marketing costs rebilled to retailers' associations.

4.3.4. EBITDA

(in thousands of euros)	**First-half 2023**	**Full-year 2022**	**First-half 2022**
Operating income	**78,378**	**297,835**	**196,724**
Elimination of change in fair value	74,178	(6,878)	(52,675)
Elimination of attributable change in fair value of equity-accounted companies	160	(1,148)	2,194
Elimination of capital (gains)/losses	(108)	3,036	2,750
Depreciation and amortisation of property and equipment and intangible assets	637	991	500
Adjustments for non-recurring items	(93)	(6,597)	
EBITDA	**153,152**	**287,239**	**149,493**

4.3.5. Net financial expense

Financial expense (in thousands of euros)	First-half 2023	First-half 2022
Financial income	9,496	653
Financial expenses	(40,168)	(30,854)
Cost of net debt	**(30,672)**	**(30,201)**
Other financial income and expenses	(7,607)	(7,017)
Net financial expense	**(38,279)**	**(37,218)**

Cost of net debt

The cost of net debt in first-half 2023 was €30.7 million, stable year on year.

Movements in the cost of net debt can be analysed as follows:

- a rise of €14.5 million in interest expense on bank loans due to higher interest rates, four secured loans for a total amount of €276 million set up in April 2023, and the €550 million term loan put in place in July 2022;
- €4.2 million in income from hedging instruments due to higher interest rates, which partly offset the rise in interest expense on bank loans (versus an expense of €1.8 million on hedging instruments in first-half 2022);
- a €2.6 million decrease in interest expense on bonds following the redemption of €200.9 million worth of bonds issued in November 2022;
- a €4.7 million increase in interest income on cash investments.

Other financial income and expenses

Other financial income and expenses can be analysed as follows:

- Other financial income fell by €2.3 million. In first-half 2022, this item mainly comprised €2.6 million in income related to the unwinding of a swap.
- Changes in credit risk represented income of €0.8 million in first-half 2023, representing an increase of €3.1 million compared with the first half of 2022 (expense of €2.3 million).
- Other financial expenses chiefly relate to:
    - commitment fees for undrawn credit lines amounting to €1.0 million;
    - other financial expenses for €7.4 million, including €7.1 million in financial provisions for impairment of receivables related to equity investments.

4.4. EPRA performance indicators

4.4.1. EPRA summary table

	First-half 2023	Full-year 2022	First-half 2022
EPRA earnings (in millions of euros)	114,0	222,9	114,5
EPRA earnings per share (in euros)	0,79	1,55	0,79
EPRA NRV (in thousands of euros)	3 721 282	3 886 395	3 819 246
EPRA NRV per share (in euros)	26,16	27,05	26,58
EPRA NTA (in thousands of euros)	3 464 249	3 628 704	3 566 580
EPRA NTA per share (in euros)	24,35	25,26	24,82
EPRA NDV (in thousands of euros)	3 525 887	3 700 490	3 533 663
EPRA NDV per share (in euros)	24,78	25,76	24,59
EPRA NIY (shopping centres)	6,0%	6,0%	6,0%
EPRA Topped-up NIY (shopping centres)	6,3%	6,2%	6,1%
EPRA Vacancy Rate	5,5%	5,0%	5,1%
EPRA Cost Ratios (including direct vacancy costs)	20,0%	20,9%	18,7%
EPRA Cost Ratios (excluding direct vacancy costs)	17,0%	18,0%	16,6%
EPRA LTV	39,2%	37,6%	
EPRA LTV (incl. RETTs)	37,3%	35,8%	

4.4.2. EPRA earnings and recurring earnings

(in thousands of euros)	First-half 2023	First-half 2022
Net income attributable to owners	**34,863**	**156,626**
Adjustments to calculate EPRA earnings	**79,105**	**(42,125)**
(i) Changes in value of investment properties, development properties held for investment and other interests	74,178	(52,675)
(ii) Gains and losses on disposals of investment properties	(108)	3,094
(iii) Gains and losses on disposals of trading properties	-	-
(iv) Tax on disposal gains and losses	6,514	-
(v) Negative goodwill/goodwill impairment	-	-
(vi) Changes in fair value of financial instruments and associated close-out costs	706	2,643
(vii) Acquisition costs for share deal acquisitions	-	-
(viii) Deferred tax in respect of EPRA adjustments	(2,352)	2,350
(ix) Adjustments (i) to (iv) in respect of joint ventures (unless already included under proportional consolidation)	160	2,194
(x) Non-controlling interests in respect of the above	7	269
(y) Other adjustments		
EPRA earnings	**113,968**	**114,501**
Year-on-year change	**-0.5%**	
Average number of shares	143,473,746	144,936,550
EPRA earnings per share	**0.79**	**0.79**
Year-on-year change	**0.5%**	
Fully diluted number of shares	143,618,393	145,204,340
Diluted EPRA earnings per share	**0.79**	**0.79**
Other adjustments	**7,932**	**6,013**
Issuance costs	-	-
Other non-recurring expenses or (income)[1]	7,932	5,567
Recurring earnings	**121,900**	**120,068**
Year-on-year change	***1.5%***	
Recurring earnings per share	**0.85**	**0.83**
Year-on-year change	***2.6%***	

Comments on the other adjustments:

(1) Other non-recurring expenses comprise depreciation and amortisation expenses, movements in provisions for contingencies and charges, and financial impairment of Carmila Retail Development investments.

4.4.3. EPRA Cost Ratio

	(in millions of euros)	30 June 2023	30 June 2022
(i)	Operating costs	37.6	32.4
	Overhead expenses	*34.9*	*31.1*
	Property expenses	*2.8*	*1.2*
(ii)	Net service charge costs/fees	11.1	9.3
(iii)	Management fees less profit element	(6.3)	(5.2)
(iv)	Other operating recharges intended to cover overhead expenses	(4.8)	(2.4)
(v)	Share of costs of equity-accounted companies	0.7	0.4
(vi)	Impairment of investment properties and provisions included in property expenses	0.0	0.0
(vii)	Ground rent costs	0.0	0.0
(vii)	Service charge costs recovered through rents	0.0	0.0
	EPRA costs (including direct vacancy costs)	**38.3**	**34.6**
(viii)	Direct vacancy costs	5.7	3.8
	EPRA costs (excluding direct vacancy costs) (A)	**32.7**	**30.8**
(ix)	Gross rental income less ground rents	188.8	182.8
(x)	Less: service fee and service charge costs components of gross rental income	0.0	0.0
(xi)	Plus: share of Joint Ventures (gross rental income less ground rents)	3.3	2.3
	Gross rental income (B)	192.1	185.1
	EPRA cost ratio (including direct vacancy costs)	**20.0%**	**18.7%**
	EPRA cost ratio (excluding direct vacancy costs)	**17.0%**	**16.6%**

Overhead expenses include other external expenses, payroll expenses and the cost of discontinuing projects.

4.4.4. EPRA NRV, EPRA NTA and EPRA NDV

EPRA NAV indicators at 30 June 2023

(in thousands of euros)		EPRA NRV	EPRA NTA	EPRA NDV
	IFRS equity attributable to owners	**3,345,382**	**3,345,382**	**3,345,382**
Include/Exclude:*				
(i)	Hybrid instruments			
	Diluted NAV	**3,345,382**	**3,345,382**	**3,345,382**
Include:*				
(ii.a)	Revaluation of investment property (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	**3,345,382**	**3,345,382**	**3,345,382**
Exclude:*				
(v)	Deferred tax in relation to fair value gains of investment property[5]	135,233	135,233	
(vi)	Fair value of financial instruments	-59,705	-59,705	
(vii)	Goodwill as a result of deferred tax			
(viii.a)	Goodwill as per the IFRS balance sheet			
(viii.b)	Intangible assets as per the IFRS balance sheet		-3,456	
Include:*				
(ix)	Fair value of fixed-rate debt			180,506
(x)	Revaluation of intangible assets at fair value			
(xi)	Transfer taxes	300,373	46,795	
	NAV	**3,721,282**	**3,464,249**	**3,525,887**
	Fully diluted number of shares	142,277,363	142,277,363	142,277,363
	NAV per share	**26.16**	**24.35**	**24.78**

EPRA NAV indicators at 31 December 2022

(in thousands of euros)		EPRA NRV	EPRA NTA	EPRA NDV
	IFRS equity attributable to owners	**3,501,668**	**3,501,668**	**3,501,668**
Include/Exclude:*				
(i)	Hybrid instruments			
	Diluted NAV	**3,501,668**	**3,501,668**	**3,501,668**
Include:*				
(ii.a)	Revaluation of investment property (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	**3,501,668**	**3,501,668**	**3,501,668**
Exclude:*				
(v)	Deferred tax in relation to fair value gains of investment property[5]	141,179	141,179	
(vi)	Fair value of financial instruments	(62,449)	(62,449)	
(vii)	Goodwill as a result of deferred tax	-	-	
(viii.a)	Goodwill as per the IFRS balance sheet		-	
(viii.b)	Intangible assets as per the IFRS balance sheet		(3,636)	
Include:*				
(ix)	Fair value of fixed-rate debt	-		198,822
(x)	Revaluation of intangible assets at fair value			
(xi)	Transfer taxes	305,996	51,941	
	NAV	**3,886,395**	**3,628,704**	**3,700,490**
	Fully diluted number of shares	143,670,123	143,670,123	143,670,123
	NAV per share	**27.05**	**25.26**	**25.76**

4.4.5. EPRA LTV

EPRA LTV indicators at 30 June 2023

(in thousands of euros)

EPRA LTV	Group EPRA LTV	Proportionate consolidation: Share of JVs[1]	Share of significant investments[2]	Share of non-controlled entities	Combined EPRA LTV 30 June 2023
Included:					
Bank loans	826,000		14,888		840,888
Commercial paper	110,000				110,000
Hybrid instruments (including convertible bonds, preference shares, debt, options)	0				0
Bonds	1,986,199				1,986,199
Foreign exchange derivatives (swaps/options)	0				0
Net debt	14,162	1,103			15,265
Owner-occupied assets (debt)	0				0
Current accounts with partners	0				0
Excluded:					
Cash and cash equivalents	692,010	1,309	983		694,301
Net debt (a)	**2,244,351**	**(206)**	**13,905**	**0**	**2,258,050**
Included:					
Owner-occupied assets	0				0
Investment properties carried at fair value (excluding transfer taxes)	5,657,414	63,750	29,938		5,751,102
Assets held for sale	0				0
Assets under construction	0				0
Intangible assets	3,456				3,456
Net receivables	0		1,015		1,015
Financial assets					0
Total value of assets excluding transfer taxes (b)	**5,660,870**	**63,750**	**30,953**	**0**	**5,755,573**
EPRA LTV (a/b)					**39.2%**
Total value of assets including transfer taxes (c)	**5,957,830**	**65,918**	**32,026**		**6,055,774**
EPRA LTV (including RETTS) (a/c)					**37.3%**

[1] As Cancelas

[2] Magnirayas

EPRA LTV indicators at 31 December 2022

(in thousands of euros)

EPRA LTV	Group EPRA LTV	Proportionate consolidation: Share of JVs[1]	Share of significant investments[2]	Share of non-controlled entities	Combined EPRA LTV 31 Dec. 2022
Included:					
Bank loans	550 000		14 963		564 963
Commercial paper	50 000				50 000
Hybrid instruments (including convertible bonds, preference shares, debt, options)	0				0
Bonds	1 961 200				1 961 200
Foreign exchange derivatives (swaps/options)	0				0
Net debt	0	823	60		883
Owner-occupied assets (debt)	0				0
Current accounts with partners	0				0
Excluded:					
Cash and cash equivalents	357 347	1 153	969		359 469
Net debt (a)	**2 203 853**	**(330)**	**14 054**	**0**	**2 217 576**
Included:					
Owner-occupied assets	0				0
Investment properties carried at fair value (excluding transfer taxes)	5 784 937	63 750	30 186		5 878 873
Assets held for sale	0				0
Assets under construction	0				0
Intangible assets	3 637				3 637
Net receivables	15 676				15 676
Financial assets					0
Total value of assets excluding transfer taxes (b)	**5 804 250**	**63 750**	**30 186**	**0**	**5 898 186**
EPRA LTV (a/b)					**37,6%**
Total value of assets including transfer taxes (c)	**6 090 933**	**65 918**	**32 150**		**6 189 001**
EPRA LTV (incl. RETTs) (a/c)					**35,8%**

[1] As Cancelas

[2] Magnirayas

4.4.6. EPRA vacancy rate

	France	Spain	Italy	Total
Rental value of vacant space (€m)	13.1	9.4	0.5	23.1
Rental value of property portfolio (€m)	275.5	120.2	25.8	421.5
EPRA vacancy rate	**4.8%**	**7.9%**	**2.0%**	**5.5%**
Impact of strategic vacancies	1.1%	3.1%	0.6%	1.6%
Financial vacancy rate	**3.7%**	**4.8%**	**1.4%**	**3.9%**

The EPRA vacancy rate at 30 June 2023 was 5.5%, an increase of 50 basis points compared to end-2022.

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

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

4.4.7. EPRA net initial yields: EPRA NIY and EPRA topped-up NIY

EPRA NIY and EPRA Topped-up NIY *(in millions of euros)*	30 June 2023	31 Dec. 2022
Total property portfolio valuation (excluding transfer taxes)	**5 644,0**	**5 859,7**
(-) Assets under development and other	19,9	28,5
Completed property portfolio valuation (excluding transfer taxes)	**5 624,2**	**5 831,2**
Transfer taxes	300,4	306,0
Completed property portfolio valuation (including transfer taxes) (A)*	**5 924,5**	**6 137,2**
Annualised net rents (B)	**357,2**	**369,4**
Impact of rent-free periods	13,5	9,6
Topped-up net annualised rents (C)	**370,6**	**379,0**
EPRA Net Initial Yield (B)/(A)	**6,03%**	**6,02%**
EPRA Topped-up Net Initial Yield (C)/(A)	**6,26%**	**6,18%**

*For 31/12/2022, the portfolio valuation included the valuation of the share of investment properties accounted for under the equity method

4.4.8. EPRA investments

Capital expenditure on investment properties broken down by country is disclosed separately for acquisitions, developments and extensions, or capital expenditure on the portfolio on a like-for-like basis.

	France		Spain		Italy		TOTAL	
(in thousands of euros)	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Acquisitions	224	2,289	1,826	24,287	0	0	2,050	26,576
Like-for-like capital expenditure	23,780	13,800	5,480	3,479	727	1,118	29,987	18,397
Extensions	2,920	1,727	0	0	383	1,097	3,303	2,824
Restructuring	5,279	5,315	0	0	0	0	5,279	5,315
Lease incentives	1,439	3,297	871	2,077	0	0	2,310	5,374
Renovations	4,449	1,889	4,609	580	0	3	9,058	2,472
Maintenance capex	9,693	1,572	0	822	344	18	10,037	2,412
Total capital expenditure	**24,004**	**16,089**	**7,306**	**27,766**	**727**	**1,118**	**32,037**	**44,973**

The “Acquisitions” caption mainly relates to easement rights for the operation of antennas in Spain (€1.7 million).

“Extensions” concerns downpayments on off-plan sales, mainly Cholet (€1.0 million), Toulouse Purpan (€0.8 million), Vitrolles (€0.7 million) and Anglet (€0.4 million).

“Restructuring” concerns a number of projects, including for the shopping centres at Brest (€0.5 million) as part of the Flunch restructuring project, Paimpol (€0.4 million) as part of the cafeteria restructuring project, Collégien (€0.4 million) as part of the Factory & Co development project, Calais-Coquelles (€0.4 million) as part of the division of vacant premises and the restructuring of Primark, and Nevers Marzy (€0.4 million) as part of the Flunch restructuring project.

“Renovations” mainly concern assets in the process of being redeveloped where renovation and modernisation works are being carried out and existing parts of centres are upgraded in order to optimise value creation. This caption includes numerous operations in France and Spain, the most significant of which are Vitrolles (€1.4 million), Albacete (€1.0 million), Montluçon (€0.7 million), Cholet (€0.6 million) and Aljarafe (€0.6 million).

Lastly, “Maintenance Capex” includes several projects, the largest of which are Vitrolles (€0.7 million), Anglet (€0.5 million), Calais Coquelles (€0.4 million) and Labège (€0.4 million). In addition, this item comprises investments designed to meet Carmila's commitments to reduce greenhouse gas emissions. Like-for-like capital expenditure also includes rent relief granted to tenants.

5. FINANCING POLICY

5.1. Financial resources

Bonds

In June 2023, Carmila carried out a €25 million private placement, in the form of a tap on an existing issue maturing in April 2029, at a yield of 4.92%.

Accordingly, its outstanding bond debt of €1,961 million at 31 December 2022 rose to €1,986 million at 30 June 2023.

Bank borrowings

On 21 July 2022, Carmila signed a €550 million term loan. The loan matures in 2027, with two extension options of one year each. The interest cost of the new loan is 3-month Euribor plus 180 basis points.

On 26 May 2023, Carmila exercised its option to extend this loan by one year and obtained the agreement of all the lending banks to extend its maturity to 21 July 2028.

This credit facility includes two sustainability criteria designed to support Carmila’s strategy to reduce by 90% its greenhouse gas emissions by 2030 and to achieve BREEAM certification for its entire asset portfolio by 2025. Carmila benefits from a lower margin to the extent that these two criteria are met.

No specific guarantee has been granted in the context of this loan agreement, which is conditional on compliance with the same financial ratios as Carmila's other bank loans, i.e., a ratio of consolidated net debt to fair value of assets of 0.55, a ratio of EBITDA to net cost of debt of 2.0 and value of investment property equal to or greater than €2.5 billion.

On 17 April 2023, Carmila signed a €276 million secured loan maturing in 2030. This new credit facility took the form of a loan contracted by four subsidiaries of Carmila France (Carmila Nice, Carmila Evreux, Carmila Saran and Carmila Coquelles), and is secured by their assets.

Loan-to-value ratio (LTV)

The EPRA LTV ratio including RETTS was 37.3% at 30 June 2023, up 150 basis points on end-December 2022. Carmila is committed to maintaining a strong statement of financial position and aims to maintain a level of debt compatible with its BBB (stable outlook) financial rating from S&P.

Carmila is targeting an LTV ratio of 40% (including transfer taxes) over 2023-2026.

Compliance with covenants at 30 June 2023

The loan agreement, along with the syndicated credit facilities, are subject to compliance with covenants as assessed at the end of each interim and annual reporting period. At 30 June 2023, Carmila complied with its covenants.

Bonds are not subject to compliance with these covenants.

Interest coverage ratio (ICR)

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

Loan-to-value ratio (LTV)

The ratio of consolidated net debt to the fair value of investment assets including transfer taxes must not exceed 0.55 on the same dates; the ratio may be exceeded for one half-year period.

Debt maturity

The average maturity of Carmila's debt was 4.4 years at 30 June 2023[3]. At 31 December 2022, the average maturity of Carmila's debt was 4.4 years[4].

INTEREST COVERAGE RATIO

(in thousands of euros)		30 June 2023	31. Dec. 2022
			12 months
EBITDA (12 months)	**(A)**	**290,898**	**287,239**
Cost of net debt	**(B)**	**64,824**	**64,353**
Interest coverage ratio	**(A)/(B)**	**4.5**	**4.5**

Net debt/EBITDA (12 months)

(in thousands of euros)		30 June 2023	31. Dec. 2022
Net debt	**(A)**	**2,244,351**	**2,203,853**
EBITDA (12 months)	**(B)**	**290,898**	287,239
Net debt/EBITDA (12 months)	**(A)/(B)**	**7.7**	**7.7**

Gross financial liabilities do not include issuance costs for bonds and other debt, current and non-current derivative instruments with a negative fair value, bank facilities and IFRS 16 financial liabilities.

Other financing

[3] Excluding the bonds maturing in September 2023 and NEU CP, the redemption of which is fully covered by the Group's cash position.
[4] Excluding the September 2023 bond maturity, financed ahead of term by a bank loan.

Carmila strives to diversify its sources of financing and their maturities, and has set up short and medium term commercial paper programmes (NEU CP and NEU MTN) for a maximum amount of €540 million, registered with Banque de France and updated every year. At 30 June 2023, the outstanding amount under these programmes was €110 million, with maturities of 1 month.

Revolving credit facility

Until 21 July 2022, Carmila had two revolving credit facilities for €270 million and €540 million, maturing in three and five years respectively, and including two one-year extension options. These credit facilities include two sustainability criteria designed to support Carmila's strategy to reduce by 50% its greenhouse gas emissions by 2030 and to achieve BREEAM certification for its entire asset portfolio by 2025.

On 21 July 2022, Carmila cancelled the first tranche of its €270 million revolving credit facility (RCF) in order to convert it into a new term loan (see above). The outstanding revolving credit facility amounts to €540 million.

On 16 September 2022, Carmila exercised its option to extend its revolving facility by one year and obtained the agreement of all the lending banks to extend the maturity of this line to 21 October 2027.

No drawdowns were made by Carmila on the revolving credit facility during the period.

Breakdown of financial liabilities by maturity and average interest rate

(in thousands of euros)	Gross amount	Starting date	Lease maturity
Bond issue I – Notional amount €600m, coupon 2.375%	322,100	18/09/2015	18/09/2023
Bond issue II – Notional amount €588m, coupon 2.375%	539,100	24/03/2016	16/09/2024
Bond issue III – Notional amount €350m, coupon 2.125%	350,000	07/03/2018	07/03/2028
Bond issue IV- Notional amount €300m, coupon 1.625%	300,000	30/11/2020	30/05/2027
Bond issue IV- Notional amount €325m, coupon 1.625%	325,000	01/04/2021	01/04/2029
Private placement I – Notional amount €50m, coupon 1.89%	50,000	06/11/2019	06/11/2031
Private placement II – Notional amount €100m, coupon 3.000%	100,000	26/06/2020	26/06/2029
Loan agreement	550,000	21/07/2022	21/07/2028
Secured loan	276,000	17/04/2023	17/04/2030
Commercial paper	110,000	31/12/2016	21/10/2028
Total	**2,922,200**		

At 30 June 2023, Carmila's debt had an average maturity of 4.4 years[5] and an average interest rate of 2.2%, taking account of hedging instruments (excluding amortisation of issuance premiums, cancellation expenses for capitalised financial instruments and commitment fees for undrawn credit lines). The average interest rate excluding hedging instruments was 2.6%.

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's policy is to hedge its floating-rate debt in order to secure future cash flows by fixing or capping the interest rate paid. This policy involves setting up derivative instruments, such as interest rate swaps and options which are eligible for hedge accounting.

In order to optimise its hedging, on 13 March 2023, Carmila restructured a swap with a notional amount of €100 million, bringing forward its start date to 2024, maturing in 2029. On 14 March 2023, Carmila entered into a swaption (starting in 2024, maturing in 2032), with a nominal amount of €50 million. On 20 March 2023, Carmila entered into a swaption (starting in 2024, maturing in 2032), with a nominal amount of €50 million.

[5] Excluding the bonds maturing in September 2023 and NEU CP, the redemption of which is fully covered by the Group's cash position.

Lastly, on 23 June 2023, Carmila entered into two extendable swaps (starting in 2025, with a final maturity in 2035) with a nominal amount of €50 million each.

At 30 June 2023, Carmila's portfolio of derivative instruments set up with leading banking partners comprised:

- eight fixed-rate borrower swaps at three-month Euribor for a notional amount of €585 million, with the swap covering the longest term expiring in January 2032 and with an average remaining term of 6.8 years;
- one cap spread for a nominal amount of €100 million maturing in 2026;
- one collar for a nominal amount of €75 million maturing in 2031;
- two swaption collars for a nominal amount of €100 million maturing in 2032.

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 statement of financial position at their market value, with any changes in fair value attributable to the effective portion of the hedge recorded in shareholders' equity (OCI) and the ineffective portion taken to income.

After hedging, the fixed-rate position represented 83% of gross debt at 30 June 2023.

5.3. Cash

(in thousands of euros)	**30 June 2023**	**31 Dec. 2022**
Cash	332,010	81,707
Cash equivalents	360,000	275,000
Cash and cash equivalents	**692,010**	**356,707**
Bank facilities	(33)	(20)
Net cash	**691,977**	**356,687**

5.4. Rating

On 13 July 2022, S&P confirmed Carmila's BBB rating with a "stable" outlook.

5.5. Dividend policy

In addition to legal requirements, Carmila's dividend policy takes into account various factors including its earnings, financial position and the implementation of its objectives.

Where appropriate, dividends will be paid by Carmila out of distributable income and also out of issuance premiums.

Note that in order to benefit from the SIIC (real estate investment trust) regime in France, Carmila is required to distribute a significant portion of its profits to its shareholders (within the limit of its income as a SIIC and its distributable income):

- 95% of profits from gross rental income earned by Carmila;
- 70% of capital gains; and
- 100% of dividends from subsidiaries subject to the SIIC regime.

Acting on a recommendation from the Board of Directors, Carmila's Annual General Meeting of 11 May 2023 approved the dividend of €1.17 per share for 2022, representing a total payout of €166,698 thousand, deducted in full from the merger premium. This amount was paid in full in cash.

Carmila will recommend an annual payout of at least €1 per share, payable in cash, for dividends paid between 2022 and 2026, with a target payout ratio of 75% of recurring earnings.

5.6. Equity and share ownership

(in thousands of euros)	**Number of shares**	**Share capital**	**Issuance premium**	**Merger premium**
At 1 January 2023	**143,849,042**	863,094	551,768	1,273,457
Dividend – GM of 11 May 2023	-			(166,698)
Cancellation of treasury shares	**(1,394,980)**	(8,370)	(11,630)	
At 30 June 2023	**142,454,062**	**854,724**	**540,138**	**1,106,759**

At 30 June 2023, the share capital was made up of 142,454,062 shares, each with a par value of six euros (€6), fully subscribed and paid up. The share capital comprises 142,309,415 A shares and 144,647 D shares.

Acting on a recommendation from the Board of Directors, Carmila's Annual General Meeting of 11 May 2023 approved the dividend of €1.17 per share for 2022, representing a total payout of €166,698 thousand, deducted in full from the merger premium. This amount was paid in full in cash.

Under the share buyback programme initiated by the Company on 28 February 2023, 1,394,980 shares were bought back and subsequently cancelled on 23 June 2023, further to a decision by the Chair and Chief Executive Officer, acting on the authority of the Board of Directors, resulting in a reduction in the share capital in an amount of €8,369,880 and a reduction in issue premiums of €11,630,107.

Carmila SA's shares have been admitted to trading on compartment A of Euronext Paris since 1 January 2018.

Carmila's share capital is held by several of its long-term shareholders. At 30 June 2023, its largest shareholder is the Carrefour group, which holds 36.4% of Carmila's share capital and includes Carmila in its financial statements using the equity method. The remaining 63.6% of the share capital is mainly owned by long-term investors from major insurance companies or blue-chip financial players, including Predica (9.9% of Carmila's share capital), Cardif Assurance Vie (9.1%) and Sogecap (6.1%).

6. RISK FACTORS

In the first six months of 2023, there have been no material changes to the risk factors set out in Section 3. "Organisation and risk management" in the Universal Registration Document filed with the AMF (*Autorité des marchés financiers*) on 6 April 2023. The 2022 Universal Registration Document is available on the Company's website: https://www.carmila.com/wp-content/uploads/2023/04/OPT_MEL_CARMILA_DEU_2022_UK_-1.pdf

7. APPENDIX

7.1. Detailed presentation of Carmila's operating asset base at 30 June 2023

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)
France					
Aix en Provence	1971	2014	2015	39	5,689
Amiens	1973	2014	2014	19	4,973
Angers - Saint Serge	1969	2014	2015	28	7,193
Angoulins	1973	2014	2015	37	6,377
Annecy Brogny	1968	2014	2015	22	4,932
Antibes	1973	2014	2014	33	5,186
Athis Mons	1971	2014	2014	53	10,233
Auch	1976	2014	2014	13	928
Auchy-les-Mines	1993	2014	2015	28	2,756
Auterive	2011	2014	-	19	6,674
Bab 2 – Anglet	1967	2014	2017	130	27,365
Barentin	1973	2016	-	17	7,753
Bassens (Chambéry)	1969	2014	2014	20	2,757
Bay 1	2004	2014	-	27	8,881
Bay 2	2003	2014	-	104	20,817
Bayeux Besneville	1974	2014	2014	9	597
Beaucaire	1989	2014	2015	30	6,251
Beaurains 2	2011	2014	-	10	4,373
Beauvais	1969	2014	2016	18	4,049
Berck-sur-Mer	1995	2014	2014	30	11,227
Besançon - Chalezeule	1976	2014	2018	31	16,982
Bourg-en-Bresse	1977	2014	2019	23	6,103
Bourges	1969	2014	2016	51	8,985
Brest Hyper	1969	2014	2014	49	17,881
Calais – Beau Marais	1973	2014	2015	21	5,130
Calais-Coquelles	1995	2014	2019	160	54,622
Chambourcy	1973	2014	2015	74	21,305
Champs-sur-Marne	1967	2014	2014	17	1,725
Charleville-Mézières	1985	2014	2014	24	2,882
Château Thierry	1972	2014	2015	9	666
Châteauneuf-les-Martigues	1973	2014	2016	20	11,521
Châteauroux	1969	2014	2014	24	6,999
Cholet	1970	2014	2014	33	5,372
Condé-sur-L'Escaut	1987	2014	2015	7	546
Conde-sur-Sarthe	1972	2014	2014	32	8,650
Crèches sur Saone	1981	2014	2015	60	19,309
Denain	1979	2014	2016	7	617
Dinan Quevert	1970	2016	-	19	3,368
Douai Flers	1983	2014	2015	48	7,439
Draguignan	1992	2014	2017	23	4,840
Échirolles (Grenoble)	1969	2014	2014	32	4,814
Épernay	1970	2014	2016	10	1,064
Épinal	1983	2014	2016	23	17,377
Étampes	1983	2014	2015	3	878
Évreux	1974	2014	2017	79	37,811
Feurs	1981	2014	2019	6	1,027
Flers Saint-Georges-des-Groseillers	1998	2016	-	14	1,888
Flins-sur-Seine	1973	2014	2014	22	6,597
Fourmies	1985	2014	2016	14	1,905
Francheville	1989	2014	2015	22	3,495

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)
Gennevilliers	1976	2014	2015	18	2,431
Goussainville	1989	2014	2015	24	3,485
Gruchet	1974	2014	2015	29	11,839
Gueret	1987	2014	2019	14	3,418
Hazebrouck	1983	2014	2014	13	1,304
Herouville St Clair	1976	2014	2016	50	14,228
La Chapelle St Luc	2012	2014	2015	45	21,800
La Ciotat	1998	2014	2015	12	622
La Roche Sur Yon	1973	2014	2015	14	1,377
Laon	1990	2014	2015	39	8,045
Laval	1986	2014	-	46	7,726
Le Mans	1968	2014	2014	22	1,938
L’Haÿ-les-Roses	1981	2014	2016	12	623
Libourne	1973	2014	2014	25	4,304
Liévin	1973	2014	2014	22	3,293
Limay	1998	2014	-	9	327
Lorient	1981	2014	2014	33	12,432
Mably	1972	2014	2017	29	31,236
Mondeville	1995	2014	-	5	2,401
Montereau	1970	2014	2015	7	911
Montesson	1970	2014	-	66	13,262
Montluçon	1988	2015	2016	36	3,601
Nantes Beaujoire	1972	2014	2015	35	4,671
Nanteuil-lès-Meaux (GM)	2014	2015	-	8	827
Nevers-Marzy	1969	2014	2016	62	21,346
Nice-Lingostière	1978	2014	2014	100	21,170
Nîmes Sud	1969	2014	2015	18	2,965
Orange	1988	2014	2014	38	5,497
Orléans Place d’Arc	1988	2014	2018	64	13,606
Ormesson	1972	2015	2018	119	29,633
Paimpol	1964	2014	2016	14	1,811
Pau Lescar	1973	2014	2017	78	12,037
Perpignan Claira	1983	2014	2015	80	21,159
Port de Bouc	1973	2014	2015	23	7,096
Pré-Saint-Gervais	1979	2016	-	19	1,633
Puget-sur-Argens	1991	2015	2017	52	5,599
Quetigny	2014	2014	-	5	7,365
Quimper-Le Kerdrezec	1978	2014	2016	40	8,547
Reims-Cernay	1981	2014	2016	21	3,520
Rennes Cesson	1981	2014	2014	78	13,501
Rethel	1994	2016	2017	16	3,415
Saint-Jean-de-Luz	1982	2014	2017	18	2,715
Saint-Lô	1973	2016	2016	10	1,080
Saint-Martin-au-Laërt	1991	2014	2016	9	858
Salaise sur Sanne	1991	2014	2014	44	7,212
Sallanches	1973	2014	2016	11	2,075
Sannois	1992	2015	2015	29	4,170
Saran-Orléans	1971	2014	2017	91	38,988
Sartrouville	1977	2014	2014	39	6,750
Segny	1980	2014	2017	16	2,196

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)
Sens Maillot	1970	2014	2016	9	1,848
Sens Voulx	1972	2014	2016	9	599
St André Les Vergers	1975	2014	2016	9	1,097
St Brieuc - Langueux	1969	2014	2017	53	14,887
St Egrève	1986	2014	2014	36	9,377
Stains	1972	2014	-	23	2,888
Thionville	1971	2016	-	160	32,060
Tinqueux	1969	2014	2015	27	6,019
Toulouse Labège	1983	2014	-	129	24,249
Toulouse Purpan	1970	2014	2015	49	16,957
Tournefeuille	1995	2014	-	20	5,702
Trans-en-Provence	1976	2014	2016	28	4,038
Uzès	1989	2014	2015	16	1,410
Vannes - Le Fourchêne	1969	2014	2014	71	9,630
Vaulx-en-Velin	1988	2014	2016	42	6,715
Venette	1974	2014	2015	40	6,791
Venissieux	1966	2014	2016	23	4,561
Villejuif	1988	2014	2015	33	4,186
Vitrolles	1971	2018	-	83	24,977
Spain					
Albacete – Los Llanos	1989	2014	-	18	7,547
Alcala de Henares	2007	2014	2016	20	1,667
Alcobendas	1981	2014	2016	45	3,515
Alfafar	1976	2014	2015	31	7,176
Aljarafe	1998	2018	-	44	12,086
Almería	1987	2014	2014	21	1,024
Alzira	1991	2014	2017	18	7,712
Antequera	2004	2018	2017	46	11,182
Azabache	1977	2014	2016	31	5,839
Cabrera de Mar	1979	2014	2014	26	14,240
Caceres	1998	2014	2015	13	1,559
Cartagena	1998	2014	2016	14	1,097
Castellón	1985	2014	2015	20	2,104
Ciudad de la Imagen	1995	2014	2016	22	2,008
Córdoba - Zahira	1977	2014	2019	14	957
Dos Hermanas (Seville)	1993	2014	2017	17	1,411
El Alisal	2004	2014	2016	35	15,161
El Mirador	1997	2016	-	38	9,809
El Paseo	1977	2018	-	54	10,454
El Pinar	1981	2014	2014	31	4,300
Elche	1983	2014	2015	19	10,112
Fan Mallorca	2016	2016	2016	105	38,141
Finestrat - Benidorm	1989	2014	2016	21	2,228
Gandía	1994	2014	2015	20	2,074
Gran Via de Hortaleza	1992	2018	-	59	6,204
Granada	1999	2014	2015	26	2,692
Huelva	2013	2014	2013	92	33,378
Jerez de la Frontera – Norte	1997	2014	2017	42	6,899
Jerez de la Frontera, Cádiz – Sur	1989	2014	2016	30	7,013
La Granadilla	1990	2014	2014	13	1,029
La Sierra	1994	2018	-	67	17,611
Leon	1990	2014	2016	16	2,473
Lérida	1986	2014	2014	11	512
Los Angeles	1992	2014	2016	38	6,733

Name of centre, city	Year of construction	Year of acquisition	Year of renovation	Total number of units	Carmila Group gross leasable area (sq.m.)
Lucena	2002	2014	2016	13	1,394
Lugo	1993	2014	2017	16	2,020
Málaga – Rosaleda	1993	2022	-	73	15,549
Manresa	1991	2018	-	30	3,238
Merida	1992	2014	2017	18	2,601
Montigala	1991	2016	2018	55	10,668
Mostoles	1992	2014	2016	21	3,291
Murcia - Atalayas	1993	2016	-	12	11,296
Murcia - Zaraiche	1985	2014	2014	23	2,566
Oiartzun	1979	2014	2014	11	729
Orense	1995	2014	2016	17	4,131
Palma	1977	2014	2014	20	579
Paterna	1979	2014	2016	18	1,679
Peñacastillo	1992	2014	2014	50	8,810
Petrer	1991	2014	2016	27	4,067
Plasencia	1998	2014	-	12	1,299
Pontevedra	1995	2014	2014	15	1,681
Reus	1991	2014	2014	22	2,932
Rivas	1997	2014	2016	21	2,158
Sagunto	1989	2014	-	10	968
Salamanca	1989	2014	2016	13	795
San Juan	1977	2018	-	30	7,264
San Juan de Aznalfarache, Seville	1985	2014	2015	35	4,999
San Sebastián de los Reyes	2004	2014	2016	18	2,269
Sestao	1994	2014	2016	16	1,317
Sevilla - Macarena	1993	2014	2016	23	1,882
Sevilla - Montequinto	1999	2014	2016	14	9,995
Sevilla – San Pablo	1979	2014	2014	28	3,273
Talavera – Los Alfares	2005	2014	2016	54	20,481
Tarragona	1975	2014	2017	18	3,445
Tarrasa	1978	2018	-	36	7,502
Torrelavega	1996	2014	2016	14	2,144
Torrevieja	1994	2014	2014	14	1,700
Valencia - Campanar	1988	2014	2016	29	3,099
Valladolid	1981	2014	2017	21	4,144
Valladolid II	1995	2014	2017	13	3,551
Valverde Badajoz	1996	2014	2015	19	3,081
Villanueva	1995	2014	2016	9	687
Villareal de los Infantes	1995	2014	2016	13	939
Zaragoza	1989	2014	2015	17	4,301
As Cancelas wholly-owned (50% of assets held, based on the equity method)	2012	2014	2012	113	25,188
Italy					
Assago	1988	2015	2019	2	2,380
Burolo	1996	2014	2016	10	946
Gran Giussano	1997	2014	2016	49	9,338
Limbiate	2006	2015	-	1	1,923
Massa	1995	2014	2016	42	8,195
Nichelino	2017	2017	2017	68	41,694
Paderno Dugnano	1975	2014	2022	78	16,702
Thiene	1992	2014	2015	39	5,972
Turin	1989	2014	2014	12	1,186
Vercelli	1987	2014	2016	20	3,125

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2023

Contents

1. CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

1.1. Consolidated statement of comprehensive income

(in thousands of euros)	Note	First-half 2023	First-half 2022
Gross rental income		**188,836**	**182,806**
Charges rebilled to tenants		58,424	54,671
Total income from rental activity		**247,260**	**237,477**
Real estate expenses		(26,913)	(24,894)
Rental charges		(42,617)	(39,116)
Property expenses (landlord)		(2,779)	(1,248)
Net rental income	***9.1***	**174,951**	**172,219**
Overhead expenses	9.2	(23,800)	(23,909)
Income from property management, administration and other activities		*6,258*	*5,247*
Other income		*4,794*	*2,360*
Payroll expenses		*(14,247)*	*(13,385)*
Other external expenses		*(20,605)*	*(18,131)*
Additions to depreciation and amortisation of property, plant and equipment and intangible assets, and provisions	9.3	(476)	(124)
Other operating income and expenses		(68)	(238)
Gains and losses on disposals of investment properties and equity investments	9.4	108	(2,888)
Change in fair value adjustments	6.2	(74,178)	52,675
Share in net income (loss) of equity-accounted companies	8.3	1,841	(1,011)
Operating income		**78,378**	**196,724**
Financial income		9,496	653
Financial expenses		(40,168)	(30,854)
Cost of net debt		**(30,672)**	**(30,201)**
Other financial income and expenses		(7,607)	(7,017)
Net financial expense	***7.1***	**(38,279)**	**(37,218)**
Income before taxes		**40,099**	**159,506**
Income tax	*10.1*	(5,229)	(2,611)
Consolidated net income		**34,870**	**156,895**
Attributable to owners of the parent		**34,863**	**156,626**
Non-controlling interests		**7**	**269**
Average number of shares comprising Carmila's share capital	8.8.4	143,473,746	144,936,550
Earnings per share (attributable to owners) (in euros)		0.24	1.08
Diluted average number of shares comprising Carmila's share capital	8.8.4	143,618,393	145,204,340
Diluted earnings per share (attributable to owners) (in euros)		0.24	1.08

Consolidated statement of comprehensive income *(in thousands of euros)*	Note	First-half 2023	First-half 2022
Consolidated net income		**34,870**	**156,895**
Items that will be reclassified subsequently to net income		(4,761)	51,081
Effective portion of cash flow hedges		(4,761)	51,081
Fair value of other financial assets		-	-
Related income tax		-	-
Items that will not be reclassified subsequently to net income		-	-
Actuarial gains and losses on defined benefit plans		-	-
Related income tax		-	-
Total comprehensive income		**30,109**	**207,976**

1.2. Consolidated statement of financial position

ASSETS

(in thousands of euros)	Note	30 June 2023	31 Dec. 2022
Intangible assets	*8.1*	3,456	3,637
Property, plant and equipment	*8.2*	3,339	2,976
Investment properties carried at fair value	*6.1*	5,657,414	5,784,937
Investment properties carried at cost	*6.1*	19,859	28,509
Investments in equity-accounted companies	*8.3*	75,338	75,548
Other non-current assets	*8.4*	73,287	70,330
Deferred tax assets	*10.4*	6,257	9,851
Non-current assets		**5,838,950**	**5,975,789**
Trade receivables	*8.5*	120,538	101,689
Other current assets	*8.6*	75,509	79,140
Cash and cash equivalents	*8.7*	692,010	356,707
Current assets		**888,057**	**537,536**
Total assets		**6,727,007**	**6,513,325**

EQUITY AND LIABILITIES

(in thousands of euros)	Note	30 June 2023	31 Dec. 2022
Share capital		854,724	863,094
Additional paid-in capital		1,646,897	1,825,226
Treasury shares		(2,716)	(2,696)
Other comprehensive income		46,201	50,962
Consolidated retained earnings		765,413	545,755
Consolidated net income		34,863	219,329
Equity attributable to owners		**3,345,382**	**3,501,668**
Non-controlling interests		5,666	5,784
Total equity	**8.8**	**3,351,048**	**3,507,453**
Non-current provisions	*8.9*	8,368	8,523
Non-current financial liabilities	*7.2*	2,508,177	2,534,492
Lease deposits and guarantees		81,236	80,782
Non-current tax and deferred tax liabilities	*10.3 & 10.4*	135,233	141,179
Other non-current liabilities		-	2
Non-current liabilities		**2,733,014**	**2,764,978**
Current financial liabilities	*7.2*	463,612	75,721
Bank facilities	*7.2 & 8.7*	33	20
Current provisions		90	87
Trade payables	*8.10*	18,938	19,721
Payables to suppliers of non-current assets	*8.10*	6,171	12,868
Accrued tax and payroll liabilities	*8.11*	69,835	47,044
Other current liabilities	*8.11*	84,266	85,433
Current liabilities		**642,945**	**240,894**
Total equity and liabilities		**6,727,007**	**6,513,325**

1.3. Consolidated statement of cash flows

(in thousands of euros)	*Note*	First-half 2023	First-half 2022
Consolidated net income		**34,870**	**156,895**
Elimination of income from equity-accounted companies	*8.3*	(1,841)	1,011
Elimination of depreciation, amortisation and provisions		7,694	4,428
Elimination of fair value adjustments	*6.1 & 7.2.1*	73,401	(47,909)
Elimination of capital gains and losses on disposals		(108)	2,888
Other non-cash income and expenses		819	1,145
Cash flow from operations after cost of net debt and tax		**114,835**	**118,458**
Elimination of tax expense (income)	*10.1*	5,229	2,611
Elimination of cost of net debt		30,672	30,201
Cash flow from operations before cost of net debt and tax		**150,736**	**151,270**
Change in operating working capital		(12,717)	26,268
Change in lease deposits and guarantees		105	27
Income tax paid		815	3,432
Net cash from operating activities		**138,939**	**180,997**
Change in payables on non-current assets		(5,264)	(13,120)
Acquisitions of investment properties	*6.1*	(32,036)	(44,973)
Acquisitions of other non-current assets		(2,109)	(15,295)
Change in loans and advances		-	(2,215)
Disposal of investment properties and other non-current assets		94,977	143,662
Dividends received		1,563	1,217
Net cash used in investing activities		**57,131**	**69,276**
Corporate actions	*8.8*	-	(29,500)
Net sale (purchase) of treasury shares		(20,020)	(1)
Issuance of bonds		20,950	-
Increase in bank loans	*7.2*	335,855	-
Loan repayments	*7.2*	-	(55,063)
Change in marketable securities included in other current receivables		-	(155)
Interest paid		(39,809)	(26,590)
Interest received		9,067	653
Dividends and share premiums distributed to shareholders		(166,823)	(143,696)
Net cash from (used in) financing activities		**139,220**	**(254,352)**
Net change in cash and cash equivalents		**335,290**	**(4,079)**
Cash and cash equivalents at start of period		*356,687*	*238,186*
Cash and cash equivalents at end of period	*8.7*	*691,977*	*234,107*

1.4. Consolidated statement of changes in shareholders' equity

(in thousands of euros)	Note	Share capital	Additional paid-in capital	Treasury shares	Other comprehensive income	Consolidated retained earnings	Consolidated net income	Equity attributable to owners	Non-controlling interests	Total equity
Balance at 31 December 2022		**863,094**	**1,825,225**	**(2,696)**	**50,962**	**545,755**	**219,328**	**3,501,668**	**5,784**	**3,507,453**
Corporate actions	*8.8*	(8,370)	(11,630)					**(20,000)**		**(20,000)**
Share-based payments	*13.3.2*	-	-					**-**		**-**
Treasury share transactions	*8.8.3*			(20)		819		**799**		**799**
Dividend paid	*2.3*		(166,698)					**(166,698)**	(125)	**(166,823)**
Appropriation of 2022 net income						219,329	(219,329)			
Net income for the period							**34,863**	**34,863**	**7**	**34,870**
Other comprehensive income reclassified to income					1,484			**1,484**		**1,484**
Change in fair value of other financial assets								**-**		**-**
Change in fair value of hedging instruments					(6,245)			**(6,245)**		**(6,245)**
Actuarial gains and losses on retirement benefits	*13.3.1*				-			**-**		**-**
Other comprehensive income					**(4,761)**			**(4,761)**		**(4,761)**
Other changes						(490)		**(490)**	2	**(488)**
Balance at 30 June 2023		**854,724**	**1,646,897**	**(2,716)**	**46,201**	**765,413**	**34,863**	**3,345,381**	**5,666**	**3,351,048**

The "Corporate actions" line reflects the cancellation of 1,394,980 treasury shares held under the share buyback programme launched on 28 February 2023.

2. SIGNIFICANT EVENTS OF FIRST-HALF 2023

Carmila continued to see good leasing momentum in the first half of 2023, with 417 leases signed in line with portfolio rental values.

Net rental income for first-half 2023 was up 1.6% to €175.0 million, mainly due to organic rental income growth of 3.5%, including a positive indexation effect.

Of the total rent invoiced in the first half of 2023, 94.5% has been collected.

The value of the asset portfolio (including transfer taxes) stood at €6.0 billion at 30 June 2023. Exit capitalisation rates increased over the period, with an overall rate (net potential yield – NPY) of 6.54% at 30 June 2023. On a like-for-like basis, the value of the portfolio fell by 0.6% versus 31 December 2022.

Carmila also optimised its debt in the first half of 2023, as described below in section 2.4.

2.1. Investments

Investments during the period mainly concerned restructuring and renovation and modernisation works on existing French and Spanish assets.

2.2. Disposals

Carmila completed three asset disposals during the period:

- On 12 April 2023, it sold a portfolio of four assets located in Spain, comprising four shopping centres: Los Patios and Alameda in Malaga and Los Barios and Gran Sur in Algerciras. The agreed sale price of the portfolio was €75 million (including transfer taxes), in line with appraisal values at end-2022.
- On 14 April 2023, Carmila sold an asset in Montélimar, France. The agreed sale price was €15 million (including transfer taxes), in line with the appraisal value at end-2022.
- On 19 April 2023, Carmila sold an asset in Tarnos, France. The agreed sale price was €8 million (including transfer taxes), in line with the appraisal value at end-2022.

These transactions form part of the target €200-million asset rotation programme for 2022 and 2023, announced at Carmila's Capital Markets Day in December 2021. Carmila is now targeting a total of €100 million in disposals by the end of 2024, in addition to the €240 million in disposals already carried out.

2.3. Dividend

Acting on a proposal from the Board of Directors, Carmila's Annual General Meeting of 11 May 2023 approved the dividend of €1.17 per share for 2022. This dividend was paid in cash.

The total cash dividend distributed to shareholders represented €167 million and was paid on 17 May 2023.

2.4. Debt and financing

On 17 April 2023, Carmila signed a €276 million secured loan maturing in 2030. This new credit facility took the form of a loan contracted by four subsidiaries of Carmila France (Carmila Nice, Carmila Evreux, Carmila Saran and Carmila Coquelles), and is secured by their assets.

In June 2023, Carmila carried out a €25 million private placement. Accordingly, its outstanding bond debt of €1,961 million at 31 December 2022 rose to €1,986 million at 30 June 2023.

Further to these operations, the average maturity of Carmila's debt was 4.4 years at 30 June 2023 (4.4 years at 31 December 2022), not taking into account the bonds maturing in September 2023 and short-term commercial paper (NEU CP), the redemption of which is fully covered by the Group's cash position.

At 30 June 2023, the Group had eight fixed-rate borrower swaps against three-month Euribor for a notional amount of €585 million. The swap covering the longest term expires in January 2032. This strategy is consistent with the Group's future borrowing plan.

Carmila also has a €100 million cap maturing in January 2026, which it set up in 2022, and two swaption collars for a notional amount of €100 million maturing in 2032. Lastly, Carmila has a collar for a notional amount of €75 million maturing in 2031.

These instruments were contracted with blue-chip banks and hedge the future floating-rate interest payments of the Group's financing (the "highly probable" nature of this financing is demonstrated by the €550 million bank loan and €276 million secured loan).

These hedging instruments are accounted for as cash flow hedges.

3. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements were prepared in accordance with IAS 34 – Interim Financial Reporting, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022, as contained in the Universal Registration Document filed by the Group with the French financial markets authority (*Autorité des marchés financiers* – AMF) on 6 April 2023. The interim consolidated financial statements do, however, include a series of explanatory notes detailing significant transactions and events that allow readers to identify the changes in the Group's financial position and performance since the most recent annual consolidated financial statements.

Unless otherwise stated in the standards and amendments applicable for the first time in the period, the significant accounting policies used to prepare these condensed interim consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2022. Only accounting principles and methods applied to the most significant indicators are described in this document.

These interim financial statements for the six months ended 30 June 2023 were prepared under the responsibility of the Board of Directors, which approved and authorised them for issue on 25 July 2023.

3.1. Presentation of the Group

The corporate purpose of the Carmila Group ("the Group" or "the Carmila Group") is to hold and to enhance the value of shopping centres adjoining Carrefour hypermarkets located in France, Spain and Italy.

At 30 June 2023, the Group employed 228 people, with 143 in France, 66 in Spain and 19 in Italy (not including apprentices). The Group owns a portfolio of 202 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 later in the year six shopping centres 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 SA ("the Company"), which is the Group's parent company, is a real estate investment trust (SIIC) under French law. Its registered office is located at 58, Avenue Émile Zola, 92100 Boulogne-Billancourt in France.

Initially, the company Carmila SAS was incorporated by Carrefour SA on 4 December 2013 for the sole purpose of the operations described above, which took place in 2014. On 12 June 2017, the Company merged with Cardety SA, a listed company in Paris, and was renamed Carmila SA following the merger. Since that date, the Group's consolidated financial statements reflect this reverse acquisition.

3.2. Shareholding, stock market listing and strategic partnership

Carmila's share capital is held by several of its long-term shareholders. At 30 June 2023, its largest shareholder is the Carrefour group, which holds 36.4% of Carmila's share capital and includes Carmila 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 remaining 63.6% of the share capital is mainly owned by long-term investors from major insurance companies or blue-chip financial players, including Predica (9.9% of Carmila's share capital), Cardif Assurance Vie (9.1%) and Sogecap (6.1%).

Carmila SA's shares have been admitted to trading on compartment A of Euronext Paris since 1 January 2018.

3.3. Accounting standards

IFRS standards applied

The Carmila Group's consolidated financial statements at 30 June 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the European Union at 30 June 2023, comprising the IFRS, the International Accounting Standards (IAS), as well as their interpretations (SIC and IFRS IC).

The European Union has adopted the following standards, interpretations and amendments, which are effective from 1 January 2023:

- Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information;
- Amendments to IAS 8 – Definition of Accounting Estimates;
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies;
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

These amendments did not have a material impact on the consolidated financial statements at 30 June 2023.

No standards were adopted by the Group ahead of their effective date.

3.4. Principal estimates and judgements by management

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

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

- **measurement of the fair value of investment property** (see Note 6 "Investment properties"). 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 which have a direct impact on property values;
- **measurement of financial instruments**. The Group measures the fair value of the financial instruments that it uses in accordance with standard models and market practices and with IFRS 13;
- **provisions for contingencies and charges and other provisions related to operations** (see Note 8.9 "Provisions");
- **the assumptions used to calculate and recognise deferred taxes** (see Note 10 "Income tax");
- **the costs of Carmila's CSR commitments** are mainly included in maintenance Capex which is reflected in the fair value of investment property;
- **allowances for trade receivables (see Note 8.5).**

3.5. Other principles applied in presenting the consolidated financial statements

Translation of foreign companies' financial statements

The Group's financial statements are presented in thousands of euros, unless otherwise specified. Rounding differences may give rise to minor differences between statements.

An entity's functional currency is the main currency in which it conducts its business. All entities within the Group's scope of consolidation are in the eurozone and use the euro as their functional currency.

Translation of foreign currency transactions

When a Group entity carries out transactions in a currency other than its functional currency, they are initially translated at the rate prevailing on the date of the transaction. At the end of the reporting period, monetary financial assets and liabilities denominated in foreign currencies are translated into euros at the closing rate of the currency concerned, with any foreign exchange gains or losses taken to income.

Transactions eliminated from the consolidated financial statements

Items recorded on the statement of financial position and income or expenses resulting from intra-Group transactions are eliminated when preparing the consolidated financial statements.

Classification in the statement of financial position

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

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

The Group's normal operating cycle is 12 months.

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

Classification in the statement of income

The Group has opted to present its proportionate share in the earnings of its equity-accounted companies within operating income, as the business of these companies is similar to that of the Group.

4. CONSOLIDATION SCOPE AND METHODS

4.1. Consolidation scope and methods

Consolidation methods

- **Determination of control**

The consolidation method is determined in accordance with the control exercised, as defined by IFRS 10 – Consolidated Financial Statements.

- **Exclusive control: fully consolidated**

Subsidiaries are companies controlled by the Group. An investor controls an entity when it exercises power over the entity's relevant activities, is exposed or entitled to variable returns from its involvement with the entity, and has the ability to use its power to affect the amount of its returns. The Group has power over an entity when its existing rights give it the current ability to direct the relevant activities, i.e., activities that significantly affect the entity's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date of effective transfer of control up until such time as that control ceases to exist.

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

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

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations entail the recognition by each joint operator of the assets over which it has rights, liabilities for which it has obligations, and income and expenses related to its interest in the joint operation. Carmila has no joint operations.
Joint ventures are arrangements whereby the parties (i.e., joint venturers) only have rights over the joint venture's net assets. Joint ventures are accounted for by the equity method.

Significant influence is presumed to exist when the percentage of voting rights held is 20% or more. All equity interests, regardless of the percentage held, are analysed to determine whether the Company exerts a significant influence.

The Group's investments in associates and joint ventures are initially recognised at cost, plus or minus any changes in the percentage of the net assets of the associate after the acquisition. Goodwill related to an associate is included as part of the carrying amount of the investment.

For jointly controlled companies or companies over which the Group has significant influence, the share of income for the period is shown within "Share in net income of associates". On the statement of financial position, these equity investments are presented within "Investments in associates".

The financial statements of associates cover the same period as that of the Group, and are adjusted, where appropriate, to ensure compliance with the Group's accounting policies.

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

Business combinations/acquisitions of assets

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

4.2. Main changes in the scope of consolidation in first-half 2023

The Group did not carry out any company acquisitions, disposals or mergers during the period.

4.3. Description of the 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 50.0% majority.

Property management, marketing and management of the centre are handled by the Group, with administration provided by Grupo Realia. Carmila considers this to be joint control, and the company is therefore consolidated under the equity method.

Magnirayas – France

Carmila holds 20% of the shares and voting rights of French company Magnirayas. The other partners are Batipart and Atland Voisin. Most decisions are adopted by a 50.0% majority. Some decisions require unanimity of the members of the Strategy Committee Unanimous decisions grant protective rights to Carmila without giving it the power to direct or co-direct the relevant activities. This provision does not in any way confer sole control over any decision regarding the relevant activities. Unanimous decisions concern fundamental changes to Magnirayas.

Carmila provides property management and leasing services, while Batipart is responsible for portfolio management. As Carmila considers that this gives it significant influence, the company is therefore accounted for using the equity method.

HDDB Holding – France

Carmila Retail Development (CRD) holds a 30% stake in HDDB Holding. The remainder is held by DMVB Holding. HDDB Holding develops and operates businesses selling electronic cigarettes, e-liquid and e-cigarette accessories.

Based on majority rules (including for key decisions), CRD does not have sole control of the company. However, given its shareholding and involvement in the Management Committee, notably in key decisions regarding relevant activities, it participates in HDDB Holding's financial and operating policy decisions. Accordingly, it exercises significant influence over the company.

5. SEGMENT REPORTING

5.1. Definition of operating segments and indicators used

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

- France;
- Spain;
- Italy.

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

- gross rental income;
- net rental income by operating segment;
- EBITDA.

In order to align the Group's financial communications with segment data used for management reporting purposes, the Group has decided to use EBITDA instead of recurring operating income as a performance indicator from 2023 onwards.

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

- gains and losses on disposals of investment properties;
- any other non-recurring income or expense.

Group EBITDA includes Carmila's share of the EBITDA of its equity-accounted partners.

Overhead expenses for each segment represent the expenses directly incurred by that operating segment. Shared overhead expenses that are borne by the France segment are rebilled to the other operating segments on a pro rata basis depending on the services rendered.

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

Over the two periods presented, no individual tenant represented more than 5% of the Group's gross rental income.

5.2. Operating income by operating segment

	France		Spain		Italy		TOTAL	
(in thousands of euros)	First-half 2023	First-half 2022	First-half 2023	First-half 2022	First-half 2023	First-half 2022	First-half 2023	First-half 2022
Gross rental income	**127,719**	**125,533**	**48,937**	**45,767**	**12,180**	**11,506**	**188,836**	**182,806**
Real estate expenses	(3,289)	(2,623)	(1,626)	(1,601)	(461)	(453)	(5,376)	(4,677)
Non-recoverable service charges	(2,649)	(2,651)	(2,761)	(1,798)	(320)	(213)	(5,730)	(4,662)
Property expenses (landlord)	(2,201)	(2,429)	(673)	1,466	95	(285)	(2,779)	(1,248)
Net rental income	**119,580**	**117,830**	**43,877**	**43,834**	**11,494**	**10,555**	**174,951**	**172,219**
Overhead expenses	(16,098)	(17,032)	(6,406)	(5,669)	(1,296)	(1,208)	(23,800)	(23,909)
Income from property management, administration and other activities	*5,161*	*4,266*	*779*	*649*	*318*	*332*	*6,258*	*5,247*
Other income	*4,765*	*2,231*	*5*	*9*	*24*	*120*	*4,794*	*2,360*
Payroll expenses	*(10,762)*	*(10,216)*	*(2,712)*	*(2,489)*	*(773)*	*(680)*	*(14,247)*	*(13,385)*
Other external expenses	*(15,262)*	*(13,313)*	*(4,478)*	*(3,838)*	*(865)*	*(980)*	*(20,605)*	*(18,131)*
Share in EBITDA of equity-accounted companies	548	-	1,453	1,183			2,001	*1,183*
EBITDA	**104,030**	**100,798**	**38,924**	**39,348**	**10,198**	**9,347**	**153,152**	**149,493**
Additions to depreciation and amortisation of property, plant and equipment and intangible assets, and provisions	(328)	(711)	(142)	677	(6)	(90)	(476)	(124)
Other recurring operating income and expense	(60)	130	(8)	(162)	-	-	(68)	(32)
Gains and losses on disposals of investment properties and equity investments sold	(1,192)	(2,888)	1,300	-	-	-	108	(2,888)
Gains and losses on disposals of property, plant and equipment and intangible assets	-	(206)	-	-	-	-	-	(206)
Change in fair value adjustments	(64,273)	25,132	(7,714)	27,421	(2,191)	122	(74,178)	52,675
Increase in fair value of property	*8,742*	*46,112*	*11,692*	*34,729*	*99*	*1,176*	*20,533*	*82,017*
Decrease in fair value of property	*(73,015)*	*(20,980)*	*(19,406)*	*(7,308)*	*(2,290)*	*(1,054)*	*(94,711)*	*(29,342)*
Share in net income (loss) (excluding EBITDA) of equity-accounted companies	*112*	*(3,211)*	*(259)*	*1,033*	*(14)*	*(17)*	*(161)*	*(2,194)*
Operating income	**38,289**	**119,044**	**32,101**	**68,318**	**7,987**	**9,362**	**78,378**	**196,724**

5.3. Breakdown of investment properties by operating segment

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

(in thousands of euros)	30 June 2023	31 Dec. 2022
Investment properties carried at fair value	**5,657,414**	**5,784,937**
France	4,057,778	4,110,820
Spain	1,259,600	1,332,596
Italy	340,036	341,521
Investment properties carried at cost	**19,859**	**28,509**
France	19,147	27,831
Spain	647	634
Italy	65	44
TOTAL	**5,677,273**	**5,813,446**

At 30 June 2023, in terms of asset value, 71.7% of the Group's investment properties were located in France (compared to 71.1% at 31 December 2022), 22.3% in Spain (compared to 23.0% at 31 December 2022) and 6.0% in Italy (compared to 5.9% at 31 December 2022).

5.4. Breakdown of capital expenditure by operating segment

Spending on investment properties broken down by country is disclosed separately for acquisitions, developments and extensions, and for investments in the portfolio on a like-for-like basis.

	France		Spain		Italy		TOTAL	
(in thousands of euros)	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Acquisitions	224	2,289	1,826	24,287	0	0	2,050	26,576
Like-for-like capital expenditure	23,780	13,800	5,480	3,479	727	1,118	29,987	18,397
Extensions	2,920	1,727	0	0	383	1,097	3,303	2,824
Restructuring	5,279	5,315	0	0	0	0	5,279	5,315
Lease incentives	1,439	3,297	871	2,077	0	0	2,310	5,374
Renovations	4,449	1,889	4,609	580	0	3	9,058	2,472
Maintenance Capex	9,693	1,572	0	822	344	18	10,037	2,412
Total capital expenditure	**24,004**	**16,089**	**7,306**	**27,766**	**727**	**1,118**	**32,037**	**44,973**

The "Acquisitions" caption mainly relates to easement rights for the operation of antennas in Spain (€1.7 million).

"Extensions" concerns downpayments on off-plan sales, mainly Cholet (€1.0 million), Toulouse Purpan (€0.8 million), Vitrolles (€0.7 million) and Anglet (€0.4 million).

"Restructuring" concerns a number of projects, including for the shopping centres at Brest (€0.5 million) as part of the Flunch restructuring project, Paimpol (€0.4 million) as part of the cafeteria restructuring project, Collégien (€0.4 million) as part of the Factory & Co development project, Calais Coquelles (€0.4 million) as part of the division of vacant premises and the restructuring of Primark, and Nevers Marzy (€0.4 million) as part of the Flunch restructuring project.

"Renovations" mainly concern assets in the process of being redeveloped where renovation and modernisation works are being carried out and existing parts of centres are upgraded in order to optimise value creation. This caption includes numerous operations in France and Spain, the most significant of which are Vitrolles (€1.4 million), Albacete (€1.0 million), Montluçon (€0.7 million), Cholet (€0.6 million) and Aljarafe (€0.6 million).

Lastly, "Maintenance Capex" includes several projects, the largest of which are Vitrolles (€0.7 million), Anglet (€0.5 million), Calais Coquelles (€0.4 million) and Labège (€0.4 million). In addition, this item comprises investments designed to meet Carmila's commitments to reduce greenhouse gas emissions. Like-for-like capital expenditure also includes rent relief granted to tenants.

6. INVESTMENT PROPERTIES

Accounting policies

Method adopted: fair value

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

Fair value excludes transfer taxes and costs (taxes are measured on the basis of a direct disposal of the asset, even though these costs may sometimes be reduced if the disposal is performed through a share deal involving the company holding the related asset).

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.

There are no restrictions on the Group's ability to realise its investment property, or to recover income from leasing or selling them.

Cost of investment property – general remarks

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

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

In addition, lease right ownership or commercial rights for common areas for the Specialty Leasing business (leasing of high-footfall shopping centre spaces for short periods of time) are taken into account in the appraisers' valuations, and are therefore included as part of the value of the asset shown in the consolidated financial statements.

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

- restructuring of a site: if compensation is paid in connection with a property renovation project, the compensation is included in the cost price of the work performed;
- replacement of a tenant: if compensation is paid to increase the rent compared to that paid by the previous tenant and thereby increase the asset's value, this expense is included in the cost of the asset. Otherwise, it is booked as an expense.

Cost of investment property under construction

Capitalised expenditure relating to investment properties under construction (including extensions) includes the cost of works, the cost of loans directly attributable to the acquisition, construction or production of the asset, when necessary in order to use the asset, as well as costs related to leasing the retail space for the first time.

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

Investment properties under construction may be measured at fair value. If the fair value cannot be reliably determined, these projects will continue to be valued at cost, until their fair value can be reliably determined. As with the other assets carried at fair value, they are also measured 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 simultaneously met:

- all necessary administrative permits required for the extension 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 (IPUC) on the "Investment properties at fair value" line.

Appraisal method

Fair value is calculated using the measurement rules set out in IFRS 13; given the complexity of property asset valuation and the nature of certain inputs that cannot be observed on the market (including rate of growth in rents, exit capitalisation rate, etc.), the fair values have been categorised as Level 3 of the fair value hierarchy defined by the standard based on the type of inputs used for valuation.

The entire portfolio is reviewed by independent appraisers who are rotated every three years. The fair values used are determined by reference to the opinions of these independent appraisers, who value the Group's assets at the end of every half-year. The assets are inspected during these appraisals. The appraisals 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 (retailer sales).

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

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

- Income capitalisation method

This method applies a yield to the total triple-net revenue.

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 adopted in the property market for a comparable property, and, in particular, reflects the retail space as well as specific factors such as location, access, visibility, retail competition, form of ownership of the centre (full ownership, joint ownership, etc.), rental and extension potential, and recent transactions involving the same type of asset.

From this value, the total net present value of the rentals plus any benefits and incentives granted to tenants, all vacancy costs on empty premises and any other non-recurring costs or works are then deducted.

- Discounted cash flow method

Under this method, a property's discounted value is equal to the total future net revenue available over a given timeframe (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, step rents, 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 10-year yield on French government bonds), increased by property market risk and liquidity premium as well as asset-specific premiums (based on the nature of the property, rental risk and 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 and BNP Paribas Real Estate primarily use the discounted cash flow method, while Catella systematically uses an average of the two methods.

The fees paid to appraisers, agreed prior to their valuation of the properties concerned, are determined on a flat rate basis depending on the number of retail units and complexity of the appraised assets. The fees are entirely independent from the valuation of the assets.

The valuations carried out 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. Reviews of the valuation process occur every six months and involve the investment department and the independent appraisers.

The difference between the fair value determined at the end and beginning of the reporting period plus any works and expenses capitalised in the year is recorded in income.

Property under construction valued at cost is tested for impairment as determined by comparison with the project's recoverable amount. The project's recoverable amount is measured internally by the Development teams, on the basis of an exit capitalisation rate, the expected net rents at the end of the project, and the budgeted development costs. Impairment is recognised if the recoverable amount is less than the carrying amount.

Investment properties valued at cost are tested for impairment at 30 June and 31 December of each year, and whenever there is an indication of a loss in value. When such an indication exists, the revised recoverable amount is compared to the carrying amount and impairment recognised where appropriate.

Leases (lessee accounting)

The Group's leases are accounted for in accordance with IFRS 16 – Leases, taking into account the terms and conditions of the lease contracts and all relevant facts and circumstances.

When a contract is entered into, the Group determines whether it is (or contains) a lease, i.e., whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a property complex is leased, the land and building are analysed separately.

In Carmila's statement of financial position, leases are recognised as a right of use asset with a corresponding lease liability relating to ground leases.

Guaranteed future incoming lease payments are discounted. Assets are depreciated over the same period as property, plant and equipment that the Group owns or over the term of the lease where this is shorter than the useful life of the properties. Lease payments are allocated between financial expenses and repayment of the lease liability.

Investment properties held for sale

Assets for which there is sale commitment or sale mandate whose divestment has been approved by the Investment Committee are presented on a separate line of the statement of financial position at their latest appraisal value, in accordance with the provisions of IFRS 5 – Non-current Assets Held for Sale.

Leases (lessor accounting)

See Note 9.1 "Net rental income".

Gains and losses on disposal

Disposal gains are determined as the difference between the proceeds from the sale and the carrying amount of the property asset at the start of the period, adjusted for investment expenditure over the period.

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

(in thousands of euros)	
Investment properties carried at fair value – 31 Dec. 2021	**5,846,327**
Acquisitions	29,400
Investments	59,362
Disposals and removals from the scope of consolidation	(148,946)
Other movements and reclassifications	(1,661)
Change in accounting method	366
Change in fair value	89
Investment properties carried at fair value – 31 Dec. 2022	**5,784,937**
Acquisitions	2,050
Investments	29,987
Disposals and removals from the scope of consolidation	(94,866)
Other movements and reclassifications	7,324
Application of IFRS 16	2,160
Change in fair value	(74,178)
Investment properties carried at fair value – 30 June 2023	**5,657,414**

(in thousands of euros)	
Investment properties carried at cost – 31 Dec. 2021	**33,213**
Other movements and reclassifications	(4,704)
Investment properties carried at cost – 31 Dec. 2022	**28,509**
Other movements and reclassifications	(8,650)
Investment properties carried at cost – 30 June 2023	**19,859**

6.1.1 Investment properties carried at fair value

"Investments" primarily comprise like-for-like capital expenditure plus restructuring work valued by the appraisers.

"Other movements and reclassifications" shows the net balance of assets brought into service during the period, and the reconciliation of assets carried at cost at 31 December 2022 and now measured at fair value.

"Change in fair value" records gains and losses on the value of assets during the reporting period and recognised in the income statement, based on the valuations made by independent appraisers. Changes in fair value are analysed by country in Note 6.2 "Valuation assumptions and sensitivity analysis".

6.1.2 Investment properties carried at cost

The "Other movements and reclassifications" caption shows the change resulting from properties previously carried at cost and now measured at fair value.

At 30 June 2023, no indication of a loss in value was identified for investment properties valued at cost.

The reconciliation of investments broken down by country (Note 5.4 "Breakdown of capital expenditure by operating segment") with the above data is as follows:

(in thousands of euros)		**30 June 2023**
Investment properties carried at fair value – Acquisitions	*6.1*	2,050
Investment properties carried at cost – Acquisitions	*6.1*	0
Total acquisitions and changes in scope of consolidation		**2,050**
Total acquisitions – Investments by country	*5.4*	**2,050**

(in thousands of euros)		**30 June 2023**
Investment properties carried at fair value – Investments	*6.1*	29,987
Investment properties carried at fair value – Capitalised interest	*6.1*	0
Investment properties carried at cost – Investments	*6.1*	0
Investment properties carried at cost – Capitalised interest	*6.1*	0
Total investments and capitalised interest		**29,987**
Developments	*5.4*	0
Like for like capital expenditure	*5.4*	29,987
Total acquisitions – developments and extensions and like-for-like portfolio	*5.4*	**29,987**

6.2. Valuation assumptions and sensitivity analysis

At 30 June 2023, appraisers reviewed the value of all of the Group's assets carried at fair value.

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

30 June 2023 – Weighted average	**Yield**	**Rent in € per sq.m.[1]**	**Discount rate[2]**	**Exit capitalisation rate[3]**	**CAGR of NRI[4]**
France	6.0%	272	7.0%	6.3%	2.0%
Spain	7.2%	256	10.4%	6.8%	2.0%
Italy	6.6%	329	7.9%	6.6%	2.0%

"Yield" corresponds to the Net Initial Yield.

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

These data represent a slight increase when compared to 31 December 2022.

31 Dec. 2022 – Weighted average	**Yield**	**Rent in € per sq.m.[1]**	**Discount rate[2]**	**Exit capitalisation rate[3]**	**CAGR of NRI[4]**
France	5.8%	268	6.8%	6.1%	2.0%
Spain	7.0%	232	10.1%	6.7%	2.4%
Italy	6.5%	285	8.0%	6.6%	2.0%

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

	France		**Spain**		**Italy**		**TOTAL**	
(in thousands of euros)	**30 June 2023**	**31 Dec. 2022**	**30 June 2023**	**31 Dec. 2022**	**30 June 2023**	**31 Dec. 2022**	**30 June 2023**	**31 Dec. 2022**
Change in fair value adjustments	(64,273)	(12,791)	(7,714)	31,593	(2,191)	(11,924)	(74,178)	6,878
Increase in fair value of property	8,742	48,948	11,692	48,863	99	-	20,533	97,811
Decrease in fair value of property	(73,015)	(61,739)	(19,406)	(17,270)	(2,290)	(11,924)	(94,711)	(90,933)

Based on the value of the assets including estimated transfer taxes and duties, the average yield on the assets rose to 6.54% at 30 June 2023 (versus 6.37% at 31 December 2022).

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 resulting from the decrease in yield) of €132.9 million (2.2%). A 25 basis (point increase in yields would reduce the value of the portfolio by €218.3 million (3.7%). A 50 basis-point increase in yields would reduce the value of the portfolio by €421.0 million (or 7.1%).

6.3. Investment properties held for sale

At 30 June 2023, there were no investment properties held for sale.

7. FINANCING AND FINANCIAL INSTRUMENTS

Accounting policies

Loans and other financial liabilities are carried at amortised cost calculated in accordance with the effective interest rate method.

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

The Carmila Group's hedging policy aims to secure the cash flows it needs based on its financing requirements in euros. IFRS 9 – Financial Instruments, defines three types of hedging relationships:

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

In Carmila's case, all interest rate derivatives in the portfolio are documented as cash flow hedges except for one residual item recognised at fair value with changes in fair value taken to the statement of income.

The use of cash flow hedge accounting has the following consequences: at the end of the reporting period, interest rate derivatives (swaps) are recognised at fair value on the statement of financial position, with any changes in fair value attributable to the effective portion of the hedge recognised directly in other comprehensive income (OCI), and the ineffective portion though the statement of comprehensive income. The amount recognised in "Other comprehensive income" is subsequently recognised in income in a symmetrical manner to the interest hedged.

Carmila uses the dollar offset method for measuring hedge effectiveness.

Method for determining the fair value of financial instruments

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

The values estimated by valuation models are based on the discounted cash flow method for futures contracts and on the Black-Scholes models for options. These models use inputs based on market data (yield curves and exchange rates) obtained from recognised financial-data providers.

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

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

7.1. Net financial expense

7.1.1 Cost of net debt

(In thousands of euros)	First-half 2023	First-half 2022
Financial income	**9,496**	**653**
Interest on Group current account	763	274
Financial income on cash equivalents	4,537	379
Other financial income	4,196	-
Financial expenses	**(40,168)**	**(30,854)**
Interest expense on bonds	(20,723)	(23,330)
Interest expense on bank borrowings	(15,070)	(537)
Capitalised interest expense	-	-
Deferral of costs, bond redemption premiums and swap balancing payments	(3,683)	(4,680)
Interest expense on swaps	(191)	(1,811)
Other interest expense	(501)	(487)
Other financial expenses	-	(9)
Cost of net debt	**(30,672)**	**(30,201)**

The cost of net debt in first-half 2023 was €30.7 million, stable year on year.

Movements in the cost of net debt can be analysed as follows:

- a rise of €14.5 million in interest expense on bank loans due to higher interest rates, four secured loans for a total amount of €276 million set up in April 2023, and the €550 million term loan put in place in July 2022;
- €4.2 million in income from hedging instruments due to the increase in interest rates, which partly offset the rise in interest expense on bank loans (versus an expense of €1.8 million on hedging instruments in first-half 2022);
- a €2.6 million decrease in interest expense on bonds following the redemption of €200.9 million worth of bonds issued in November 2022;
- a €4.7 million increase in interest income on cash investments.

7.1.2 Other financial income and expenses

(in thousands of euros)	First-half 2023	First-half 2022
Other financial income	**778**	**3,037**
Financial income from investments	-	392
Change in value of financial instruments	778	2,645
Other financial expenses	**(8,385)**	**(10,054)**
Commitment fees on undrawn credit lines	(997)	(1,266)
Deferral of resetting EIR at initial rate (IFRS 9)	-	(488)
Change in value of financial instruments	-	(2,312)
Other financial expenses	(7,388)	(5,988)
Other financial income and expenses	**(7,607)**	**(7,017)**

Other financial income and expenses can be analysed as follows:

- Other financial income fell by €2.3 million. In first-half 2022, this item mainly comprised €2.6 million in income related to the unwinding of a swap.
- Changes in credit risk represented income of €0.8 million in first-half 2023, representing an increase of €3.1 million compared with the first half of 2022 (expense of €2.3 million).
- Other financial expenses chiefly relate to:
  - commitment fees for undrawn credit lines amounting to €1.0 million;
  - other financial expenses for €7.4 million, including €7.1 million in financial provisions for impairment of receivables related to equity investments.

7.2. Current and non-current financial liabilities

On 13 July 2022, S&P confirmed Carmila's BBB rating with a "stable" outlook.

At 30 June 2023, the interest coverage ratio was 4.5x, the Loan-to-Value ratio stood at 37.3% and the average debt maturity at 4.4 years. At 31 December 2022, the interest coverage ratio was 4.5x, the Loan-to-Value ratio stood at 35.8% and the average debt maturity at 4.4 years.

7.2.1 Change in debt

(in thousands of euros)	31 Dec. 2022	Change	Issuance	Redemption	Reclassifications	Other movements	Fair value adjustment	30 June 2023
Non-current financial liabilities	**2,500,451**	**1,483**	**290,662**	**2,199**	**(320,695)**	**-**	**(1,484)**	**2,472,616**
Bonds	1,961,200	-	25,000	-	(322,100)		-	1,664,100
Bond issuance premiums	(4,837)	-	(4,050)	935	-	-	-	(7,952)
Bank borrowings	550,000	-	276,000	-	-	-	-	826,000
Impact of resetting effective interest rate	-							-
Loan and bond issuance fees	(9,042)	-	(6,288)	1,264	-	-	-	(14,066)
Derivative instruments with a negative fair value	3,131	1,483	-	-	1,405	-	(1,484)	4,535
Current financial liabilities	**74,221**	**6,995**	**130,000**	**(70,000)**	**320,695**	**-**	**-**	**461,911**
Bonds	-	-	-	-	322,100	-	-	322,100
Bank borrowings		-	-	-		-	-	-
Impact of resetting effective interest rate	-		-		-	-	-	-
Accrued interest on loans	23,783	5,383	-	-	-	-	-	29,166
Other borrowings and debt	50,000	-	130,000	(70,000)	-	-	-	110,000
Derivative instruments with a negative fair value	418	1,599	-	-	(1,405)	-	-	612
Bank facilities	20	13	-	-	-	-	-	33
Other IFRS 16 financial liabilities	**35,561**	**-**	**-**	**(1,080)**	**-**	**2,814**	**-**	**37,295**
Other IFRS 16 financial liabilities – non-current	34,041	-	-	(1,080)	(214)	2,814	-	35,561
Other IFRS 16 financial liabilities – current	1,520			-	214			1,734
Gross debt	**2,610,233**	**8,478**	**420,662**	**(68,881)**	**-**	**2,814**	**(1,484)**	**2,971,822**

7.2.2 Principal Group financing

(in thousands of euros)	Borrower	Currency of issue	Interest rate	Final maturity date	Repayment profile	Amount at inception	Amount drawn at 30 June 2023
Bonds						2,300,000	**1,986,200**
	Carmila SA	EUR	2.375%	September 2023	at maturity	600,000	**322,100**
	Carmila SA	EUR	2.375%	September 2024	at maturity	600,000	**539,100**
	Carmila SA	EUR	2.125%	March 2028	at maturity	350,000	**350,000**
	Carmila SA	EUR	1.890%	November 2031	at maturity	50,000	**50,000**
	Carmila SA	EUR	3.000%	June 2029	at maturity	100,000	**100,000**
	Carmila SA	EUR	1.625%	May 2027	at maturity	300,000	**300,000**
	Carmila SA	EUR	1.625%	March 2029	at maturity	300,000	**325,000**
Bank loans						550,000	**550,000**
	Carmila SA	EUR	3m Euribor +1.8%	July 2028	at maturity	550,000	**550,000**
Secured loan						276,000	**276,000**
	Carmila Saran	EUR	3m Euribor +1.75%	April 2030	at maturity	33,750	**33,750**
	Carmila Evreux	EUR	3m Euribor +1.75%	April 2030	at maturity	53,056	**53,056**
	Carmila Nice	EUR	3m Euribor +1.75%	April 2030	at maturity	78,443	**78,443**
	Carmila Coquelles	EUR	3m Euribor +1.75%	April 2030	at maturity	110,751	**110,751**
						Maximum amount	**Amount drawn at 30 June 2023**
Commercial paper						540,000	**110,000**
	Carmila SA	EUR				540,000	**110,000**
Revolving credit facility						540,000	**0**
	Carmila SA	EUR		Sep-27		540,000	**0**
TOTAL						**4,206,000**	**2,922,200**

7.2.3 Bonds

Carmila has seven bonds, issued in 2015, 2016, 2018, 2019, 2020 and 2021, for a total amount outstanding of €1,986 million. These bonds are redeemable at maturity, falling between 2023 and 2031.

Issuance premiums and costs represented €7,953 thousand and will be amortised over the residual term of the underlying debt.

7.2.4 Bank borrowings

On 21 July 2022, Carmila signed a new €550 million term loan. The loan matures in 2027, with two extension options of one year each. On 26 May 2023, Carmila exercised its option to extend this loan by one year and obtained the agreement of all the lending banks to extend its maturity to 21 July 2028.
On 17 April 2023, Carmila signed a €276 million secured loan maturing in 2030. This new credit line took the form of a loan contracted by four subsidiaries of Carmila France (Carmila Nice, Carmila Evreux, Carmila Saran and Carmila Coquelles), and is secured by their assets.

At 30 June 2023, €14,066 thousand of issuance costs for these loans remain to be amortised over the period of the underlying debt.

7.2.5 Compliance with banking covenants at 30 June 2023

The loan agreement and the revolving credit facilities are subject to compliance with banking covenants measured at the end of each interim and annual reporting period:

- interest coverage ratio: the ratio of EBITDA to the net cost of debt must be greater than 2.00 at the test dates. This ratio was 4.5x at 30 June 2023 (versus 4.5x at 31 December 2022).

- loan-to-value ratio: the ratio of consolidated net debt to the fair value of the investment assets (including transfer taxes) must not exceed 55% on the same date; the ratio may be exceeded for one half-year period. This ratio stands at 37.3% at 30 June 2023 (compared with 35.8% at 31 December 2022).

Failure to comply with these covenants entitles the lenders to demand immediate repayment of their facilities.

Under the loan agreements, Carmila may provide collateral to the extent that the maximum amount of the associated debt does not exceed 20% of the total amount of the fair value of investment properties, whose value must be greater than €2,500 million at all times.

At 30 June 2023, the Group complied with the applicable baking covenants, and does not anticipate any factor that would lead it to breach said covenants in the coming months.

7.2.6 Other financing

The Group also 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 €540 million, registered with the Banque de France on 29 June 2017 and renewed annually.

The outstanding balance at the end of June 2023 was €110 million, maturing in 2023. The maximum outstanding balance drawn over the period was €110 million.

Carmila also arranged a revolving credit facility for €540 million, maturing in October 2027. This facility includes two sustainability criteria designed to support Carmila's strategy to halve its greenhouse gas emissions by 2030 and achieve BREEAM certification for its entire asset portfolio by 2025. Carmila benefits from a lower margin to the extent that these two criteria are met. No drawdowns were made by Carmila on the revolving credit facility during the period.

7.2.7 Breakdown of financial liabilities by maturity

At 30 June 2023, financial liabilities broken down by maturity were as follows:

(in thousands of euros)	30 June 2023	Less than 1 year	2 years	3 years	4 years	5 years and beyond
Bonds	**1,673,621**	**17,831**	**537,000**	**(1,886)**	**(1,863)**	**1,122,540**
Bonds – non-current	1,664,100	-	539,100	-	-	1,125,000
Bond redemption premiums – non-current	(7,952)	(2,207)	(1,447)	(1,274)	(1,261)	(1,762)
Accrued interest	20,880	20,880				
Issuance costs	(3,406)	(842)	(653)	(612)	(602)	(698)
Bank loans	**1,255,726**	**438,237**	**(2,149)**	**(2,149)**	**(1,749)**	**823,535**
Bonds – current	322,100	322,100	-	-	-	-
Bank borrowings – non-current	826,000	-	-	-	-	826,000
Impact of resetting effective interest rate	-				-	-
Issuance costs	(10,660)	(2,149)	(2,149)	(2,149)	(1,749)	(2,465)
Accrued interest	8,286	8,286	-	-	-	-
Bank borrowings – current	-	-				
Other borrowings and debt – current	110,000	110,000	-	-	-	-
Other IFRS 16 financial liabilities	**37,295**	**1,734**	**1,183**	**1,207**	**1,232**	**31,939**
Other IFRS 16 financial liabilities – non-current	35,561		1,183	1,207	1,232	31,939
Other IFRS 16 financial liabilities – current	1,734	1,734				
Bank and bond borrowings	**2,966,643**	**457,802**	**536,035**	**(2,828)**	**(2,380)**	**1,978,014**
Derivative instruments with a negative fair value	5,147	612	612	612	612	2,699
Bank facilities	33	33	-	-	-	-
Gross debt by maturity date	**2,971,823**	**458,447**	**536,647**	**(2,216)**	**(1,768)**	**1,980,713**

Maturities of less than one year are covered by available cash and the revolving credit facility.

Contractual flows including principal and interest can be analysed by maturity as follows:

Year of repayment *(in thousands in euros)*	2023	2024	2025	2026	2027	2028+	TOTAL
Principal	432,100	539,100	-	-	300,000	1,651,000	2,922,200
Interest	77,466	72,383	62,781	62,781	53,055	24,800	353,266
Group total (principal + interest)	**509,566**	**611,483**	**62,781**	**62,781**	**353,055**	**1,675,800**	**3,275,466**

Interest on bank loans was calculated based on three-month Euribor at 30 June (excluding the impact of hedging).

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 customer or debtor fails to meet its contractual obligations. This risk mainly derives from trade receivables, financial investments made in order to invest surplus funds, hedging agreements with financial institutions, and current accounts with partners invested in the Group's minority interests.

In France as in Spain and Italy, trade receivables relate to tenants; none of which represent a significant percentage of the related revenue. On signing a lease, lessees pay security deposits or provide bank guarantees that, on average, represent three months' rent. The Group strives to implement procedures for verifying the creditworthiness of its customers, monitoring credit collection and systematically following up on unpaid receivables.

Cash is only invested in high-quality instruments. No speculative or high-risk investments are made.

Hedging agreements are intended to hedge interest rate risk and are solely 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 debt as it falls due.

Carmila's policy is to ensure that it has sufficient liquid funds to meet its obligations. Liquidity risk is managed in the short term, since cash and financial investments (as well as the committed revolving credit facilities) more than cover current liabilities.

At end-June 2023, Carmila had one revolving credit facility for €540 million. This facility was not drawn down during the period.

7.3.3 Other financial risks

Counterparties, changes in exchange rates, interest rates and the stock market each pose different risks.

As Carmila entrusts its cash investments to blue-chip banks, the Group is not exposed to any specific counterparty risk.

Since Carmila operates entirely within the eurozone, 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).

In order to optimise its hedging, on 13 March 2023, Carmila restructured a swap with a notional amount of €100 million, bringing forward its start date to 2024, maturing in 2029. On 14 March 2023, Carmila entered into a swaption (starting in 2024, maturing in 2032), with a nominal amount of €50 million. On 20 March 2023, Carmila entered into a swaption (starting in 2024, maturing in 2032), with a nominal amount of €50 million. Lastly, on 23 June 2023, Carmila entered into two extendable swaps (starting in 2025, with a final maturity in 2035) with a nominal amount of €50 million each.

At 30 June 2023, Carmila's portfolio of derivative instruments set up with leading banking partners comprised:

- eight fixed-rate borrower swaps at three-month Euribor for a notional amount of €585 million, with the swap covering the longest term expiring in January 2032;
- one cap for a nominal amount of €100 million maturing in 2026;
- one collar for a nominal amount of €75 million maturing in 2031;
- two swaption collars for a nominal amount of €100 million maturing in 2032.

Hedging instruments are accounted for as cash flow hedges. The consequence of this cash flow hedge accounting is that derivative instruments are recognised on the closing statement of financial position at their market value, with any changes in fair value attributable to the effective portion of the hedge recorded in shareholders' equity (OCI) and the ineffective portion taken to income.

The fixed-rate position represented 83% of gross debt at 30 June 2023.

As the Group does not hold any shares in listed companies apart from its own shares it is not exposed to equity risk.

The remaining balance of cash and cash equivalents at 30 June 2023 was €692 million.

8. BREAKDOWN OF OTHER STATEMENT OF FINANCIAL POSITION ITEMS

8.1. Intangible assets

Accounting policies

In accordance with IAS 38 – Intangible Assets and the IFRIC decision of March 2021 on configuration or customisation costs in a cloud computing arrangement, intangible assets with a finite useful life are amortised on a straight-line basis over the periods corresponding to their estimated useful lives. Indefinite lived intangible assets are not amortised. The indeterminate nature of the useful life is reviewed every year. An impairment test is performed on these non-current assets annually (IAS 36) or whenever there is an indication of a loss in value.

After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and impairment.

(in thousands of euros)	31 Dec. 2022	Acquisitions	Additions/ reversals	Changes in scope	Reclassifications/ retirements	30 June 2023
Software	1,722	-	-	-	-	1,722
Other intangible assets	16,500	-	-	-	-	16,500
Intangible assets in progress	44	-	-	-	-	44
Intangible assets – gross value	18,266	-	-	-	-	18,266
Amortisation/impairment of software	(1,491)	-	(39)	-	-	(1,530)
Amortisation/impairment of other non-current intangible assets	(13,140)	-	(141)	-	-	(13,281)
Intangible assets – cumulative amortisation	(14,631)	-	(180)	-	-	(14,811)
Total intangible assets – net	**3,636**	**-**	**(180)**	**-**	**-**	**3,456**

8.2. Property, plant and equipment

Accounting policies

In accordance with IAS 16 – Property, Plant and Equipment, when these assets (including land, buildings, installations and equipment) are not classified as investment properties, they are measured at historical cost less accumulated depreciation and impairment.

Property, plant and equipment under construction are accounted for at cost less any identified impairment

In thousands of euros	31 Dec. 2022	Acquisitions	Additions/ reversals	Application of IFRS 16	Reclassifications/ retirements	30 June 2023
Technical plant, machinery and equipment	267	-	-	-	-	267
Office and computer equipment	612	99	-	-	-	711
Transportation equipment	2,368	-	-	-	-	2,368
Owner-occupied property	3,985	-	-	654	-	4,639
Other property, plant and equipment	146	-	-	-	-	146
Property, plant and equipment – gross value	7,378	99	-	654	-	8,131
Depreciation/impairment of technical plant, machinery and equipment	(209)	-	(13)	-	-	(222)
Depreciation/impairment of office and computer equipment	(522)	-	(13)	-	-	(535)
Depreciation/impairment of transportation equipment	(952)	-	(142)	-	-	(1,094)
Depreciation/impairment of owner-occupied property	(2,656)	-	(219)	-	-	(2,875)
Depreciation/impairment of other property, plant and equipment fixed assets	(63)	-	(3)	-	-	(66)
Property, plant and equipment – cumulative depreciation	(4,402)	-	(390)	-	-	(4,792)
Total property, plant and equipment – net	**2,976**	**99**	**(390)**	**654**	**-**	**3,339**

At 30 June 2023, property, plant and equipment mainly includes fixtures and office equipment for the Group's service centres in France and Spain. No significant acquisitions were made during the period.

8.3. Investments in equity-accounted companies

(in thousands of euros)	31 Dec. 2022	Net income	Distribution	Capital increase	Change in scope of consolidation	Other movements	30 June 2023
Investments in equity-accounted companies	75,548	1,841	(1,562)	-	0	(490)	75,338

At 30 June 2023, this item comprised As Cancelas (Spain), acquired in 2014 and currently in operation; Carmila Thiene (Italy), set up for the purposes of a development project; Magnirayas (France), set up in June 2022; and HDDB Holding since 1 January 2022.

Magnirayas was created in the context of the sale of a portfolio of six assets belonging to Carmila via a joint venture with Batipart and Atland Voisin.

Carmila Retail Development (CRD) holds a 30% stake in HDDB Holding. The rest is held by DMVB Holding. HDDB Holding (Cigusto) develops and operates businesses selling electronic cigarettes, e-liquid and e-cigarette accessories.

8.4. Other non-current assets

Accounting policies

In accordance with IFRS 9 – Financial Instruments, the main financial assets are classified in one of the following three categories:

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

The application of IFRS 9 leads to a redefinition of the methodology for classifying and measuring financial assets, which is now based on:

- the contractual characteristics of cash flows; and
- the business model for managing the assets.

The definition of financial assets used has been extended and now includes loans, advances, current accounts, non-consolidated securities, trade receivables and derivatives with a positive fair value. IFRS 9 also makes a distinction between two categories of financial assets: debt instruments and equity instruments. Depending on the characteristics of the contractual cash flows and business model, the resulting valuation method is different.

The classification is determined by the Group on initial recognition, depending on the type of asset and the purpose for which it was acquired. Sales and purchases of financial assets are recognised at the transaction date, i.e., the date on which the Group purchased or sold the asset. Other long-term investments include minority stakes in young companies developing innovative and promising retail concepts for goods and services.

Loans and receivables are initially carried at fair value and subsequently at amortised cost using the effective interest rate method. For short-term receivables with no specified interest rate, the fair value is taken as the amount on the original invoice. These items are tested for impairment when there is an indication of a loss in value. Impairment is recognised if the carrying amount is higher than the estimated recoverable amount.

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

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

(in thousands of euros)	31 Dec. 2022	Increases	Decreases	Reclassification	30 June 2023
Non-consolidated equity interests	4,386	2,010	-	-	6,396
Security deposits	13,322	354	(5)	-	13,671
Derivative instruments – assets	57,406	-	(3,875)	-	53,531
Other financial assets	1,268	-	-	-	1,268
Other non-current assets – gross value	76,382	2,364	(3,880)	-	74,866
Impairment on other non-current assets	(6,052)	(488)	-	4,961	(1,579)
Other non-current assets – net	**70,330**	**1,876**	**(3,880)**	**4,961**	**73,287**

The increase in non-consolidated equity interests at 30 June 2023 mainly relates to the acquisition of shares and the subscription to Carmila Retail Development convertible bonds.

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

Derivative instruments with a positive fair value correspond mainly to the mark-to-market of swaps, which decreased by €4.4 million over the period due to the increase in interest rates, from a balance of €64.9 million to €60.5 million, of which €49.1 million long term and €11.4 million short term (see Note 8.6).

"Other financial assets" relates to a €1.2 million loan to Magnirayas, recognised using the equity method in Carmila's consolidated financial statements.

The decrease in impairment at 30 June 2023 reflects the reclassification of impairment charged against a current account with a non-consolidated company in which Carmila holds a minority stake.

8.5. Trade receivables

Accounting policies

Trade receivables mainly comprise rent receivable from tenants, front-end fees and any advisory services. In the event of a loss in value, an impairment loss is recognised against the receivables, which takes into account the debtor's capacity to honour its debt and the period for which the receivable is past due. The Group books a provision for 50% of the corresponding receivables when they are over six months and less than one year past due, or for the full amount if the receivables are more than one year past due. A provision is made for the full amount of any past due receivables from tenants for which there is a risk of insolvency. These include tenants undergoing safeguard proceedings, or which are in receivership or liquidation, or any tenant for which a significant credit risk has been identified.

In accordance with IFRIC 21, provisions were recorded for all property taxes owed for 2023 as of 1 January of that year. Simultaneously, an accrual for the share of property taxes rebilled to tenants was recorded as accrued revenue due to the high probability of these lots being rented to tenants throughout the financial year. This has no impact on the annual financial statements.

(in thousands of euros)	**30 June 2023**	**31 Dec. 2022**
Trade receivables – gross value	**180,525**	**165,607**
of which related to leasing activity	*154,096*	*161,467*
of which accrued receivables and receivables unrelated to leasing activity	*26,429*	*4,140*
Allowances for trade receivables	**(59,987)**	**(63,918)**
of which related to leasing activity	(59,521)	(63,403)
of which unrelated to leasing activity	(466)	(515)
Trade receivables – net	**120,538**	**101,689**

There was an €18.8 million year-on-year increase in net trade receivables at 30 June 2023, mainly due to the recognition of accrued receivables for property taxes to be rebilled in France.

(in thousands of euros)	Accounting balance	not yet due	past due	<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 allowance
Spain	17,154	-	17,154	(574)	803	1,350	(286)	997	1,127	13,736	(13,564)
Italy	8,621	5,400	3,221	(82)	204	88	123	127	191	2,570	(3,078)
France	128,321	80,349	47,972	(176)	189	290	6,687	5,022	5,621	30,338	(42,879)
Group total	**154,096**	**85,749**	**68,347**	**(831)**	**1,197**	**1,728**	**6,523**	**6,146**	**6,939**	**46,644**	**(59,521)**

The aged balance does not include accrued receivables or receivables unrelated to the leasing activity.

8.6. Other current assets

(in thousands of euros)	30 June 2023	31 Dec. 2022
Tax receivables	9,961	13,355
Corporate tax receivables	1,364	3,150
Other tax receivables	8,597	10,205
Financial receivables	59,338	54,259
Receivables related to investment properties	48,017	45,027
Derivative instruments – assets	11,321	8,592
Marketable securities – excl. money-market	0	640
Other receivables	18,387	11,969
Receivables from charges rebilled to tenants	11,591	9,488
Other miscellaneous receivables	5,617	1,625
Prepaid expenses	1,179	856
Total other receivables – gross value	**87,686**	**79,583**
Impairment of other receivables	(12,177)	(443)
Other current receivables – net	**75,509**	**79,140**

Financial receivables relating to equity investments mainly comprised the Group's loans to equity-accounted companies (As Cancelas for €8.2 million and Carmila Thiene for €5.1 million), and to advances by Carmila Retail Development to non-controlling interests in which the company has an equity stake for €33.2 million.

Derivative instruments with a positive fair value correspond to the short-term portion (see Note 8.4).

Other receivables rose during the period, mainly as a result of the increase in interest receivable on term deposits (accounting for €3.6 million of the overall rise).

The increase in impairment was due to (i) the reclassification of an impairment loss from non-current to current (see Note 8.4), for €5.0 million, and (ii) the recognition during the period of an impairment loss against a current account with a non-consolidated company in which Carmila holds a minority stake, for €7.1 million (see Note 7.1).

8.7. Net cash

(in thousands of euros)	30 June 2023	31 Dec. 2022
Cash	332,010	81,707
Cash equivalents	360,000	275,000
Cash and cash equivalents	692,010	356,707
Bank facilities	(33)	(20)
Net cash	**691,977**	**356,687**

Cash equivalents of €360 million correspond to term deposits.

The change in the Group's net cash position is detailed in Note 1.3 "Consolidated statement of cash flows".

8.8. Equity

8.8.1 Share capital and premiums on Carmila's capital

(in thousands of euros)	Number of shares	Share capital	Issuance premium	Merger premium
At 1 January 2023	**143,849,042**	863,094	551,768	1,273,457
Dividend – GM of 11 May 2023	-			(166,698)
Cancellation of treasury shares	**(1,394,980)**	(8,370)	(11,630)	
At 30 June 2023	**142,454,062**	**854,724**	**540,138**	**1,106,759**

At 30 June 2023, the share capital was made up of 142,454,062 shares, each with a par value of six euros (€6), fully subscribed and paid up. The share capital comprises 142,309,415 A shares and 144,647 D shares.

Acting on a recommendation from the Board of Directors, Carmila's Annual General Meeting of 11 May 2023 approved the dividend of €1.17 per share for 2022, representing a total payout of €166,698 thousand, deducted in full from the merger premium. This amount was paid in full in cash.

Under the share buyback programme initiated by the Company on 28 February 2023, 1,394,980 shares were bought back and subsequently cancelled on 23 June 2023, further to a decision by the Chair and Chief Executive Officer, acting on the authority of the Board of Directors, resulting in a reduction in the share capital in an amount of €8,369,880.

Carmila SA's shares have been admitted to trading on compartment A of Euronext Paris since 1 January 2018.

8.8.2 Distribution of issuance premiums and capital increases

For more details on the distribution of issuance premiums, see Note 2.3 "Dividend".

For more details on corporate actions, see Note 8.8.1 "Equity" above.

8.8.3 Treasury stock

Treasury stock is deducted from consolidated shareholders' equity at its acquisition cost. Any gains or losses on the sale of treasury stock (together with the related tax effects) are taken directly to shareholders' equity and not to net income for the period. The Company entered into a liquidity agreement following its listing on Euronext Paris. At 30 June 2023, the Company held a total of 176,699 Carmila shares including the shares held as part of the liquidity agreement and the shares held in view of being used in free share plans.

8.8.4 Earnings per share

Earnings per share are calculated by dividing earnings attributable to holders of the Company's ordinary shares (A shares) by the weighted average number of ordinary shares outstanding during the period. Treasury stock is not considered as shares in issue and is therefore deducted from the number of shares used to calculate earnings per share.

Fully diluted earnings per share are determined by adjusting earnings attributable to holders of ordinary shares and the weighted average number of ordinary shares in issue to include the effects of all potentially dilutive financial instruments as well as potential shares, in particular those linked to free share plans.

(in thousands of euros)	First-half 2023
Net income	34,870
Consolidated net income attributable to non-controlling interests	7
Numerator	
Consolidated net income attributable to owners of the parent	**34,863**
Average number of shares outstanding	143,473,746
Average number of preference shares outstanding	144,647
Denominator	
Average number of shares (fully diluted)	**143,618,393**
Earnings per share (in euros)	**0.24**
Diluted earnings per share (in euros)	**0.24**

8.9. Provisions

(in thousands of euros)	31 Dec. 2022	Additions	Reversal	Reclassification	Actuarial adjustments (OCI)	Other movements	30 June 2023
Other provisions for contingencies and charges	8,145	5	(172)	-	-	-	7,978
Provisions for contingencies and charges	8,145	5	(172)	-	-	-	7,978
Provision for pensions and retirement benefits	378	39	(27)	-	-	-	390
Provisions for charges	378	39	(27)	-	-	-	390
Total non-current provisions	**8,523**	**44**	**(199)**	**-**	**-**	**-**	**8,368**

Provisions for contingencies and charges include all disputes and litigation with tenants and any other operating risks. The provisions were reviewed to better understand the facts and circumstances surrounding these disputes (talks in progress with possible renewal, etc.) and possible appeal proceedings (right of withdrawal).

8.10. Trade and payables to suppliers of non-current assets

(in thousands of euros)	30 June 2023	31 Dec. 2022
Fixed asset payables	5,171	11,868
Miscellaneous trade payables	5,354	3,121
Trade payables and accrued invoices	14,584	17,600
Trade and fixed asset payables	**25,109**	**32,589**

Payables to suppliers of non-current assets relate to ongoing or completed restructuring or extension projects. The decrease in this item is due to a decline in ongoing projects.

8.11. Other current liabilities

(in thousands of euros)	30 June 2023	31 Dec. 2022
Accrued tax and payroll liabilities	69,835	47,044
Tax liabilities (excluding corporate income tax)	54,791	33,968
Tax liabilities – corporate income tax	7,659	1,049
Social security liabilities	7,385	12,027
Other liabilities	84,266	85,433
Other miscellaneous liabilities	5,966	9,078
Prepaid income	78,300	76,355
Other current liabilities	**154,101**	**132,477**

The increase in accrued tax and payroll liabilities was mainly attributable to the recognition at 1 January 2023 of the full amount of property tax due, as required by IFRIC 21, whereas this tax is paid in the second half of the year. This recognition of property tax at end-June represented a liability of €21.5 million in France.

The increase in this item also reflects a €6.5 million tax payable related to disposal gains in Spain.

9. BREAKDOWN OF STATEMENT OF INCOME ITEMS

9.1. Net rental income

Accounting policies

Gross rental income

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

Any benefits or incentives granted by a lessor when negotiating or renewing an operating lease should be recognised as an integral part of the consideration agreed for the use of the leased asset, regardless of the nature, form or payment date of those benefits:

- any step rents or rent-free periods granted are recorded by means of a reduction or increase in gross rental income spread over the non-cancellable term of the lease;
- the cost of any work agreed to and undertaken by the lessor on the tenant's behalf as part of the negotiation of a new lease or the renewal of an existing lease is recognised on a straight-line basis over the fixed term of the lease;
- when a lessor terminates a lease prior to the expiry date, eviction compensation is payable to the tenant. When the conditions are met, the compensation is recorded as a non-current asset (see Note 6 "Investment properties");
- transfer compensation, i.e., compensation paid to a tenant in the event of relocation to other premises in the same building, may be spread over the term of the lease, or, if the building is being renovated, be included in the cost price of the asset;
- entry fees received by the lessor are recognised as additional rent. The front-end fee forms part of the net sum exchanged between the lessor and the tenant under the lease. Therefore, the accounting periods during which this net amount is recognised should not be affected by the form of the agreement and payment schedules. These fees are amortised over the initial non-cancellable term of the lease;
- tenants who terminate their leases prior to the contractual expiry date are liable to pay early termination penalties. Such penalties relate to the terminated lease and are recognised as income in the year in which they are received.

Charges rebilled to tenants

Service charge income is recognised as income for the period and corresponds to charges rebilled to tenants.

Real estate expenses

These correspond to property tax expense and the rebilling of this expense.

Non-recoverable service charges

These charges primarily represent charges arising from vacant premises and non-rebillable expenses.

Property expenses (landlord)

These consist of service charges borne by the landlord, expenses related to works, legal costs, costs associated with bad debts, property management costs, temporary rent relief granted exceptionally to tenants in order to support its business as well as one-off commercial and marketing promotional campaigns undertaken on behalf of a tenant.

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

(in thousands of euros)	First-half 2023	First-half 2022
Rent	188,845	182,812
Front-end fees and other indemnities	(9)	(6)
Gross rental income	188,836	182,806
Property tax	(26,913)	(24,894)
Charges rebilled to tenants	21,537	20,217
Real estate expenses	(5,376)	(4,677)
Rental charges	(42,617)	(39,116)
Charges rebilled to tenants	36,887	34,454
Non-recoverable service charges	(5,730)	(4,662)
Management fees	(78)	(7)
Charges rebilled to tenants	-	6
Losses and depreciation of receivables	(245)	9,977
Other expenses	(2,456)	(11,224)
Property expenses (landlord)	(2,779)	(1,248)
Net rental income	**174,951**	**172,219**

9.1.1 Gross rental income and net rental income

Gross rental income	**30 June 2023**		**30 June 2022**
		Year-on-year change	
(in thousands of euros)	**Gross rental income**	Reported	**Gross rental income**
France	127,719	1.7%	125,533
Spain	48,937	6.9%	45,767
Italy	12,180	5.9%	11,506
Total	**188,836**	**3.3%**	**182,806**

Net rental income	30 June 2023			30 June 2022
		Year-on-year change		
	Net rental income	Like for like	Reported	Net rental income
(in thousands of euros)				
France	119,580	5.3%	1.5%	117,830
Spain	43,877	2.5%	0.1%	43,834
Italy	11,494	3.7%	8.9%	10,555
Total	**174,951**	**4.5%**	**1.6%**	**172,219**

Net rental income totalled €175.0 million, up €2.7 million, or 1.6%, in the first half of 2023. This increase is attributable to the factors described below.

The impact of acquisitions and disposals was a negative €5.0 million or 2.9% (sale of the Magnirayas, Tarnos and Montélimar assets in France and four assets in Andalusia in Spain, and acquisition of the Rosaleda shopping centre in Malaga, Spain).

Organic like-for-like growth as adjusted for these impacts came out at €7.7 million, or 4.5%. The share of indexation included in growth at constant scope is a positive 3.7%.

Lease expiry dates

At 30 June 2023, the average lease term was 4.8 years, breaking down as 5 years in France, 5 years in Spain and 2.5 years in Italy.

The table below shows the expiry dates for commercial leases relating to the property portfolio for the 2023-2032 period (data at 30 June 2023):

Lease expiry dates	Number of leases	Lease maturity*	Annualised contractual rent (€m)
Expired 31 December 2022	416		28.5
2023	414	0.2	17.7
2024	558	1.1	32.7
2025	426	2.1	22.1
2026	555	3.1	33.6
2027	638	4.1	45.1
2028	486	5.0	34.9
2029	389	6.1	29.1
2030	564	7.2	40.1
2031	487	8.0	32.3
2032	363	9.1	24.3
Beyond 2032	335	15.0	34.1
Total	**5,631**	**4.8**	**374.6**

* Average remaining lease maturity in years.

9.2. Overhead expenses

(in thousands of euros)	First-half 2023	First-half 2022
Income from property management, administration and other activities	6,258	5,247
Other income from services	4,794	2,360
Payroll expenses	(14,247)	(13,385)
Other external expenses	(20,605)	(18,131)
Overhead expenses	**(23,800)**	**(23,909)**

Overhead expenses remained stable year on year.

9.2.1 Income from property management, administration and other activities

This item totalled €6.3 million in the first half of 2023, an increase of €1.0 million or 19.3% compared to first-half 2022. The year-on-year rise was mainly attributable to management fees for services provided to Magnirayas and for the Andalusian assets portfolio, amounting to €0.5 million.

"Income from property management, administration and other activities" consists of (i) rebilled shopping centre management costs and (ii) technical and marketing fees.

9.2.2 Other income from services

Other income from services was up €2.4 million due to the increase in marketing services rebilled to retailers' associations.

9.2.3 Payroll expenses

Payroll expenses amounted to €14.2 million in the first half of 2023, a €0.9 million (6.4%) rise on first-half 2022, mainly reflecting salary increases.

9.2.4 Other external expenses

Other external expenses represented €20.6 million in first-half 2023, an increase of €2.5 million, or 13.6%. Higher external expenses mainly reflect anticipated marketing costs in the first half due to an increase in the number of projects, and was offset by a rise in rebillings of marketing costs to retailers' associations (see "Other income from services" above).

Excluding payroll expenses, overhead expenses were down by €1.0 million despite higher inflation-related costs, thanks to the overhead cost savings and an increase in marketing costs rebilled to retailers' associations.

9.3. Depreciation, amortisation, provisions and impairment

(in thousands of euros)	First-half 2023	First-half 2022
Additions to depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(637)	(500)
Reversals from/additions to provisions for provisions for contingencies and charges and current assets	161	376
Additions to depreciation/amortisation of property, plant and equipment and intangible assets, and provisions	**(476)**	**(124)**

Depreciation, amortisation and impairment mainly concern software and fixtures and fittings in the Group's office buildings.

Net additions to provisions for contingencies and charges mainly concern property disputes with tenants and impairment charged against current assets.

9.4. Gains and losses on disposals of investment properties and equity investments sold

Gains and losses on disposals of investment properties relate to the disposal of a portfolio of four Spanish assets and two French assets (see Note 2.2).

There were no other significant disposals during the period.

10. INCOME TAX

Accounting policies

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

In France, the Group benefits from the specific SIIC tax regime for French real estate investment trusts.

The Group's subsidiaries in Italy are subject to ordinary taxation in their respective jurisdictions.

Effective 1 January 2020, the Group's Spanish companies are eligible for the SOCIMI tax regime applicable to real estate investment trusts (REITs).

Effective 31 December 2021, Carmila Puerto and Carmila Cordoba opted out of, and therefore are no longer eligible for, the SOCIMI regime.

French tax regime for listed real estate investment firms

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

Characteristics of the regime

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

In exchange for the exemption, these listed real estate investment firms are required to distribute 95% of their rental income, 70% of their capital gains on disposals and 100% of the dividends received from their SIIC subsidiaries.

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

Discounting of the exit tax liability

The exit tax liability is discounted according to its payment schedule. The liability initially recognised in the statement of financial position is discounted, and an interest expense is recorded at the end of each reporting period in other financial expenses, enabling the liability to be reduced to its net present value at the reporting date.

Income tax for companies not subject to the SIIC tax regime

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

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

SOCIMI regime

Real estate income for SOCIMIs is subject to 0% corporate income tax (CIT), provided that the requirements of the SOCIMI regime are met. Unrealised capital gains recognised prior to entry into the SOCIMI regime are fixed and are taxed when the corresponding asset is sold. Capital gains realised after election for the SOCIMI regime are exempt from capital gains tax provided that the distribution criteria are met.

Companies opting for the SOCIMI tax regime are required to make the following minimum distributions:

- 100% of the profits from dividends received;
- 80% of the profits resulting from the leasing of real estate and ancillary activities; and
- 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.

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

Ordinary-law arrangements and deferred tax

Current income tax expense is determined on the basis of tax rules and tax rates enacted or substantively enacted at the reporting date in each country during the period to which the profits relate.

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

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

After being offset against existing tax liabilities, the residual deferred tax assets are recognised if it is probable that the company concerned will have future taxable profits against which these deferred tax assets can be utilised.

Deferred tax assets and liabilities are measured using the liability method at the income tax rate expected to apply to the period in which the asset will be realised or the liability settled, based on tax rules and tax rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities should reflect the tax impact of the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

Deferred tax is calculated at the local tax rates approved at the reporting date. The rates applied at 30 June 2023 are 28% in Italy and 25% in Spain.

In France, the tax rate was 25%. A levy of 3.3% is applicable to the proportion of tax exceeding €763 thousand.

10.1. Income tax expense

(in thousands of euros)	First-half 2023	First-half 2022
Deferred tax	2,352	(2,350)
Withholding tax	-	-
Current tax	(7,581)	(261)
Income tax charge	**(5,229)**	**(2,611)**

The Group's current tax expense was €7.6 million in first-half 2023, mainly comprising tax on the gains on disposal of Spanish assets. This current tax expense was offset by the reversal of deferred tax liabilities and assets that were recognised when the Group opted into the SOCIMI regime.

In addition, deferred tax liabilities were recognised in respect of the change in the tax value of assets in Italy and Spain (as two companies are no longer covered by the SOCIMI regime).

10.2. Tax reconciliation

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

(in thousands of euros)	First-half 2023	First-half 2022
Consolidated net income	34,870	18,845
Income tax benefit (expense)	(5,229)	(2,882)
Share of net income (loss) of equity-accounted companies	1,841	(1,467)
Net income before taxes and excluding equity-accounted companies' net income	38,258	20,260
Standard tax rate applicable to the parent company	25.00%	28.00%
Theoretical income tax (expense) benefit	**(9,565)**	**(5,673)**
Tax exempt income resulting from the SIIC regime	1,539	(1,450)
Tax exempt income resulting from the SOCIMI regime	2,841	6,433
Temporary differences	-	-
Share of expenses on dividends	(27)	(70)
Permanent differences	(500)	861
Taxes other than on income	-	(1,017)
Impact of difference in tax rates	(174)	-
Difference in earnings	1,922	-
Tax loss without deferred tax recognition	(1,265)	(1,964)
Effective tax (expense) benefit	**(5,229)**	**(2,882)**
Effective tax rate	**13.67%**	**14.22%**

10.3. Current tax assets and liabilities

(in thousands of euros)	30 June 2023	31 Dec. 2022
Tax receivables	1,364	3,150
Total tax assets	**1,364**	**3,150**
Tax liabilities – non-current	0	0
Tax liabilities – current	7,658	1,007
Liabilities related to tax consolidation	10	42
Total tax liabilities	**7,668**	**1,049**

Out of the Group's total tax liabilities at 30 June 2023, €6.5 million related to income tax payable in Spain (see Note 10.1) and €1.2 million in France.

10.4. Deferred tax assets and liabilities

(in thousands of euros)	31 Dec. 2022	Profit and loss impact	30 June 2023
Deferred tax assets	9,851	(3,594)	6,257
Deferred tax liabilities	(141,179)	5,946	(135,233)
Net balance of deferred tax	**(131,328)**	**2,352**	**(128,976)**
Breakdown of deferred tax by category			
Properties	(141,179)	5,946	(135,233)
Tax losses	8,935	(3,594)	5,341
Financial instruments	-	-	-
Other items	917	-	917
Net balance of deferred tax	**(131,327)**	**2,352**	**(128,975)**

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 recorded on the statement of financial position. Off-balance sheet commitments may be given or received, or may be reciprocal commitments, and represent risks and rewards which can be useful for assessing the Group's financial position.

Contingent liabilities

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

11.1. Contingent liabilities

At 30 June 2023, there were no material disputes other than those already recognised in the consolidated financial statements.

11.2. Commitments received

COMMITMENTS RECEIVED *(in thousands of euros)*	30 June 2023	31 Dec. 2022
Unused credit facilities	540,000	540,000
Commitments related to Group financing	**540,000**	**540,000**
Bank guarantees received from tenants	21,714	22,213
Commitments related to Group operating activities	**21,714**	**22,213**
Total commitments received	**561,714**	**562,213**

11.2.1 Undrawn committed credit facilities

The Group finances itself through equity and borrowings contracted by the parent company. At 30 June 2023, the Group had one credit facility for €540 million, set up as part of its refinancing programme in October 2021. This facility was not drawn down during the period.

11.2.2 Bank guarantees received from tenants

Within the scope of its business of managing shopping centres, certain leases provide for the lessor to receive a first-demand bank guarantee securing the sums owed by the tenants.

11.3. Commitments given

COMMITMENTS GIVEN *(in thousands of euros)*	30 June 2023	31 Dec. 2022
Compensation payments	1,102	1,102
Commitments to complete works	-	
Asset purchase commitments	47	3,981
Rental guarantees and deposits	1,198	3,572
Commitments related to Group operating activities	**2,348**	**8,655**
Total commitments given	**2,348**	**8,655**

11.3.2 Commitments subject to conditions precedent

Commitments subject to conditions precedent are undertakings to purchase land, assets or securities and earn-out payments for previous acquisitions, some of which are not sufficiently certain to be recognised in the financial statements.

At 30 June 2023, the Group had not signed any purchase commitments.

11.3.3 Works-related commitments

Works-related commitments correspond to works approved by the Investment Committee and/or already under contract, and not recognised on the statement of financial position. At 30 June 2023, there were no works-related commitments.

11.3.4 Rental guarantees and deposits

This item mainly includes guarantees covering the operating premises of the Group and its subsidiaries. Since 2018, it also includes a guarantee given to the tax authorities by the Italian subsidiaries regarding the application of its consolidated VAT regime.

11.3.5 Compensation payments

In the case of unilateral sale commitments, the promisor must pay the seller compensation if it decides not to purchase the property.

11.3.6 Asset purchase commitments

In the course of its business, the Group undertakes to acquire assets off plan.

11.3.7 Secured loans

Collateral pledged as part of the secured loan is €276 million.

11.4. Reciprocal commitments

None.

To the best of our knowledge, we have reported all off-balance sheet commitments that are material or that may become material in the future as determined by applicable accounting standards.

12. RELATED-PARTY TRANSACTIONS

On 1 January 2021, the Carrefour group and Carmila signed agreements regarding functions or services to be performed by Carrefour on Carmila's behalf. The term of these agreements was set at five years, i.e., until 31 December 2025.

Carrefour and Carmila have also signed an agreement for the renovation and development of Carmila's assets.

On 30 June 2022, Carmila finalised the sale of a portfolio of six assets with Batipart and Atland Voisin via a joint venture, Magnirayas, in which Carmila holds a 20% minority stake. This transaction is described in Note 4.3.

Carmila Retail Development (CRD) holds a 30% stake in HDDB Holding. The remainder is held by DMVB Holding. HDDB Holding develops and operates businesses selling electronic cigarettes, e-liquid and e-cigarette accessories. This transaction is described in Note 4.3.

13. COMPENSATION AND EMPLOYEE BENEFITS

13.1. Payroll expenses

See Note 9.2.3.

13.2. Headcount

At 30 June 2023, the Carmila Group had 228 employees, including 143 in France employed by its Almia Management subsidiary, 66 in Spain and 19 in Italy (excluding apprentices).

13.3. Employee benefits

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

13.3.1 Pension plans

At 31 December 2022, the Group applied the following main actuarial assumptions:

- Discount rate: 3.60% (versus 1.10% at 31 December 2021);
- Salary increase rate: 2% (unchanged from 2021).

These assumptions remained unchanged at 30 June 2023.

13.3.2 Share-based payments

Accounting policies

The Group applies the provisions of IFRS 2 – Share-based Payment. The fair value of share-based payment rights allocated to employees is determined at the allocation date, and is recorded within payroll expenses over the vesting period against an increase in shareholders' equity. The amount recognised as an expense is adjusted to reflect the number of rights for which it is estimated that the non-market performance and service conditions will be met. The expense ultimately recognised is based on the actual number of rights that fulfil the non-market performance and service conditions at the vesting date. For share-based payment rights subject to other conditions, fair value as determined at the allocation date reflects these conditions. The difference between the initial estimate and the actual cost does not give rise to any subsequent adjustments.

Under IFRS 2.11, equity instruments allocated must be measured at their fair value at the allocation date using an option pricing model. The Black-Scholes and Monte-Carlo models were used to simulate the fair value of each of the instruments.

The Group has nine free share plans for corporate officers and key employees in France, Spain and Italy. The cost of these plans is recognised over the vesting period (period of employment to be completed by the beneficiaries before they are able to exercise the options allocated).

The plans in effect at 30 June 2023, allocated in 2020, 2021, 2022 and 2023, were as follows:

- In 2020, a new preference share plan was approved in June 2020 and incorporates a service condition as well as criteria relating to the Group's financial performance:
    - one-quarter relates to the overall yield over a three-year period up to end-2022 versus a panel of comparable companies;
    - one-quarter relates to growth in recurring earnings per share over a three-year period;
    - one-quarter relates to the achievement of CSR criteria by end-2022;
    - one-quarter relates to the total shareholder return (TSR) over a three-year period up to end-2022 versus a panel of comparable companies.
- In 2021, a new preference share plan was approved in May 2021 and incorporates a service condition as well as criteria relating to the Group's financial performance:
    - one-quarter relates to the overall yield over a three-year period up to end-2023 versus a panel of comparable companies;
    - one-quarter relates to growth in recurring earnings per share over a three-year period;
    - one-quarter relates to the achievement of CSR criteria by end-2023;
    - one-quarter relates to the total shareholder return (TSR) over a three-year period up to end-2023 versus a panel of comparable companies.
- In 2022, a new preference share plan was approved in May 2022 and incorporates a service condition as well as criteria relating to the Group's financial performance:
    - one-quarter relates to the overall yield over a three-year period up to end-2024 versus a panel of comparable companies;
    - one-quarter relates to growth in recurring earnings per share over a three-year period;
    - one-quarter relates to the achievement of CSR criteria by end-2024;
    - one-quarter relates to the total shareholder return (TSR) over a three-year period up to end-2024 versus a panel of comparable companies.
- A new free share plan was approved in May 2023, again incorporating a service condition as well as criteria relating to the Group's financial performance:
    - one-quarter relates to the overall yield over a three-year period up to end-2025 versus a panel of comparable companies;
    - one-quarter relates to growth in recurring earnings per share over a three-year period;
    - one-quarter relates to the achievement of CSR criteria by end-2024;
    - one-quarter relates to the total shareholder return (TSR) over a three-year period up to end-2025 versus a panel of comparable companies.

The benefits allocated are recognised over the vesting period, as payroll expenses for €983 thousand against a corresponding increase in shareholders' equity of €819 thousand and accrued social security liabilities (20% payroll taxes) for €164 thousand.

14. ADDITIONAL INFORMATION

14.1. Subsequent events

On 12 July 2023, Carmila signed an agreement with the controlling shareholders of Galimmo SCA to acquire 93% of the company's capital. The potential acquisition of Galimmo will be completed simultaneously with the acquisition of Cora France by Carrefour.

The complementarity of Carmila and Galimmo's geographical footprints and their respective track records in asset management are an opportunity to create a unique player in retail real estate in France.

Galimmo's 52 assets, mostly located in the north-east of France, were valued at €688 million at end-December 2022. The aim is to deploy the power of the Carrefour-Carmila ecosystem in this new geographic area.

The total consideration for the acquisition of 100% of the shares of Galimmo would represent €294 million, to be paid in cash by Carmila. The transaction is estimated to increase Carmila's pro forma Loan-to-Value ratio by around 160 basis points.

The potential transaction offers a compelling value proposition to Carmila's shareholders, with an implied net initial yield of 9.8% on Galimmo's portfolio and accretion of both Net Asset Value per share (5% pro forma increase) and recurring EPRA earnings per share (3% to 5% pro forma increase). Estimated annual run-rate synergies amount to €5 million, mostly related to overhead costs (excluding staff costs).

The transaction is expected to close in the summer of 2024 once all related anti-trust and regulatory approvals have been obtained.

Galimmo SCA currently holds a 15% stake in a Belgian entity which owns seven shopping centres in Belgium. Prior to completion of the transaction, Galimmo will sell this stake to the entity's controlling shareholders, together with a current account granted to the Belgian entity, for a total cash consideration of €76 million, thereby reducing its pro forma net debt to around €65 million, with an LTV ratio of 9%.

15. LIST OF CONSOLIDATED COMPANIES

List of consolidated companies Consolidated companies	Country	% interest 30 June 2023	31 Dec. 2022	Change	% control 30 June 2023	31 Dec. 2022	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%	-
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 Retail Development	France	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Vitrolles	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%	-
Next Tower	France	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Nantes	France	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Sartrouville	France	100.00%	100.00%	-	100.00%	100.00%	-
Spain							
Carmila España SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Talavera SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Huelva SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Mallorca SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Carmila Puerto SL	Spain	100.00%	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%	-

List of consolidated companies Equity-accounted companies	Country	% interest 30 June 2023	31 Dec. 2022	Change	% control 30 June 2023	31 Dec. 2022	Change
As Cancelas	Spain	50.00%	50.00%	-	50.00%	50.00%	-
Carmila Thiene SRL	Italy	50.10%	50.10%	-	50.10%	50.10%	-
HDDB Holding	France	30.50%	30.50%	-	30.50%	30.50%	-
Magnirayas	France	20.00%	20.00%	-	20.00%	20.00%	-

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

S.A. au capital de 5 497 100 €
775 726 417 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

Deloitte & Associés
6, place de la Pyramide
92908 Paris La Défense Cedex
France

S.A.S. au capital de 2 188 160 €
572 028 041 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

Carmila

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Statutory Auditors' Review Report on the Half-yearly Financial Information 2023

For the period from January 1st to June 30th, 2023

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Statutory Auditors' Review Report on the Half-yearly Financial Information 2023

For the period from January 1st to June 30th, 2023

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 1st to June 30th, 2023,
- 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. 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.

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II. Specific verification

We have also verified the information presented in the half-yearly management report 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 July 25th, 2023

The Statutory Auditors

KPMG S.A.

French original signed by

Caroline Bruno-Diaz
Partner

Deloitte & Associés

French original signed by

Emmanuel Proudhon
Partner