HALF-YEAR FINANCIAL REPORT

30 JUNE 2019

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1. PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

1.1. Person responsible for the Half-year Financial Report

Alexandre de Palmas, Chairman and CEO of Carmila.

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

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

Alexandre de Palmas

Chairman and CEO of Carmila

2. ASSETS AND VALUATION

2.1. Asset valuation

2.1.1. Appraisals and methodology

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

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

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

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

The appraisers appointed by Carmila are as follows:

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

Comments on the scope

- 28% of the sites in France and 20% of the sites in Spain (in numbers) were rotated between the appraisers Cushman & Wakefield and Catella during the first half of 2019
- assets acquired in 2018 and extensions delivered in 2018 were included in the portfolio at their appraised values
- during the first half of 2019, Carmila did not deliver any extensions or acquire any new shopping centres
- for ongoing extensions (Nice Lingostière and Rennes Cesson) works in progress were recognised in the financial statements as investment properties carried at cost; the value creation above the cost price (IPUC) was recognised.

2.1.2. Geographical segmentation of the portfolio

The valuation of the portfolio (Group share) was €6,377.4 million, including transfer taxes at 30 June 2019, it breaks down as follows:

Gross Asset Value (GAV) Including transfer taxes (ITT) of portfolio	**30/06/19**		
Country	**millions of euros**	**%**	**Number of assets**
France	4 561,1	71,5%	129
Spain	1 462,0	22,9%	78
Italy	354,3	5,6%	8
Total	**6 377,4**	**100%**	**215**

In addition to the fair values determined by the experts for each shopping centre, this valuation includes works in progress, which were valued at €64.4 million at 30 June 2019.

This valuation also includes Carmila's share of investment properties measured at fair value held in the subsidiaries consolidated by the equity method (the As Cancelas shopping centre in Santiago de Compostela in Spain is taken into account at 50%), which represents €67.0 million.

2.1.3. Evolution of asset valuation

GAV ITT of portfolio	**30/06/19**					**31/12/18**	
				Change vs. 31/12/2018			
(in millions of euros)	**GAV ITT (€M)**	**%**	**Number of assets**	**At current scope**	**At constant scope**	**GAV ITT (€M)**	**%**
France	4 561,1	71,5%	129	-0,9%	-1,9%	4 600,3	71,8%
Spain	1 462,0	22,9%	78	0,8%	0,8%	1 449,8	22,6%
Italy	354,3	5,6%	8	-0,1%	-0,1%	354,5	5,5%
Total	**6 377,4**	**100%**	**215**	**-0,4%**	**-1,1%**	**6 404,6**	**100%**

The €27.2 million decrease in the market value, including transfer taxes, of the portfolio during the first half of 2019 breaks down as follows:

- the value of the assets, on a like-for-like basis, decreased by 1.1%, i.e. -€73.3 million. The like for like variation includes shopping centres on a comparable basis, excluding extensions over the period. The impact of the increase in capitalisation rates on valuation (-2.3%) is partially offset by the increase in rents during the half-year (+1.3%);
- other changes are due to extensions: none was delivered in 2019; however, fixed assets and IPUC for projects under construction are recognised within the portfolio. Changes during the first half of 2019 generate an impact of +€46.1 million on the value of company assets;
- no shopping centres were acquired during the first half of 2019.

2.1.4. Changes in capitalisation rates

	NIY		NPY	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
France	5,36%	5,22%	5,70%	5,54%
Spain	6,28%	6,23%	6,47%	6,40%
Italy	6,16%	6,16%	6,16%	6,16%
Total	**5,62%**	**5,50%**	**5,91%**	**5,77%**

NPY has increased (+14 bps) for the overall portfolio; yield decompression is more noticeable in France and remains limited in Spain, Italy remains stable.

In France, the change in NPY is +16 bps between 31 December 2018 and 30 June 2019. This increase is the result of two main factors: the impact of market decompression on capitalisation rates (+22 bps) is offset by the asset management actions (restructuring and delivery of extensions -5 bps). The impact of the market decompression of capitalisation rates on Carmila's portfolio remains contained, appraisers having emphasised its considerable resilience compared to the market, owing to the full and recent renovation of the portfolio, tenants' occupancy cost ratios, and realistic letting values for vacant premises.

In Spain, the change in the NPY is +7 bps between 31 December 2018 and 30 June 2019. This change is due to two main factors: revaluation by the experts of the letting value of vacant premises, thanks to a good performance by the marketing teams since 2014 (+2 bps) and a limited market decompression of capitalisation rates (+5 bps).

Rates remain stable in Italy during the first half of 2019.

The change in the NIY in the three countries is comparable to the change in the NPY.

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

(in millions of euros)	30/06/2019	31/12/2018
GAV ITT	6 377,4	6 404,6
Works in progress	-64,4	-62,6
Valuation of the share of equity-accounted investments	-67,0	-69,2
Transfer taxes and registrations (excluding equity-accounted investments)	-317,3	-319,2
Market value excluding transfer taxes (including IPUC)	**5 928,8**	**5 953,7**
IPUC	-7,3	0,0
Market value excluding transfer taxes (excluding IPUC)	**5 921,5**	**5 953,7**
Fair value of BAC (IFRS 16)	29,4	0,0
Investment properties carried at appraised value (balance sheet)	**5 958,2**	**5 953,7**

2.2. Extension pipeline at 30 June 2019

2.2.1. Developments

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

Pursuant to the Renovation and Development Agreement, extension projects are developed jointly by Carmila and Carrefour. Initially, expansion projects are researched and defined jointly by a partnership committee. Once the pre-rentals of the extension project are deemed satisfactory (approximately 65%), a final project package is submitted to the relevant decision-making bodies of Carmila and Carrefour for approval and the start of work. In order to ensure that the interests of both parties are met, the Renovation and Development Agreement provides that the financing costs and the development margin achieved for each development project will be divided equally (50% each) between Carmila and Carrefour. Once opened to the public, put and call options enable Carmila to purchase the co-developed share owned by Carrefour. The target average yield on investment (expected net rents divided by the total estimated investment amount) for the extension projects is approximately 7% to 8%, or between 6% and 7% for Carmila after sharing the development margin (50% each) with Carrefour.

2.2.2. Development pipeline

The 2019-2024 expansion pipeline at 30 June 2019 encompassed 25 projects representing a total expected investment of €1.4 billion and an average yield on cost of 6.1%[1].

Seven flagship projects represent 79% of the pipeline by value and are based on solid fundamentals:

Nice Lingostière: this shopping centre is adjacent to the third largest Carrefour hypermarket in France, and benefits from an excellent location at the entry to the Vallée du Var.

Montesson: this shopping arcade is adjacent to the second largest Carrefour hypermarket in France and is located in a very dense catchment area with low competition.

Antibes: this centre adjoins the largest Carrefour hypermarket in France and intends to maintain its top position by leveraging its exceptional location along the A8 motorway.

Barcelona – Tarrassa: the structuring hypermarket in the greater Barcelona urban area has strong potential for becoming a regional centre.

Marseille Vitrolles: this centre, acquired by Carmila in 2018, is adjacent to a structuring hypermarket of the greater Marseille area and is a strong competitor for the Plan de Campagne shopping centre, which is in the saturation phase.

Toulouse Labège: this site will benefit from the arrival of the Toulouse metro in 2024 and the presence of a co-leader hypermarket to the south of greater Toulouse.

Vénissieux: the fifth largest Carrefour hypermarket in France is a solid leader south of Lyon. The project will also benefit from the openings of Ikea and Leroy-Merlin, which will contribute to an increase of 5 million visits in annual footfall to the area.

During the first half of 2019, three projects were put on hold: Chambéry, Laon and Tourville in France; while a new project was integrated into the scope: Angoulins in France.

The following table presents the key information on Carmila's expansion projects for the 2019-2024 period:

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

Expansion project	Country	Planned area (sq.m)	Planned opening date (sq.m.)	Estimated cost (1) (€M)	Full year additional rental value (€ million) (2)	Yield(3)	Yield (Carmila share)(4)
2019 Projects							
Bourg-en-Bresse (restructuring)	France	845	H2 2019				
Rennes Cesson	France	6 090	H2 2019				
Coquelles (restructuring)	France	6 000	H2 2019				
Toulouse Purpan	France	1 200	H2 2019				
Total Projects 2019		**14 135**		**64,5**	**1,9**	**6,6%**	**6,6%**
Post-2019 projects							
Nice Lingostière	France	12 791	2020				
Puget-sur-Argens (restructuring)	France	1 513	2020				
León	Spain	5 651	2020				
Burgos	Spain	5 000	2020				
Francheville	France	2 374	2021				
Laval	France	7 565	2021				
Châteauneuf-les-Martigues	France	3 260	2021				
Draguignan	France	1 519	2021				
Vitrolles	France	2 947	2022				
Montesson	France	28 431	2022				
Thionville	France	4 161	2022				
Aix-en-Provence	France	5 978	2022				
Nantes Beaujoire	France	6 200	2022				
Roanne Mably	France	2 788	2022				
Thiene	Italy	9 600	2022				
Tarrassa	Spain	40 000	2022				
Angoulins	France	8 923	2022				
Orléans Place d'Arc	France	10 528	2023				
Antibes	France	35 968	2024				
Toulouse Labège	France	25 231	2024				
Vénissieux	France	42 965	2024				
Total projects post-2019		**263 393**		**1 344,2**	**81,6**	**7,1%**	**6,1%**
Total projects controlled (5)		**277 528**		**1 408,7**	**83,5**	**7,1%**	**6,1%**

(1) Total investment represents Carmila's projected share (50% of the investment) plus Carrefour's share (50% of the investment and 50% of the margin) to be acquired upon delivery
(2) Includes projects for the promotion of extensions excluding restructuring
(3) Expected net annualised rents divided by the total estimated investment amount (excluding restructuring)
(4) Expected net annualised rents, divided by the total amount of the investment, including transfer taxes and Carrefour’s share that is acquired upon delivery (excluding restructuring)
(5) Controlled projects: post-2019 projects for which studies are at a very advanced stage and Carmila controls the land or the building rights, but for which administrative authorisations have not necessarily all been obtained

2.2.3. 2019 Projects

- Bourg-en-Bresse (Eastern France) – Restructuring project of a shopping centre close to the city centre

Carmila moved forward the opening of the restructured centre in Bourg-en-Bresse from 2020 to the second half of 2019. The restructuring notably includes the opening of a Go Sport store, and Joué Club, thereby revitalising this centre which has a solid and recurring customer base.

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

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

- Calais Coquelles (Northern France) – Major restructuring to improve the retail momentum in this historic centre and prime site

In the second half of 2019, Carmila plans to deliver the restructuring of the shopping centre Carrefour Cité Europe, located at Coquelles in the urban district of Calais. In particular, the restructuring will include a Primark store, with a sales area of more than 4,000 sq.m on two levels, a direct connection with the cinema and simplification of the customer circuit, thus completing the transformation and relaunch of the retail momentum of this leading site.

• Toulouse Purpan (South Western France) – Creation of a retail park in the Toulouse Purpan shopping centre

Following a full renovation of the hypermarket, Carmila will extend its offer of the Toulouse Purpan Carrefour shopping centre in the second half of 2019. Located in an urban environment, the shopping complex will accommodate five new brands (catering, leisure and sport) in the form of a retail park covering 3,100 sq.m.

2.2.4. Major building project in progress

• Nice Lingostière (South Eastern France) – Extension project for a landmark leisure complex in France's fifth city

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

2.2.5. Administrative authorisations

Building permits

A building permit is required in order to construct new buildings or to renovate existing buildings where the renovation changes the intended use of the buildings and modifies the supporting structure or the facade, or creates additional floor space of more than twenty square meters.

Seven building permits have been obtained for pipeline projects, two of which during the first half of 2019:

• Bourg-en-Bresse – 4 March 2019 (building permit with all issues solved);

• Purpan – 6 March 2019 (building permit with all issues solved).

Authorisations to operate retail facilities

An authorisation to operate a retail facility is required for the creation of a store or retail complex with retail space of more than 1,000 sq.m. or for an extension of a store or of a retail complex that contains or will contain more than 1,000 sq.m. of retail space. This regulation primarily applies to food stores, retailers, and artisanal services.

Projects requiring construction permits are eligible for a “one-stop shopping” procedure in which the project leader files a single application for both the construction permit and for the authorisation to operate a retail facility.

To date, ten CDAC/CNAC have been obtained for pipeline projects, including two CDAC/CNAC during the first half of 2019:

• Bourg-en Bresse – 24 January 2019;

• Montesson – 13 June 2019:

Carmila plans to open the extension to the Carrefour Montesson shopping centre in 2022. This project will add 90 stores over an additional 28,431 sq.m in this north-western historical centre of the Ile-de-France region.

3. ACTIVITY DURING THE FIRST HALF OF THE YEAR

3.1. Financial statements

3.1.1. Consolidated statement of comprehensive income

(in thousands of euros)	30/06/2019	30/06/2018
Gross rental income	**178 930**	**166 875**
Charges rebilled to tenants	50 533	45 350
Total revenue	**229 463**	**212 225**
Real estate expenses	- 21 417	- 18 746
Rental charges	- 36 685	- 33 461
Property expenses (landlord)	- 4 399	- 5 000
Net rental income	**166 962**	**155 018**
Operating expenses	- 27 548	- 25 300
Income from management, administration and other activities	*2 657*	*1 362*
Other income	*2 391*	*3 553*
Payroll expenses	*- 13 234*	*- 12 629*
Other external expenses	*- 19 362*	*- 17 586*
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	- 833	- 1 496
Other operating income and expenses	- 23	340
Gain (losses) on disposals of investment properties and equity investments	- 443	76
Change in fair value adjustments	- 75 878	61 129
Share in net income of equity-accounted investments	2 557	1 255
Operating income	**64 794**	**191 022**
Financial income	240	201
Financial expense	- 27 968	- 25 503
Cost of net indebtedness	**- 27 728**	**- 25 302**
Other financial income and expenses	2 144	- 5 465
Net financial income/expense	**- 25 584**	**- 30 767**
Income before taxes	**39 210**	**160 255**
Income tax	- 12 181	- 19 977
Consolidated net income	**27 029**	**140 278**
Group share	**26 883**	**140 218**
Noncontrolling interests	**146**	**60**
Average number of shares comprising Carmila's share capital	136 368 528	135 097 155
Earnings per share, in euros (Group share)	0,20	1,04
Diluted average number of shares comprising Carmila's share capital	136 670 637	135 319 043
Diluted earnings per share, in euros (Group share)	**0,20**	**1,04**

Consolidated statement of comprehensive income *(in thousands of euros)*	30/06/2019	30/06/2018
Consolidated net income	**27 029**	**140 278**
Items to be subsequently recycled in net income	- 17 243	- 3 429
Cash-flow Hedges (effective part)	- 17 243	- 2 255
Fair value of other financial assets	-	- 1 174
Related income tax	-	-
Items not to be subsequently recycled in net income	-	-
Re-valuation of the net liabilities under defined-benefit schemes	-	-
Related income tax	-	-
Consolidated net comprehensive income	**9 786**	**136 849**

3.1.2. Consolidated balance sheet

ASSETS

(in thousands of euros)	**30/06/2019**	**31/12/2018**
Intangible fixed assets	4 365	4 556
Property, plant and equipment	4 834	2 062
Investment properties carried at fair value	5 958 224	5 953 655
Investment properties carried at cost	64 404	62 605
Investments in equity-accounted companies	50 640	49 766
Other non-current assets	11 807	11 948
Deferred tax assets	6 982	7 776
Non-current assets	**6 101 256**	**6 092 368**
Investment properties held for sale	-	-
Trade receivables	132 400	123 616
Other current assets	152 798	217 244
Cash and cash equivalents	119 408	70 518
Other current assets	**404 606**	**411 378**
Total assets	**6 505 862**	**6 503 746**

LIABILITIES & SHAREHOLDERS' EQUITY

(in thousands of euros)	**30/06/2019**	**31/12/2018**
Share capital	820 046	819 370
Additional paid-in capital	2 129 312	2 268 204
Treasury shares	- 3 186	- 3 861
Other comprehensive income	- 49 226	- 31 983
Consolidated retained earnings	528 299	431 612
Consolidated net income	26 883	163 557
Shareholder's equity – Group share	**3 452 128**	**3 646 899**
Noncontrolling interests	5 766	5 781
Equity	**3 457 894**	**3 652 680**
Non-current provisions	5 550	5 685
Non-current financial liabilities	2 350 233	2 301 426
Security deposits	76 754	76 454
Non-current tax liabilities and deferred tax liabilities	169 133	159 261
Other non-current liabilities	7 472	7 473
Non-current liabilities	**2 609 142**	**2 550 299**
Current financial liabilities	178 123	82 885
Bank facility	2 023	5 617
Trade and other accounts payable	40 642	28 370
Fixed assets payables	53 701	52 141
Tax and employee-related payables	66 142	44 237
Other current liabilities	98 195	87 517
Current liabilities	**438 826**	**300 767**
Total liabilities and shareholders' equity	**6 505 862**	**6 503 746**

3.1.3. Consolidated Cash Flow statement

(in thousands of euros)	30/06/2019	30/06/2018
Consolidated net income	**27 029**	**140 278**
Elimination of income from equity-accounted investments	-2 557	-1 255
Elimination of depreciation, amortisation and provisions	-392	1 490
Elimination of change in fair value adjustment	76 868	-59 626
Elimination of capital (gain) loss on disposal	443	-28
Other non-cash income and expenses	3 698	-5 239
Cash-flow from operations after cost of net debt and tax	**105 089**	**75 620**
Elimination of tax expense (income)	12 181	19 977
Elimination of cost of net debt	26 032	25 304
Cash-flow from operations before cost of net debt and tax	**143 302**	**120 901**
Change in operating working capital	28 251	22 952
Change in lease deposits and guarantees	492	3 597
Income tax paid	1 430	702
Cash-flow from operating activities	**173 475**	**148 152**
Change in scope of consolidation	-	4 969
Change in fixed assets payables	8 630	- 11 213
Acquisitions of investment properties	-57 381	- 476 369
Acquisitions of other fixed assets	-185	-886
Change in loans and advances	1 449	970
Disposal of investment properties and other fixed assets	743	217
Dividend received	1 684	1 480
Cash-flow from investment activities	**-45 061**	**-480 832**
Share capital increase	0	34 674
Transactions in share capital of equity accounted companies	0	-
Net sale (purchase) of treasury shares	675	206
Issuance of bonds	0	350 000
Issuance of new bank loans	84 235	40 792
Loan repayments	-1 185	-319
Change in short-term investment disclosed in other current receivables	62 356	0
Interest paid	-17 375	-7 162
Interest received	240	201
Dividends and share premiums distributed to shareholders	-204 877	-101 358
Cash-flow from financing activities	**-75 931**	**317 034**
Change in net cash position	**52 484**	**-15 646**

3.1.4. Statement of changes in consolidated equity

in thousands of euros	Share capital	Additional paid-in capital	Treasury shares	Other comprehensive income	Consolidated retained earnings	Consolidated net income	Shareholders' equity Group share	Non controlling interests	Shareholders' equity
Balance at 30 June 2018	819 370	2 268 204	-2 447	-31 366	432 215	140 218	3 626 194	5 892	3 632 086
Share capital transactions	-	-	-	-	-	-	0	-	0
Share-based payments	-	-	-	-	842	-	842	-	842
Treasury shares transactions	-	-	-1 414	-	-	-	-1 414	-	-1 414
Dividend paid	-	-	-	-	-	-	0	-104	-104
Allocation of 2016 income Net income for the year	-	-	-	-	-	-	0	-	0
Gains and losses recorded directly in equity	-	-	-	-	-	23 339	23 339	-7	23 332
Gains and losses recorded directly in equity	-	-	-	-	-	-	-	-	-
Recycling of OCI to income	-	-	-	1 144	-	-	3 004	-	3 004
Change in fair value of other financial assets	-	-	-	0	-	-	-	-	-
Actuarial gains and losses on retirement benefits	-	-	-	-1 867	-	-	7 919	-	7 919
Other comprehensive income	-	-	-	106	-	-	-31	-	-31
Other changes	-	-	-	-617	-	-	10 892	0	10 892
Balance at 31 December 2018	819 370	2 268 204	-3 861	-31 983	431 612	163 557	3 646 899	5 781	3 652 680
Share capital transactions	676	0	-	-	0	-	**676**	-	**676**
Share-based payments	-	-	-	-	114	-	**114**	-	**114**
Treasury shares transactions	-	-	675	-	-	-	**675**	-	**675**
Dividend paid	-	-138 892	-	-	-66 500	-	**-205 392**	-161	**-205 553**
Allocation of 2017 income	-	-	-	-	163 557	-163 557	**0**	-	**0**
Gains and losses recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**26 883**	**26 883**	**146**	**27 029**
Gains and losses recorded directly in equity	-	-	-	-	-	-	**-**	-	**-**
Recycling of OCI to income	-	-	-	964	-	-	**964**	-	**964**
Change in fair value of other financial assets	-	-	-	0	-	-	**0**	-	**0**
Change in fair value of other financial assets	-	-	-	-18 207	-	-	**-18 207**	-	**-18 207**
Actuarial gains and losses on retirement benefits	-	-	-	0	-	**-**	**0**	**-**	**0**
Other comprehensive income	-	**-**	**-**	**-17 243**	**-**	**-**	**-17 243**	**0**	**-17 243**
Other changes	-	-	-	-	-484	-	**-484**	-	**-484**
Balance at 30 June 2019	820 046	2 129 312	-3 186	-49 226	528 299	26 883	3 452 128	5 766	**3 457 895**

3.2. Activity analysis

3.2.1. Economic environment

	GDP growth			Unemployment rate			Inflation		
	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E
France	1,6%	1,3%	1,3%	9,0%	8,7%	8,6%	0,9%	0,7%	1,1%
Italy	0,7%	0,0%	0,6%	10,6%	11,7%	12,3%	0,6%	0,4%	1,0%
Spain	2,6%	2,2%	1,9%	15,3%	13,8%	12,7%	1,0%	1,0%	1,5%
Euro Zone	1,8%	1,2%	1,4%	8,2%	7,9%	7,7%	1,0%	1,0%	1,4%

Gross Domestic Product growth slows down in France in 2019 and is expected to stabilise in 2020. Concurrently, labour market conditions are improving with a decreasing unemployment rate, a trend that should continue in 2020; inflation has slowed until 2019.

In Italy, there is no GDP growth in 2019. It is expected to rebound upwards in 2020. The unemployment rate is on an upward trend in 2019.

GDP growth in Spain has decreased since 2018 but remains higher than in France and Italy. The unemployment rate fell sharply and inflation remains constant into 2019.

3.2.2. Retailer activity

Country	Change in tenants' revenues in 2019 YTD	National benchmark index performance
France	+1.0%	-0.3%*
Spain	+1.4%	+2.0%**
Italy	+0.7%	-2.4%***
Total	**+1.0%**	**N/A**

*CNCC performance index April 2019 YTD

**Instituto nacional de estadística performance index May 2019 YTD

***Consiglio Nazionale dei Centri Commerciali performance index March 2019 YTD

The change in retail tenant sales was calculated over the period from 1 January to 30 June 2019, in comparison with the same period in 2018 and on a like-for-like basis (i.e. for tenants having disclosed sales for each month of the January-June 2018 and January-June 2019 periods).

Retailer sales experienced overall growth in 2019 (+1.0% year to date for all three countries, led by France at +1.0% and Spain at +1.4% and Italy at +0.7%).

This overall growth is due to the net increase in sales in three different sectors: Services saw a significant increase (France +9.0% in YTD, Spain +5.0%, Italy +3.0%), followed by Food and Restaurants (France +0.9%, Italy +2.3%) and Health and Beauty (France +1.0%, Italy +1.4%).

Retailers performances within the closing sector remain stable (-1.2% in France, +2.6% in Spain and stable in Italy). Brands performance are diverse with brands over performing and other underperforming.

3.2.3. Letting activity

Summary

The first half of 2019 was dynamic for Carmila with the signature of 392 commercial leases (letting of vacant premises, letting of extensions and renewals).

211 vacant premises were let in France, Spain and Italy with an annual minimum guaranteed rent of €7,8 million and Carmila signed 28 leases in newly developed projects with an annual minimum guaranteed rent of €2.2 million.

During the first half of 2019, 153 leases were renewed for a minimum guaranteed rent of €6.5

million. The rental reversion uplift on these renewals reaches +6.3%.

(in thousands of euros)	Letting of vacant premises		Letting of extensions		Renewals		
	Number of leases	Annual minimum guaranteed rent	Number of leases	Annual minimum guaranteed rent	Number of leases	Annual minimum guaranteed rent	Reversion
France	116	4 513	28	2 214	56	3 499	7,3%
Spain	79	2 524	-	-	97	3 020	5,2%
Italy	16	763	-	-	-	-	-
Total	**211**	**7 800**	**28**	**2 214**	**153**	**6 519**	**6,3%**

France

Carmila is intensifying its collaborations with key Health and Beauty players such as Optic 2000 (with the future opening in Orange) and Alain Afflelou in five centres. The Body Minute - Nail Minute brand signed to open sites in Stains and Evreux. Moreover, to meet new demand from consumers in terms of size and accessibility of pharmacies, three leases were signed in Rennes Cesson, Brest Iroise and Dinan Quevert (Britany), in addition to the two pharmacies already opened last February in Athis Mons and Nantes Beaujoire.

The major telecom operators are continuing to deploy their latest formats in our centres: Free contracted to open in Antibes and Nice Lingostière, Orange will be present in Labège, and Bouygues in Stains.

For Clothing and accessories, the deployment of dynamic textile brands is continuing in our centres with the Levis lease in Orléans Place d'Arc, Father & Sons in Anglet, and Promod in Nice. Tamaris signed to open in Torcy Collégien, Eden Park in Thionville and Courir and Naf Naf in Rennes Cesson.

The deployment of Sports & Leisure infrastructures has also increased in our centres with the opening of Basic Fit in Echirolles and Vaulx en Velin. In addition, Fitness Park signed to open in Gennevilliers, and Altermove (urban transportation and electric bicycle store) opened in Saran.

Lastly, there was strong leasing momentum in fast food during the half-year: the Italian group La Piadineria opened in Ormesson, as did the restaurant Brut Butcher in Saint Egreve, and the Burger King chain in Toulouse Purpan as part of the project to promote the site. The Wok King restaurant signed a lease in Labège, and Cantine Japonaise in Calais Coquelles. The extension operation in Nice Lingostière facilitated many restaurant leases such as Bagelstein, Toc Toque, Mia Galeteria and le Bistrot Niçois. Columbus Café signed leases in three additional centres in 2019.

Spain

Several Spanish brands specialising in perfumery and cosmetics moved into our centres, such as Aromas in El Paseo, Arenal in As Cancelas and Druni in Huelva, noting that this last site will also host the Koupas Peluqueros hair salon. In addition, the aesthetic medicine clinics Centros Ideal signed leases in three sites.

For Clothing and Accessories, Carmila recorded the signature of clothing distributor Inside in Atalayas and Jerez Norte and Oteros in Penacastillo. Moreover, the renowned women's fashion brand El Vestidor signed at La Veronica to convert from a pop-up store to a long-term lease. Home furnishings also benefited from two important signatures: the Andalusian company for the distribution of home textile products Tramas in Gran Via de Hortaleza and Max Colchon in El Mirador and Granada.

The restaurant offering increased during this first half of the year with the first signatures within Carmila for Manolo Bakes (Spanish franchise specialising in pastries), Delysium in Gran Via

Hortaleza, and La Grosera in Huelva. Lastly, Burger King signed a lease in Badajoz La Granadilla following the site's restructuring project.

Italy

Carmila is strengthening its merchandising mix with the development of dynamic brands that follow the latest trends: the sports brands Aw Lab signed a lease for premises in Thiene; on the Nichelino site, Barber Shop, the bookseller Giunti Al Punto, the telecom provider Antaiphones and the restaurant brand Pizza Go-Go signed on to open in the coming months.

Specialty Leasing and Pop up stores

Gross rental income	**30/06/19**			**30/06/18**			**Change**
(in thousands of euros)	**Specialty leasing**	**Pop up stores**	**Total SL+PUS**	**Specialty leasing**	**Pop up stores**	**Total SL+PUS**	**%**
France	2 448	690	3 138	2 364	660	3 024	3,8%
Spain	2 551	132	2 683	1 030	48	1 078	148,8%
Italy	573	-	573	582	-	582	-1,4%
Total	**5 572**	**822**	**6 394**	**3 975**	**708**	**4 684**	**36,5%**

Specialty Leasing

Specialty leasing is dedicated to sales promotion and advertising that generate additional revenue and empower the shopping centres. It focuses on two segments: leasing floor space in shopping arcades and car parks, and the signature of digital advertising partnership contracts.

Specialty Leasing activity enables Carmila to diversify its offering and develop sales events for clients. Its success is due to a qualitative renewal policy of concepts and a marketing strategy that is adapted to each centre in terms of duration, typology or theme. Each national market has its own specific characteristics in terms of the most profitable concepts: e.g. Spain where the specialty Leasing leaders are Energy and Telecom services, and to a slightly lesser extent Health and Beauty.

As a result of a renegotiation with Carrefour Property Spain, Carmila is entitled to 100% of the Specialty Leasing income since December 2018. Income from Specialty Leasing and Pop up stores increases by 36.5% on the first half year.

The first half of 2019 was marked by an increase in the number and variety of trade shows (e.g. housing, automotive, camping-cars) and roadshows (Pepsi in Alcobendas in Spain; in France, Orange in 14 centres, Prince in 11 centres, Daunat in 5 centres). Specialty Leasing has made it possible to host national and international brands (Tesla in Saran and Bourges, Lindt in Montesson), with theme-based weeks (mountains for Milka in 4 centres, the rediscovery of olfactory senses for Ducros and its 4 days on a journey to discover spices in Montesson), and new leases with qualitative concepts (e.g. on-site jewellery engraving and e-cigarette sales).

Carmila has also successfully extended Specialty Leasing to its centres' access points, thereby welcoming customers by offering them a tasting or a sample (exclusive sampling partnership at the entry points of each centre in France signed between Strada Marketing and Carmila).

Pop up stores

Carmila also leverages the attractiveness of its shopping centres to open temporary stores in premises of between 50 and 3,000 sq.m., for leases ranging from 4 and 34 months. Carmila provides tenants with turnkey solutions, by dealing with the administrative tasks related to store openings and enabling them to focus entirely on their sales activities. Lessees are satisfied with the high service standards provided by Carmila for openings, particularly in Spain as evidenced by the numerous lease renewals following the Christmas period, thereby demonstrating these retailers' desire to move in for a longer-term after a successful initial experience. This specific form of letting, which complements traditional letting, enables Carmila to renew its merchandising mix and pursue opportunistic marketing of vacant spaces by taking advantage of seasonality with limited tenor leases.

Carmila thus attracts national brands (e.g. Honda in Castellon in Spain, Totto, an internationally recognised Colombian brand specialising in suitcases and backpacks in Alcobendas; in France, Oxbow in Bab2) as well as e-retailers and promising new retailers (e.g. CashKorner which is considerably successful with customers of the Bay 2 centre), by enabling them to test their concepts prior to committing to a commercial lease. Carmila has thereby confirmed its leadership in pop-up stores in shopping centres by offering dedicated premises with a high level of services to innovative and differentiating brands. Some stores even attract the interest of the regional press. For example, the opening of Repaire des Sorciers (Harry Potter branded goods) in Labège had a knock-on effect for the entire shopping centre and resulted in a significant increase in footfall.

3.2.4. Structure of leases

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

	At 30/06/2019			At 31/12/2018		
Country	Number of leases	Annualised contractual rent (in millions of euros)	%/Total	Number of leases	Annualised contractual rent (in millions of euros)	%/Total
France	3 531	239,2	66,1%	3 542	236,5	66,0%
Spain	2 402	99,6	27,5%	2 381	99,1	27,6%
Italy	355	22,9	6,3%	356	22,8	6,4%
Total	**6 288**	**361,6**	**100%**	**6 279**	**358,4**	**100%**

Carmila has successfully expanded and diversified its tenant base, with a noticeable increase in Spain (+0.9% of leases under management in 6 months) while France and Italy have maintained stable levels. The amount of annualised rents has also increased (+0.9% in total including +1.1% in France) due to an indexing effect as well as Carmila's ability to generate positive uplifts.

Distribution of contractual rent by business sector on an annualised basis

	At 30/06/2019			At 31/12/2018		
Business sector	Number of leases	Annualised contractual rent (in millions of euros)	%/Total	Number of leases	Annualised contractual rent (in millions of euros)	%/Total
Clothing and accessories	1 497	125,0	34,6%	1 519	125,9	35,1%
Health and Beauty	1 197	64,4	17,8%	1 178	64,1	17,9%
Culture, gifts and leisure	995	65,3	18,1%	965	63,0	17,6%
Food and Restaurants	867	46,9	13,0%	855	46,0	12,8%
Services	1 382	29,2	8,1%	1 402	29,8	8,3%
Household furnishings	291	29,7	8,2%	282	29,1	8,1%
Other	59	1,1	0,3%	78	0,5	0,2%
Total	**6 288**	**361,6**	**100%**	**6 279**	**358,4**	**100%**

The decrease in the proportion of Clothing and Accessories (-0.5%) and Services (-0.2%) among the total number of signed leases has benefited the Culture-Gifts-Leisure (+0.5%) and Food-Restaurants (+0.2%) sectors. These two latter have also experienced significant increases in rents (respectively +3.7% and +2.0%), as well as Household furnishings (+2.1%) and to a lesser extent, Health-Beauty (+0.4%).

Distribution of contractual rent by business sector on an annualised basis

	At 30/06/2019			At 31/12/2018		
Categories	Number of leases	Annualised rent (in millions of euros)	%/Total	Number of leases	Annualised rent (in millions of euros)	%/Total
International brands	2 664	200,7	55,5%	2 671	197,5	55,1%
National brands	2 149	109,1	30,2%	2 144	110,0	30,7%
Local brands	1 475	51,9	14,4%	1 464	50,9	14,2%
Total	**6 288**	**361,6**	**100%**	**6 279**	**358,4**	**100%**

	At 30/06/2019		
Categories	France	Spain	Italy
International brands	56,9%	56,4%	37,2%
National brands	30,0%	26,1%	49,4%
Local brands	13,1%	17,5%	13,5%

The proportion of local brands among leases under management has increased by 0.2 point in six months, whereas the weighting of national brands has dropped by 0.5 point. This is due to Carmila's objective to create closer ties with local customers through better targeted brands as well as the growing importance of pop up stores, for which the selection process prioritises local brands. This trend is particularly noticeable in Spain where around 18% of signed brands are local, compared to roughly 14% in France and in Italy. It should be noted that Italy has a greater appetite for leases with national brands in its centres than the other two countries (49% of the total versus 31% in France and 26% in Spain). This will for a local targeting of shopping centres' customers does not preclude the signature of leases with international flagship brands, whose proportion in total signed leases has also increased by 0.4 point during the half-year.

3.2.5. Financial Occupancy Rate

	Financial Occupancy Rate (excluding strategic vacancies)	
Country	30/06/2019	31/12/2018
France	95,3%	96,0%
Spain	96,5%	96,0%
Italy	97,7%	99,7%
Total	**95,8%**	**96,2%**

At 30 June 2019, the consolidated financial occupancy rate of Carmila's assets is 95.8%, including 95.3% in France, 96.5% in Spain and 97.7% in Italy.

The financial occupancy rate is defined as the ratio between the amount of rent invoiced and the amount of rent that Carmila would collect if its entire portfolio were leased, with the estimated rent for vacant lots being determined on the basis of rental values used by the appraisers. The financial occupancy rate is stated excluding strategic vacancies, which are the vacancies necessary in order to implement renovation, expansion, or restructuring projects within the shopping centres.

The impact of the restatement of strategic vacancies is 127 bps in France, 177 bps in Spain and 48 bps in Italy, which represents a consolidated impact for Carmila of 137 bps at 30 June 2019, slightly lower compared to 31 December 2018, where the consolidated impact was 190 bps. This decrease is primarily due to the delivery of restructuring projects completed by Carmila.

3.3. Corporate Social Responsibility

Carmila is continuing to implement its CSR (Corporate Social Responsibility) policy and its initiatives are based on three priorities: societal commitment, the environmental integration of the centres and employee support.

Carmila is gaining momentum in its societal commitment through the establishment of charitable activities focused on five core principles:

- sustainable development;
- economic and social impact;
- charity and solidarity actions;
- public health;
- access to culture and sport.

To highlight the Carrefour Group's Act for Food strategy, twenty initiatives involving food transition were carried out in our centres in partnership with the Carrefour hypermarkets. In total, 673 CSR operations were organised, i.e. a 49% increase compared to the first half of 2018, thus exceeding the objective of a 10% increase in the number of CSR events. Carmila France notably supported the 34th collection campaign for the Restaurants du Cœur by providing space and communication regarding the centres, thus making it possible to collect 100 tons of food.

Carmila is attentive to its tenant relations. Accordingly, it completed its first tenant satisfaction survey with the goal of improving communication and offering additional services. The survey had an 80% return rate and retailers rated their satisfaction with Carmila at 7.1/10.

Carmila's environmental strategy pays particular attention to the sites' environmental certification. During the first half of 2019, 13 shopping centres received a BREEAM certification, 3 in BREEAM New Construction and 10 in BREEAM In-Use. During the first half of the year, an active BREEAM In-Use certification campaign was launched in partnership with Longevity in order to meet the objective of achieving certification for 75% of our assets by value by 2021.

Carmila continued its social strategy in collaboration with the Human Resources department and initiated an analysis of gender parity in anticipation of the equality index. An action plan will be established in the second half of the year. Finally, according to the results of the annual survey, 94% of employees are proud to work for Carmila.

3.4. Digital marketing

For the last five years, Carmila has implemented a distributed marketing strategy that provides digital best-in-class marketing tools to the management team of each shopping centre.

Distributed marketing transforms each centre into a precision local media outlet thanks to the collaboration of the marketing and digital experts who create the tools and define best practices, and the experts from the catchment areas who make daily use of tools for their centres.

All retailers hosted by Carmila benefit from this knowledge within the framework of the "*Kiosque*": support for an operation, passing on a commercial offer, highlighting an important moment, etc. These actions are performed by the Carmila teams on a daily basis and are made available to retailers.

Since the beginning of 2019, over 780 "Kiosque" operations have been conducted each month. Retailers at Carmila who were the beneficiaries of an operation every month outperformed their network revenue increase by 7.8 points.

Carmila's marketing teams and those of national brands such as Jeff de Bruges, Histoire d'Or, Kiko, la Barbe de Papa, etc. have also developed multi-local partnerships for their important sales periods.

Accordingly, for the crucial Easter period, Jeff de Bruges and Carmila rolled out an action plan combining in-mall events, videos on social media and digital drive-to-store media coverage. The retailers who were supported by Carmila's marketing achieved sales increase that outperformed the chocolate maker's national network by 8 points.

These performances are due to the skilful use of digital levers that can be locally activated by the directors of the centres for the benefit of the retailers:

- a customer database is geo-located within the centres' catchment area. It is updated daily through the in-mall systems that make it possible to characterise the customers who are present in our centres. Game terminals are used to collect the data and provide a differentiating experience to our customers. Since the beginning of the year, nearly 600,000 players have registered on these terminals. In total, 2.64 million contact points (+35% compared to H2 2018) can be activated to address local content;
- a mobile-first internet site that is locally managed. Created as an additional showcase for retailers, it provides an accurate picture of what is going on at the centre for customers of the catchment area. Traffic has increased significantly since its creation in 2014 (+20% compared to H1 2018);
- an informative and up to date "My business" Google page. Such pages have appeared on Google over 35 million times (x4 versus H1 2018);
- differentiating brand content to allow the centres' voices to emerge on social media with non-promotional content: Snack Content, online game competitions, vox pops, web series, retailer profiles, etc. This content helps to foster engagement with the local community, as well as the preference and drive-to-store of consumers. During the first half of 2019, 40 million people were exposed to local and multi-local Facebook posts (+60% compared to H1 2018) and 20 local micro-influencers (+300% compared to December 2018) post on current events involving the centre and its retailers within their communities.

Carmila's digital drive-to-store marketing expertise is acknowledged by Google and Facebook, which offer Carmila the opportunity to pre-test their new features. Since early 2019, Carmila is thus first in France to be able to beta-test the latest Google Automated Bidding Artificial Intelligence innovations that make it possible to optimise marketing campaigns to generate in-person visits to sales outlets.

Beginning early 2018, Carmila established the "Smart Shopping Conference" in order to share this dynamic with its retailers. These shows provide opportunities for sharing best practices and innovations in digital drive-to-store marketing between retailers and digital experts.

The establishment of nimble distributed marketing based on local digital marketing solutions benefiting retailers strengthens Carmila's BtoBtoC strategy on a daily basis.

3.5. Business development

Innovation lies at the very core of Carmila's projects and is reflected in the highlight of employee initiatives as well as in business development activities. Accordingly, Carmila launched Carmila Ventures dedicated to supporting the development of promising new concepts. Carmila enables a quicker development of talented and dynamic entrepreneurs who wish to move into its centres. These include the hairstylist-barber La Barbe de Papa, the shoemaker Indémodable, the Cigusto e-cigarette retailer, and the aesthetic clinics Centros Ideal in Spain.

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

Finally, through its Lou 5G subsidiary, Carmila provides land for antenna. Lou 5G owns land on which telecom companies can install antennas under a lease agreement.

Lou 5G plans to have 34 leases signed by the end of 2019 with three of the four national telecom operators. Carmila is therefore playing a role within the national goal of reducing the digital fracture by pairing up with the governmental objectives of blackspot coverage, 4G improvement, and preparing for the arrival of 5G.

3.6. Comments on the half year income

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

Gross rental income

Gross rental income	**30/06/2019**		**30/06/2018**
		Change vs. 30/06/2018	
(in thousands of euros)	**Gross rental income**	Current scope	**Gross rental income**
France	120 042	3,3%	116 196
Spain	46 854	21,0%	38 728
Italy	12 034	0,7%	11 951
Total	**178 930**	**7,2%**	**166 875**

Growth in gross rental income reached 7.2% during the first half of 2019.

Net rental income

Net rental income	**30/06/2019**			**30/06/2018**
		Change vs. 30/06/2018		
(in thousands of euros)	**Net rental income**	Comparable scope	Current scope	**Net rental income**
France	112 428	2,3%	3,2%	108 992
Spain	43 304	5,4%	23,1%	35 172
Italy	11 230	3,3%	3,5%	10 854
Total	**166 962**	**3,1%**	**7,7%**	**155 018**

Growth in net rental income totalled €11.9 million, i.e. +7.7% during the first half of 2019. Growth in net rental income is higher than that in gross rental income due to the dynamic management of unrecoverable expenses.

This increase splits as follows:

Like-for-like growth represents €4.8 million or +3.1% during the first half year. It is calculated on net rental income during the first half of 2019[2]. Growth generated by the extension delivered in 2018 (no extensions were delivered during the first half of 2019), by acquisitions of new shopping centres in 2018 (no shopping centres were acquired in 2019), and by other effects (effect of strategic vacancies in particular) is excluded from like-for-like growth. The share of indexation in like-for-like growth is 1.5% and the impact of the first application of IFRS 16 in 2019 is +0.5% (also included in like-for-like growth). The like-for-like basis represents 87% of the overall scope for the first half of 2019.

Growth generated by the extensions was €2.4 million, or +1.5%. The extensions delivered in 2018 that generated this growth are: Athis-Mons, Besançon Chalezeule, Evreux Phase 2 and Saran.

Growth generated by the acquisitions amounts to €5.7 million, or +3.7%. Acquisitions completed in 2018 are Marseille Vitrolles, Gran Via de Hortaleza, Antequera and the Pradera portfolio. The disposal of Grugliasco was also taken into account under this item.

Growth generated by the other effects was -€0.9 million, or -0.6%. These other effects notably include the impact of strategic vacancies, that allow for restructuring and extension operations.

Like-for-like change per country

[2] According to EPRA Best Practices

In France, growth in rental income on a like-for-like basis stands at +2.3%. It includes the effect of rent indexation of 1.7%. Reversion on renewals and income growth from temporary stores and Specialty Leasing offset the slight decrease in financial occupancy rate for the period.

In Spain, growth in rental income on a like-for-like basis is +5.4%. It includes the effect of rent indexation of 1.1%. The financial occupancy rate in Spain continued to improve in 2019 and is a significant growth driver on a like-for-like basis. The reversion on renewals, the increase in revenue from pop up stores and speciality leasing also contributed to this growth.

In Italy, growth in rental income on a like-for-like basis is +3.3%; rent indexation included in like-for-like growth is 0.6%. The good performance of trade receivables turned out to be the main growth driver on a like-for-like basis during this half-year, the financial occupancy rate in Italy being near 100%.

3.6.2. Operating expenses

Operating expenses *(in thousands of euros)*	**30/06/2019**	**30/06/2018**
Income from management, administration and other activities	2 657	1 362
Other income	2 391	3 553
Payroll expenses	-13 234	-12 629
Other external expenses	- 19 362	- 17 586
Operating expenses	**-27 548**	**-25 300**

Operating expenses are up by 8.8% at 30 June 2019 compared to the preceding half-year. This €2.2 million increase is partially due to non linear expenses during the first half and the increase in costs associated with scope effects and indexation. On an yearly basis, operating expenses should remain stable compared to 2018 ranging from 50 to 52 million euros.

Income from management, administration, other activities and other services

This income includes new lease commission, marketing fund services dedicated to the development of the attractiveness of the centres (retailers' associations), the re-billing to the Carrefour Group of the share of payroll expenses for shopping centre management and various re-billings by real estate companies to co-owners association.

Payroll expenses

Payroll expenses amounted to €13.2 million at 30 June 2019; the increase takes into account the growth in the average number of employees compared to last year. Carmila has established bonus share-based payment plans for executives and some employees. Related benefits are recognised as payroll expenses.

Other external expenses

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

3.6.3. EBITDA

EBITDA *(in thousands of euros)*	30/06/2019	31/12/2018
Operating income	**64 794**	**274 971**
Elimination of change in fair value	75 878	- 13 589
Elimination of change in fair value in the Group share of companies consolidated under the equity method	- 1 272	- 1 225
Elimination of capital (gains)/losses	443	1 796
Depreciation of tangible and intangible assets	917	2 394
Adjustments for non-recurring items		-
EBITDA	**140 760**	**264 347**

EBITDA stands at €140.8 million at 30 June 2019, up by 8.0% compared to the preceding half-year. EBITDA growth is higher than gross rental income growth, bearing witness to the sound management of operating expenses and unrecoverable expenses by the Carmila teams.

3.6.4. Net financial income/expense

Financial expenses *(in thousands of euros)*	30/06/2019	30/06/2018
Financial income	240	203
Financial expense	- 27 968	- 25 505
Cost of net indebtedness	**-27 728**	**-25 302**
Other financial income and expenses	2 144	- 5 465
Net financial income/expense	**-25 584**	**-30 767**

Net financial income (expense) is an expense of €25.6 million at 30 June 2019.

Cost of net indebtedness was €27.7 million at 30 June 2019, up by €2.4 million compared to 30 June 2018; the greater part of this increase is due to the interest paid on the bond issued in March 2018.

Other financial income and expenses for the first half of 2019 show a strong favourable variation. This is due to depreciation charges on short term investments which was recorded for 2.1 million euros in 2018 and reversed for 1.2 million in the first half of 2019. This amount also includes the non-cash effect in connection with the application of IFRS 9; in particular the extension of the maturity of the bank debt for one year which resulted in a favourable effect of 2.4 million euros on the first half year.

3.7. EPRA performance indicators

3.7.1. EPRA earnings and recurring earnings

EPRA EARNINGS *(in thousands of euros)*	30/06/2019	30/06/2018
Consolidated net income (Group share)	**26 883**	**140 278**
Adjustments to EPRA earnings	**84 760**	**- 36 904**
(i) Changes in value of investment properties, development properties held for investment and other interests	75 878	- 61 129
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	443	- 28
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	-	-
(iv) Tax on profits or losses on disposals	-	-
(v) Negative goodwill / goodwill impairment	-	-
(vi) Changes in fair value of financial instruments and associated close-out costs	- 169	3 217
(vii) Acquisition costs for share deal acquisitions	-	-
(viii) Deferred tax in respect of EPRA adjustments	9 880	18 773
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	- 1 272	-
(x) Non-controlling interests in respect of the above	-	-
(y) Other adjustments		2 263
EPRA earnings	**111 643**	**103 374**
Average number of shares	136 670 637	135 319 043
EPRA earnings per share	**0,82**	**0,75**
Other adjustments	**17**	**700**
IFRS 9 adjustments(1)	- 2 395	1 975
Debt issuance costs paid offset by the reversal of amortised debt issuance costs (2)	1 495	- 125
Other non-recurring expenses(3)	917	- 1 150
Recurring Earnings	**111 660**	**104 074**
Recurring earnings per share	**0,82**	**0,77**

Recurring earnings stand at 111.7 million euros up by 7.3% over the half-year and up by 6.2% in earnings per share growth.

Comments on the other adjustments

(1) As part of the application of IFRS 9, an expense is recognised to adjust the effective interest rate of the debt to the original interest rate at inception, conversely income is recognised over the residual duration of this debt to reflect the renegotiation of the debt maturity. The net impact of these two effects is an income of €2.4 million at 30 June 2019.

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

(3) Other non-recurring expenses at 30 June 2019 comprise depreciation and amortisation and provisions on intangible assets and on property, plant and equipment.

(4) Other adjustments (y) are reclassifications below the Net ERPA Earnings in 2019 to comply with the EPRA Best Practice Recommendations

3.7.2. EPRA Cost Ratio

EPRA cost ratio *(in millions of euros)*		**30/06/2019**	**31/12/2018**
(i)	Administrative/operating expense line per IFRS income statement	40,4	73,7
	Payroll expenses	36,0	62,1
	Property expenses	4,4	11,7
(ii)	Net rental expenses	4,1	11,1
(iii)	Management costs net of profit	-5,0	-4,6
(iv)	Other income covering administrative costs	0,0	-6,6
(v)	Share of costs of equity-accounted companies	0,5	1,1
(vi)	Impairment of investment properties and provisions included in property expenses	-1,3	-1,5
(vii)	Rental costs included in the gross rent	-1,0	-2,1
	EPRA costs (vacancy costs included)	**37,7**	**71,0**
(viii)	Costs of direct vacancies	3,8	7,4
	EPRA costs (vacancy costs excluded)	**34,0**	**63,6**
(ix)	Gross rent less ground rents	178,9	336,4
(x)	Less: expenses and costs included in the gross rent	-1,0	-2,1
(xi)	Add: share of joint ventures (Gross Rental Income less ground rents)	2,3	4,6
	Gross rental income	180,3	338,9
	EPRA cost ratio (vacancies included)	**20,9%**	**21,0%**
	EPRA cost ratio (vacancies excluded)	**18,8%**	**18,8%**

The EPRA Cost Ratio decreased during the first half of 2019 in comparison to December 2018 (-10 bps over the period).

3.7.3. Going concern NAV, EPRA NAV and EPRA NNNAV

Going concern NAV

Going concern NAV (including transfer taxes) *(in thousands of euros)*	**30/06/2019**	**31/12/2018**
Consolidated shareholders' equity - Group share	**3 452 128**	**3 646 899**
Elimination of the fair value of hedging instruments	36 979	18 746
Reversal of the deferred income tax on potential capital gains	164 564	154 419
Transfer taxes	317 288	320 994
Going concern NAV (including transfer taxes)	**3 970 960**	**4 141 058**
Fully diluted number of shares comprising the share capital at period end	136 670 637	136 538 931
Going concern NAV per diluted share at end of period (in euros)	**29,05**	**30,33**

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

At 30 June 2019, the going concern NAV per share was €29.05, down by -4.3% in comparison to 31 December 2018 (The dividend amounting to €1.5 per share was paid in May 2019).

EPRA NAV

EPRA NAV *(in thousands of euros)*	30/06/2019	31/12/2018
Consolidated shareholders' equity - Group share	**3 452 128**	**3 646 899**
Elimination of the fair value of hedging instruments	36 979	18 746
Reversal of the deferred income tax on potential capital gains	164 564	154 419
Optimisation of transfer taxes	55 266	56 065
EPRA NAV (excluding transfer taxes)	**3 708 937**	**3 876 129**
Fully diluted number of shares comprising the share capital at period end	136 670 637	136 538 931
EPRA NAV (excl. transfer taxes) per fully diluted outstanding share (in euros)	**27,14**	**28,39**

The EPRA NAV (Net Asset Value) is an indicator of the fair value of a property company's assets. EPRA NAV is calculated by taking consolidated shareholders' equity Group share (corresponding to net consolidated assets) which, stated at fair value, includes unrealised capital gains or losses on the assets. With a view to continuing operations, this indicator does not deduce the deferred tax on unrealised capital gains as well as the adjustment of fair value of financial instruments.

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

At 30 June 2019, the EPRA NAV per share was €27.14, down by -3.1% in comparison to 31 December 2018. Restated to take into account the €1,5 per share dividend paid in May 2019, the EPRA NAV per share increases by €0.25 i.e. 0.9% over the semester.

NNNAV EPRA

Triple net asset value (NNNAV EPRA) *(in thousands of euros)*	30/06/2019	31/12/2018
EPRA NAV	**3 708 937**	**3 876 129**
Fair value adjustments of hedging instruments	- 36 979	- 18 746
Fair value adjustments of fixed rate debt	- 85 149	- 38 473
Actual taxes on unrealised capital gains/losses	- 92 273	- 113 771
Triple net asset value (NNNAV EPRA)	**3 494 536**	**3 705 139**
Fully diluted number of shares comprising the share capital at period end	136 670 637	136 538 931
Triple Net NAV (NNNAV EPRA) per fully diluted outstanding share (in euros)	**25,57**	**27,14**

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

At 30 June 2019, the NNNAV EPRA per share was €25.57, down by -5.8% in comparison to 31 December 2018 (The dividend amounting to €1.5 per share was paid in May 2019).

3.7.4. EPRA vacancy rate

	France	Spain	Italy	Total
Rental value of vacant premises (in millions of euros)	15,8	5,7	0,6	22,1
Total property portfolio rental value (in millions of euros)	264,3	106,8	24,0	395,2
EPRA vacancy rate	**6,0%**	**5,3%**	**2,7%**	**5,6%**
Impact of strategic vacancy	1,3%	1,8%	0,4%	1,4%
Financial vacancy rate	**4,7%**	**3,5%**	**2,3%**	**4,2%**

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

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

3.7.5. EPRA yield: EPRA NIY and EPRA "Topped-Up" NIY

EPRA NIY and EPRA "Topped-Up" NIY *(in millions of euros)*	**30/06/2019**	**31/12/2018**
Total property portfolio value (excluding transfer taxes)	**6 060,1**	**6 085,4**
(-) Assets under development and other	64,4	62,6
Value of operating portfolio (excluding transfer taxes)	**5 995,7**	**6 022,8**
Transfer taxes	317,3	321,0
Value of operating portfolio (including transfer taxes) (A)	**6 313,0**	**6 343,8**
Net annualised rental income (B)	**354,3**	**349,6**
Impact of rent adjustments	6,9	6,3
Net rental income excluding rent adjustments (C)	**361,2**	**355,9**
EPRA Net Initial Yield (B) / (A)	**5,6%**	**5,5%**
EPRA Net Initial Yield excluding rent adjustments (C) / (A)	**5,7%**	**5,6%**

The weighted average residual duration of these rental arrangements is 1.5 years.

3.7.6. EPRA investments

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

	France		**Spain**		**Italy**		**TOTAL**	
in thousands of euros	**30/06/2019**	**30/06/2018**	**30/06/2019**	**30/06/2018**	**30/06/2019**	**30/06/2018**	**30/06/2019**	**30/06/2018**
Acquisitions	2 154	165 463	2 969	236 600	0	4	5 123	402 067
Development and extensions	45 276	57 971	0	0	397	1 971	45 673	59 942
Like-for-like investments	4 612	7 568	1 798	6 529	175	263	6 585	14 360
Total capital expenditures	**52 042**	**231 002**	**4 767**	**243 129**	**572**	**2 238**	**57 381**	**476 369**

Acquisitions mainly include retail space in Barentin's existing site and the acquisition of diverse units in Spain.

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

- the extension of the Nice-Lingostière shopping mall for €23.6 million over the period (50 new stores over an additional 12,000 sq.m, planned opening in 2020);

- the extension of the Rennes-Cesson shopping mall for €8.4 million (30 new stores over an additional 6,000 sq.m, opening end-2019);

- preliminary study costs or land acquisitions for approved developments, mainly in France, in Thionville (€0.4 million) and Vitrolles (€0.3 million);

- and restructurings of retail space to adapt commercial space to customer needs and to optimise their use and profitability, particularly in Coquelles (Calais region, €5.2 million over the period), Bourg-en-Bresse (Lyon region, €2.5 million) and in Hérouville Saint-Clair (Normandy, €0.4 million).

Lastly, capital expenditure, on a like-for-like basis, is mainly focused on assets being redeveloped where renovation and modernisation works have been carried out on existing parts in order to optimise value creation. The sites involved are Rennes-Cesson and Bourg-en-Bresse in France, and Malaga in Spain. The renovation of the Spanish sites acquired in 2018 was also initiated.

4. FINANCIAL POLICY

4.1. Financial resources

Bonds

At 30 June 2019, Carmila's outstanding bond debt totalled €1,550 million.

Loans from banks – non-current

Carmila entered into a loan agreement with a banking pool in 2013. This agreement was re-negotiated several time since then. At 30 June 2019, it is fully drawn for €770 million and its maturity has been extended to June 2024.

Compliance with the prudential ratios at 30 June 2019

The loan agreement, along with the revolving credit facilities are subject to compliance with financial covenants measured at the closing date of each half-year and financial year. At 30 June 2019, Carmila complied with the financial covenants.

ICR

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

LTV

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

Debt Maturity

Debt maturity stands at 5,4 years.

Interest Cover Ratio

(in thousands of euros)		30/06/2019	31/12/2018
		12 months	12 months
EBITDA	**(A)**	**274 831**	**264 347**
Cost of net indebtness	**(B)**	**56 427**	**53 627**
Interest Cover Ratio	**(A)/(B)**	**4,9**	**4,9**

Loan-to-Value Ratio

(in thousands of euros)		30/06/2019	31/12/2018
Net financial debt	**(A)**	**2 294 228**	**2 177 233**
Current and non-current financial liabilities		2 498 104	2 389 928
Cash and cash equivalents		- 119 408	- 70 518
Short term investment		- 84 468	- 142 177
Property portfolio including transfer taxes	**(B)**	**6 370 787**	**6 404 613**
Loan-to-Value Ratio including transfer taxes	**(A)/(B)**	**36,0%**	**34,0%**
Property portfolio excluding transfer taxes	**(C)**	**6 053 498**	**6 083 619**
Loan -to-value ratio excluding transfer taxes	**(A)/(C)**	**37,9%**	**35,8%**

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

Other loans

Carmila strives to diversify its sources of financing and their maturities, and has set up a short term commercial paper programme (NEU CP) for a maximum amount of €600 million, registered with the Banque de France on 29 June 2017 and updated every year. The outstanding balance of this programme at 30 June 2019 was €155 million with maturities ranging from one to three months.

As part of its refinancing in 2017, Carmila negotiated new credit lines with leading banks, including:

- A revolving credit facility of €759 million, currently undrawn and for which the maturity has been extended to June 2024;
- A revolving credit facility of €250 million under a club deal agreement with a limited

number of leading banking partners close to Carmila maturing on 16 June 2020.

Breakdown of financial debt by maturity date

in thousands of euros	30/06/19	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds	**1 561 799**	**22 218**	**- 2 431**	**- 2 491**	**- 2 552**	**1 547 055**
Bonds – non-current	1 550 000	-	-	-	-	1 550 000
Bond redemption premiums – non-current	-9 361	- 1 804	- 1 845	- 1 891	- 1 938	- 1 883
Accrued interest on bond loans	24 597	24 597				
Bond issuance costs	-3 437	- 575	- 586	- 600	- 614	- 1 062
Bank loans	**897 304**	**149 145**	**- 5 616**	**- 5 517**	**- 5 534**	**764 826**
Borrowings from bank - non-current	754 433	-	- 4 067	- 3 950	- 3 950	766 400
Loan issuance costs	-8 028	- 1 754	- 1 549	- 1 567	- 1 584	- 1 574
Accrued interest on bank loans	1 042	1 042	-	-	-	-
Borrowings from lending institution – current	-5 143	- 5 143				
Other loans and similar debt – current	155 000	155 000	-	-	-	-
Other financial liabilities related to IFRS 16	**32 275**	**2 627**	**2 644**	**2 276**	**2 276**	**22 452**
Other IFRS 16 financial liabilities - non-current	29 648		2 644	2 276	2 276	22 452
Other IFRS 16 financial liabilities - current	2 627	2 627				
Bank and bond borrowings	**2 491 378**	**173 990**	**- 5 403**	**- 5 731**	**- 5 811**	**2 334 333**
Derivatives held as liabilities – non-current	36 979	8 575	7 584	7 557	5 705	7 558
Bank facility	2 023	2 023	-	-	-	-
Gross debt by maturity date	**2 530 379**	**184 588**	**2 181**	**1 826**	**- 106**	**2 341 890**

4.2. Hedging instruments

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

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

The fixed-rate position stood at 85% of gross debt at 30 June 2019.

At 30 June 2019, Carmila had set up with leading banking partners:

- 9 fixed-rate payer swaps against 3 month Euribor for a notional amount of €560 million covering a period up to, for the longest of them, December 2027;
- 1 swaption collar against 3 month Euribor for a notional amount of €100 million starting in June 2019 and maturing in June 2027.

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

4.3. Cash

(in thousands of euros)	30/06/2019	31/12/2018
Cash	119 408	70 518
Cash equivalents	0	-
Gross cash	**119 408**	**70 518**
Bank facility	-2 023	-5 617
Net cash	**117 385**	**64 901**
Marketable securities	82 647	142 177
Net cash and cash equivalent investments	**200 032**	**207 078**

4.4. Rating

At 16 July 2019, S&P confirmed Carmila's BBB rating with a "positive" outlook. The confirmed outlook reflects the strength of the portfolio and Carmila's ability to expand through organic growth, extensions and acquisitions, while maintaining financial discipline.

4.5. Carmila's dividend policy

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

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

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

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

The General Meeting of 16 May 2019 confirmed that the 2018 dividend would be kept at the same level as the 2017 dividend, i.e. €1.50 per share. This dividend represents a payout ratio (dividend/recurring earnings) of 98% for 2018, versus 110% for 2017 (The dividend amount was set as part of the July 2017 capital increase).

4.6. Post closure events

On 18 July 2019, Carmila has obtained an AMF ("Autorité des Marchés Financiers") Visa for its EMTN (Euro Medium Term Note Program) program, giving the Company easier access to the bond market.

5. EQUITY AND SHAREHOLDING

in €	Number of shares	Share capital	Issuance premiums	Merger premium
As of 1 January 2019	**136 561 695**	819 370 170	519 655 151	1 748 548 849
Distribution of dividends GM of 16/05/2019	**-**	-	-	- 138 216 000
Creation of new shares	**112 611**	675 666	-	- 675 666
As of 30 june 2019	**136 674 306**	**820 045 836**	**519 655 151**	**1 609 657 183**

At 30 June 2019, the share capital consists of 136,674,306 shares of two classes, each with a nominal value of six euros (€6). This shares are split into 135,561,695 class A shares and 112,611 class B shares.

Carmila's share capital is divided among long-term associates. At 30 June 2019, the largest shareholder is the Carrefour group, which has an equity investment of 35.4% in Carmila's share capital, which it consolidates in its financial statements using the equity method. Carrefour is developing a strategic partnership with Carmila, aimed at revitalising and transforming shopping centres adjoining its hypermarkets in France, Spain and Italy. The other 64.6% of the share capital is mainly owned by long-term investors from major insurance companies or leading financial players. The second-largest shareholder is the Colony Group, which holds 9.3% of Carmila's share capital. The other shareholders who detain more than 5% of the capital are Predica at 9.3%, Cardif at 8.9% and Sogecap at 5.3%.

6. ADDITIONAL INFORMATION

6.1. Main risks and uncertainties for the period

No new risk factors were identified during the first half of 2019.

The main risk factors are detailed in the 2018 Registration Document.

6.2. Transactions with related parties

There were no changes in transactions with related parties during the first half of 2019.

A description of the contracts and agreements governing relations between the related parties is detailed in the 2018 Registration Document.

6.3. Changes in governance

Resignation of the Chairman and Chief Executive Officer and appointment of a new Chairman and Chief Executive Officer.

During the meeting of the Board of Directors of 15 May 2019, Mr Jacques Ehrmann resigned his functions as Chairman and Chief Executive Officer of Carmila. This resignation became effective on 30 June 2019.

Following the recommendation of the Compensation and Nominating Committee, the Board of Directors selected Mr Alexandre de Palmas to succeed Mr Jacques Ehrmann as Chairman and Chief Executive Officer of Carmila effective 1 July 2019.

Following an initial experience in commercial real estate with the Casino Group, Alexandre de Palmas, 44, exercised management functions at Clear Channel, Elior (commercial catering) and Carrefour Proximité. These experiences enabled to develop and leverage strong expertise in retail and marketing issues, valuable knowledge for the development of Carmila, a key player in shopping centres in France, Spain and Italy.

Appointment of Mr Jérôme Nanty as Director

Mr Jérôme Nanty was co-opted as Director during the Board of Directors meeting of 3 April 2019, as replacement for Mr Francis Mauger.

Appointment of Mr Francis Mauger as a non-voting member of the Board.

Mr Francis Mauger was co-opted as a non-voting member of the Board during the Board of Directors meeting of 3 April 2019, as replacement for Mr Frédéric Bôl.

CONDENSED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2019

Contents

1. CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

1.1. Consolidated statement of comprehensive income [1]

IFRS EPRA standard presentation *(in thousands of euros)*		**30/06/2019**	**30/06/2018**
Gross Rental Income		**178 930**	**166 875**
Charges rebilled to tenants		50 533	45 350
Total Income from rental activity		**229 463**	**212 225**
Property tax expenses		- 21 417	- 18 746
Service charge expenses		- 36 685	- 33 461
Property expenses (landlord)		- 4 399	- 5 000
Net Rental Income	***9.1***	**166 962**	**155 018**
Overhead expenses	9.2	- 27 548	- 25 300
Income from management, administration and other activities		*2 657*	*1 362*
Other income		*2 391*	*3 553*
Payroll expenses		*- 13 234*	*- 12 629*
Other overhead expenses		*- 19 362*	*- 17 586*
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	9.3	- 833	- 1 496
Other operating income and expenses	9.4	- 23	340
Gain (loss) on disposals of investment properties and equity investments	9.5	- 443	76
Change in fair value adjustments	6.2	- 75 878	61 129
Increase in fair value properties adjustment		*58 606*	*211 795*
Decrease in fair value properties adjustment		*- 131 100*	*- 47 325*
Share in net income of equity-accounted investments	8.3	2 557	1 255
Operating income		**64 794**	**191 022**
Financial income		240	201
Financial expense		- 27 968	- 25 503
Cost of net indebtness		**- 27 728**	**- 25 302**
Other financial income (expenses)		2 144	- 5 465
Financial income (expense)	***7.1***	**- 25 584**	**- 30 767**
Income before taxes		**39 210**	**160 255**
Income tax	*10.1*	- 12 181	- 19 977
Consolidated net income		**27 029**	**140 278**
Group share		**26 883**	**140 218**
Non-controlling interests		**146**	**60**
Average number of shares comprising Carmila's share capital	*8.8.4*	136 368 528	135 097 155
Earnings per share, in euros (Group share)		0,20	1,04
Fully diluted average number of shares comprising Carmila's share capital	*8.8.4*	136 670 637	135 319 043
Fully diluted earnings per share, in euros (Group share)		0,20	1,04

[1] The income statement shows the income and expenses related to rental activity as they are presented in Note *8.1 Net rental income* to the 2018 statutory financial statements (*7.1 Annual consolidated financial statements at 31 December 2018*) in the Registration Document, as well as in Note 9.1 of the 2018 and 2019 half-yearly financial statements.

Consolidated statement of comprehensive income *(in thousands of euros)*		**30/06/2019**	**30/06/2018**
Consolidated net income		**27 029**	**140 278**
Items to be subsequently recycled in net income		- 17 243	- 3 429
Cash-flow Hedges (effective part)	*7.2.8*	- 17 243	- 2 255
Fair value of other financial assets		-	- 1 174
Related income tax		-	-
Items not to be subsequently recycled in net income		-	-
Re-valuation of the net liabilities under defined-benefit schemes	*13.3.1*	-	-
Related income tax		-	-
Consolidated net comprehensive income		**9 786**	**136 849**

1.2. Consolidated statement of financial position

ASSETS

(in thousands of euros)		**30/06/2019**	**31/12/2018**
Intangible assets	*8.1*	4 365	4 556
Property, plant and equipment	*8.2*	4 834	2 062
Investment properties carried at fair value	*6.1*	5 958 224	5 953 655
Investment properties carried at cost	*6.1*	64 404	62 605
Investment in equity-accounted companies	*8.3*	50 640	49 766
Other non current assets	*8.4*	11 807	11 948
Deffered tax assets	*10.4*	6 982	7 776
Non current assets		**6 101 256**	**6 092 368**
Investment properties held for sale	6.3	-	-
Trade receivables	*8.5*	132 400	123 616
Other current assets	*8.6*	152 798	217 244
Cash and cash equivalent	*8.7*	119 408	70 518
Current assets		**404 606**	**411 378**
Total Assets		**6 505 862**	**6 503 746**

LIABILITIES & SHAREHOLDERS' EQUITY

(in thousands of euros)		**30/06/2019**	**31/12/2018**
Share capital		820 046	819 370
Additional paid-in capital		2 129 312	2 268 204
Treasury shares		- 3 186	- 3 861
Other comprehensive income		- 49 226	- 31 983
Consolidated retained earnings		528 299	431 612
Consolidated net income - Group chare		26 883	163 557
Shareholders' equity - Group share		**3 452 128**	**3 646 899**
Non-controlling interests		5 766	5 781
Shareholders' equity	**8.8**	**3 457 894**	**3 652 680**
Non-current provisions	*8.9*	5 550	5 685
Non-current financial debt	*7.2*	2 350 233	2 301 426
Lease deposits and guarantees		76 754	76 454
Non-current tax liabilities and deferred tax liabilities	*10.3 & 10.4*	169 133	159 261
Other non-current liabilities	*8.10*	7 472	7 473
Non-current liabilities		**2 609 142**	**2 550 299**
Current financial debt	*7.2*	178 123	82 885
Bank facilities		2 023	5 617
Trade payables	*8.11*	33 572	28 370
Fixed assets payables	*8.11*	60 771	52 141
Current tax and payroll related liabilities	*8.12*	66 142	44 237
Other current liabilities	*8.12*	98 195	87 517
Current liabilities		**438 826**	**300 767**
Total liabilities and shareholders' equity		**6 505 862**	**6 503 746**

1.3. Consolidated cash flow statement

(in thousands of euros)	Note	30/06/2019	30/06/2018
Consolidated net income		**27 029**	**140 278**
Elimination of income from equity-accounted investments	8.3	-2 557	-1 255
Elimination of depreciation, amortisation and provisions		-392	1 490
Elimination of change in fair value adjustments	6.1	76 868	-59 626
Elimination of capital (gain) loss on disposals		443	-28
Other non-cash income and expenses		3 698	-5 239
Cash-flow from operations after cost of net debt and tax		**105 089**	**75 620**
Elimination of tax expense (income)	10.1	12 181	19 977
Elimination of cost of net debt		26 032	25 304
Cash-flow from operations before cost of net debt and tax		**143 302**	**120 901**
Change in operating working capital		28 251	22 952
Change in lease deposits and guarantees		492	3 597
Income tax paid		1 430	702
Cash-flow from operating activities		**173 475**	**148 152**
Change in scope of consolidation		-	4 969
Change in fixed assets payables		8 630	- 11 213
Acquisitions of investment properties	6.1	-57 381	- 476 369
Acquisitions of other fixed assets		-185	-886
Change in loans and advances		1 449	970
Disposal of investment properties and other fixed assets		743	217
Dividends received		1 684	1 480
Cash-flow from investment activities		**-45 061**	**-480 832**
Share capital increase	8.8	-	34 674
Transactions in share capital of equity accounted companies	8.3	-	-
Net sale (purchase) of treasury shares		675	206
Issuance of bonds		-	350 000
Issuance of new bank loans	7.2	84 235	40 792
Loan repayments	7.2	-1 185	-319
Change in short-term investment disclosed in other current receivables		62 356	-
Interest paid		-17 375	-7 162
Interest received		240	201
Dividend and share premium distributed to shareholders		-204 877	-101 358
Cash-flow from financing activities		**-75 931**	**317 034**
Change in net cash position		**52 484**	**-15 646**
Opening cash position		*64 901*	*289 268*
Closing cash position	*8.7*	*117 385*	*273 622*

1.4. Statement of changes in consolidated equity

(in thousands of euros)	Note	Share capital	Additional paid-in capital	Treasury shares	Other comprehensive income	Consolidated retained earnings	Consolidated net income	Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
Balance at 31 december 2017		**810 360**	**2 321 671**	**-2 653**	**-27 937**	**121 234**	**313 787**	**3 536 462**	**5 999**	**3 542 461**
Opening IFRS 9 adjustment						19 751		**19 751**		**19 751**
Balance at 1 January 2018		**810 360**	**2 321 671**	**-2 653**	**-27 937**	**140 985**	**313 787**	**3 556 213**	**5 999**	**3 562 212**
Share capital transactions		9 010	27 340					**36 350**		**36 350**
Share-based payments						-2 343		**-2 343**		**-2 343**
Treasury share transactions				206				**206**		**206**
Dividend paid			-80 807					**-101 191**	-167	**-101 358**
Allocation of 2017 net income						313 787	-313 787	**0**		**0**
Net income of the year							**140 218**	**140 218**	**60**	**140 278**
Gains and losses recorded directly in equity		0	0	0	0	0	0			
Recycling of OCI to income					1 464			**1 464**		**1 464**
Change in fair value of hedging instruments					-3 719			**-3 719**		**-3 719**
Actuarial gains and losses on retirement benefits					0			**0**		**0**
Other comprehensive income					**-3 429**			**-3 429**		**-3 429**
Other changes		0	0	0		170		**170**	0	**170**
Balance at 30 June 2018		**819 370**	**2 268 204**	**-2 447**	**-31 366**	**432 215**	**140 218**	**3 626 194**	**5 892**	**3 632 086**
Share capital transactions		-	-					**0**		**0**
Share-based payments						842		**842**		**842**
Treasury share transactions				-1 414				**-1 414**		**-1 414**
Dividend paid			0					**0**	-104	**-104**
Allocation of 2017 net income						0	0	**0**		**0**
Net income of the year							**23 339**	**23 339**	**-7**	**23 332**
Gains and losses recorded directly in equity		0	0	0	0	0	0			
Recycling of OCI to income					1 144			**1 144**		**1 144**
Change in fair value of hedging instruments					-1 867			**-1 867**		**-1 867**
Actuarial gains and losses on retirement benefits					106			**106**		**106**
Other comprehensive income					**-617**			**-617**		**-617**
Other changes		0	0	0		-1 445		**-1 445**	0	**-1 445**
Balance at 30 December 2018		**819 370**	**2 268 204**	**-3 861**	**-31 983**	**431 612**	**163 557**	**3 646 899**	**5 781**	**3 652 680**
Share capital transactions	*8.8*	676	- 676					**0**		**0**
Share-based payments	*13.3.2*					114		**114**		**114**
Treasury share transactions	*8.8.3*			675				**675**		**675**
Dividend paid	*2.3*		- 138 216			-66 500		**-204 716**	-161	**-204 877**
Allocation of 2018 net income						163 557	-163 557	**0**		**0**
Net income of the year							**26 883**	**26 883**	**146**	**27 029**
Gains and losses recorded directly in equity		0	0	0	0	0	0			
Recycling of OCI to income	*7.2.8*				964			**964**		**964**
Change in fair value of hedging instruments								**0**		**0**
Change in fair value of other financial assets	*7.2.8*				- 18 207			**-18 207**		**-18 207**
Actuarial gains and losses on retirement benefits	*13.3.1*				-			**0**		**0**
Other comprehensive income					**- 17 243**			**-17 243**		**-17 243**
Other changes						- 484		**-484**		**-484**
Balance at 30 June 2019		**820 046**	**2 129 312**	**-3 186**	**-49 226**	**528 299**	**26 883**	**3 452 128**	**5 766**	**3 457 894**

The line "*share capital transactions*" reflects the creation of 112,611 class B preference shares under the bonus preference share plans for key Group employees and corporate officers.

2. KEY HIGHLIGHTS OF THE FIRST HALF OF 2019

After a year marked by major acquisitions in France and Spain totalling over €450 million, the Group has focused its 2019 development on the restructuring of existing assets in order to consolidate their local and regional leadership positions. Accordingly, the Group has continued the extension work at Nice-Lingostière and Rennes-Cesson, as well as the restructuring of Cité Europe in Calais-Coquelles.

2.1. Investments

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

2.1.1 Acquisitions

The Group acquired retail space in Barentin (Normandy) and commercial rights for the *specialty leasing* activity in Spain for eight Group-owned shopping malls.

2.1.2 Development and extensions

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

Accordingly, the Group continued the extension work initiated in 2018 on the Nice Lingostière (€23.6 million, total investment to date of €37.2 million) and Rennes-Cesson (€9.1 million, total investment to date of €13.6 million) sites.

2.2. Disposals

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

2.3. Distribution of dividends

On 16 May 2019, the Shareholders' Meeting approved, based on a proposal by the Board of Directors, the distribution of a dividend of €1.50 per share for the 2018 financial year. This distribution, paid in May 2019, comprised €66,500 thousand deducted from distributable profit and the remaining €138.2 million from the merger premium.

2.4. Debt and financing

During the period, Carmila renegotiated a one-year extension to its €770 million bank loan, fully drawn, which will now have a maturity date in June 2024.

Following this transaction, the average maturity date of Carmila's debt stands at 5.4 years as at 30 June 2019.

3. ACCOUNTING PRINCIPLES AND METHODS

These half-year consolidated financial statements were prepared in accordance with *IAS 34 "Interim financial reporting"* and should be read in conjunction with the latest annual consolidated financial statements for the financial year ended 31 December 2018, as included in the Registration Document filed with the AMF by the Group on 23 April 2019. They do not contain all of the information required for a complete set of financial statements in accordance with IFRS standards. They do however contain a selection of notes which explain significant events and transactions, in order to understand the changes which have taken place in the Group's financial position and performance since the previous annual financial statements.

These current Group financial statements are the first to incorporate IFRS 16. The changes to accounting methods which have had the most marked effects are described in this paragraph.

These half-year consolidated financial statements were prepared under the supervision of the Board of Directors of 25 July 2019. The Board approved and authorised their publication for the period from 1 January to 30 June 2019.

3.1. Presentation of the Group

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

At 30 June 2019, the Group employed 190 people, including 131 in France (excluding people on alternante and training programs), 44 in Spain and 15 in Italy. The Group owns a portfolio of 215 shopping centres and retail parks, mainly as a result of transactions carried out in 2014. In April 2014, Carmila acquired 126 sites in France, Spain and Italy from the Klépierre Group and six shopping malls in France from Unibail-Rodamco. The same year, the Group received a contribution from the Carrefour group comprising 47 sites in France, along with various premises and an equity investment in Spain .

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

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

3.2. Shareholding, stock-market listing and strategic partnership

Carmila's share capital is divided among long-term associates. At 30 June 2019, the largest shareholder is the Carrefour group, which has an equity investment of 35.4% in Carmila's share capital, which it consolidates in its financial statements using the equity method. Carrefour is developing a strategic partnership with Carmila, aimed at revitalising and transforming shopping centres adjoining its hypermarkets in France, Spain and Italy. The other 64.6% of the share capital is mainly owned by long-term investors from major insurance companies or leading financial players. The second-largest shareholder is the Colony Group, which holds 9.3% of Carmila's share capital.

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

3.3. Accounting standards

IFRS standards applied

The Carmila Group's consolidated financial statements as of 30 June 2019 have been prepared in accordance with the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) as adopted by the European Union at 30 June 2019, comprising the IFRS, the IAS (International Accounting Standards) as well as their interpretations (SIC and IFRIC). All standards adopted by the European Union can be found on the European Commission's website:

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

The European Union adopted the following standards, interpretations and amendments, which are mandatory from 1 January 2019:

- *IFRS 16 - Leases*

The European Union adopted IFRS 16 which supersedes IAS 17 and related interpretations. This new standard became effective on 1 January 2019 and eliminates the distinction that was previously made between finance leases and operating leases. It results in the recognition on the lessee's balance sheet of a right-of-use asset with a corresponding lease liability, for all types of contracts qualifying as leases. The Group has chosen to use the simplified transition method.

As a lessor, the Group is not significantly impacted by the application of this new standard.
As a lessee, the Group has identified three types of leases that fall under the scope of IFRS 16:

- land leases in the form of ground leases on which the Group owns shopping malls built on land belonging to a third party;
- the leasing of equipment corresponding to the leasing of vehicles;
- the leasing of real estate for the Group's registered offices in France and Spain.

Based on the identified leases, a fixed term rental commitment was discounted and recognised under liabilities. The discount rate used is the interest rate at which the Group could have financed the acquisition of the underlying assets over a period equivalent to the fixed term of the lease agreement.

Pursuant to the standard, leases of less than one year, or low-value assets, were excluded from the scope of first-time application of this standard.

a. Leasing of land.

The Group has identified eight ground leases involving seven assets in France. The Group is not a lessee of land in Spain or Italy.

Accordingly, the Group recorded a financial debt of €29,851 thousand on the date of first-time application, with the related asset recorded as an investment property at fair value. Annual depreciation is recorded as a change in fair value in the Group's financial statements. The impact at 30 June is -€405 thousand in change in fair value, -€483 thousand in financial expenses, and +€780 thousand in reduction of real estate expenses. The net impact of the first-time application of IFRS 16 on ground leases is therefore a change of -€108 thousand.

The valuation of the transfer of the buildings on these pieces of land to the lessor at the term of the lease at no charge remains at an issue under discussion.

b. Movable and immovable property leases (offices, registered offices)

The Group has identified three leases that fall under the scope of application of IFRS 16: vehicle leases and the leases for the Group's registered offices in Boulogne-Billancourt in France and in Madrid in Spain. The Group has opted to present the right-of-use of the asset on the same line as the underlying asset.

The Group recorded a financial debt of €3,301 thousand on the date of first-time application with the related assets recorded as property, plant and equipment. The impact at 30 June is -€485 thousand in depreciation, -€20 thousand in financial expenses and +€600 thousand in reduction of lease expenses. The net impact of the first-time application of IFRS 16 on equipment and office leases is therefore +€95 thousand.

The net impact for the Group of the first-time application of this standard is -€13 thousand and is therefore not material over the period.

In addition, the application of the following standards effective 1 January 2019 has no material impact on the Group:

- IFRIC 23 – Uncertainty over Income Tax Treatments.

  This interpretation applies to any instance of uncertainty associated with the acceptability of a tax treatment regarding income tax. The analysis of these situations as they apply to the Group did not reveal any significant uncertain position. The impact of the first-time application of IFRIC 23 on the Group's income tax expense is therefore not material.

- Annual IFRS improvements 2015-2017 cycle

- Limited amendments to IAS 19

- Amendment to IAS 28 – Investments in associates and joint ventures.

- Amendments to IFRS 9 - Prepayment features with negative compensation.

The Group has not chosen anticipated implementation of the following standards which are not compulsory as of 1 January 2019:

- The amendments to IAS 1 and IAS 8 relative to the change in the significance of the term “materiality” which will become compulsory as of 1 January 2020, according to the IASB;

- The amendments to the IFRS 3 standard, relating to the definition of a company, which will become compulsory as of 1 January 2020 according to IASB ;

- The change in references to the conceptual framework made compulsory as of 1 January 2020 according to the IASB ;

- The IFRS 17 standard relating to Insurance contracts which becomes compulsory as of 1 January 2021.

3.4. Principal estimates and judgements by management

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

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

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

3.5. Other presentation principles of the financial statements

Conversion of foreign companies' financial statements

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

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

Conversion of transactions conducted in foreign currencies

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

Transactions eliminated from the consolidated financial statements

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

Balance sheet classification

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

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

The Group's normal operating cycle is 12 months.

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

Income statement classification

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

4. SCOPE OF CONSOLIDATION AND METHODS

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

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

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

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

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

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

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

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

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

Business combinations/acquisitions of assets

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

4.2. Half-year highlights

During the period, the Group did not carry out any acquisitions, disposals, or mergers.
In France, the company Lou5G was created in order to develop the rental of land for 5G antennas using the leverage the Group's technical and the land ressources of its properties. This company had no business activity during the first half of 2019.

4.3. Description of main partnerships

AS Cancelas – Spain

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

Carmila considers control to be joint, and that this therefore represents a joint venture; the company is therefore consolidated under the equity method.

5. SEGMENT REPORTING

5.1. Definition of operating segments and indicators used

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

- France;
- Spain;
- Italy.

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

- gross rental income;
- net rental income by operating segment;
- operating income, recurring and non-recurring.

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

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

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

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

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

5.2. Operating income by operating segment

(in thousands of euros)	France 30/06/2019	France 30/06/2018	Spain 30/06/2019	Spain 30/06/2018	Italy 30/06/2019	Italy 30/06/2018	TOTAL 30/06/2019	TOTAL 30/06/2018
Gross Rental income	**120 042**	**116 196**	**46 854**	**38 728**	**12 034**	**11 951**	**178 930**	**166 875**
Real estate expenses	- 2 006	- 1 357	- 983	- 1 100	- 434	- 468	- 3 423	- 2 925
Non-recovered rental charges	- 2 062	- 1 698	- 1 951	- 2 301	- 133	67	- 4 146	- 3 932
Property expenses (landlord)	- 3 546	- 4 149	- 616	- 155	- 237	- 696	- 4 399	- 5 000
Net Rental Income	**112 428**	**108 992**	**43 304**	**35 172**	**11 230**	**10 854**	**166 962**	**155 018**
Overhead expenses	- 20 626	- 19 543	- 5 313	- 4 115	- 1 609	- 1 642	- 27 548	- 25 300
Income from management, administration and other activities	*2 112*	*1 312*	*203*	*7*	*342*	*43*	*2 657*	*1 362*
Other income	*2 329*	*2 812*	*11*	*711*	*51*	*30*	*2 391*	*3 553*
Payroll expenses	*- 11 102*	*- 10 806*	*- 1 587*	*- 1 448*	*- 545*	*- 375*	*- 13 234*	*- 12 629*
Other overhead expenses	*- 13 965*	*- 12 861*	*- 3 940*	*- 3 385*	*- 1 457*	*- 1 340*	*- 19 362*	*- 17 586*
Other income from operations	-	-	-	-	-	-	-	-
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	- 603	- 1 401	- 101	- 26	- 129	- 69	- 833	- 1 496
Other recurring operating income and expense	- 23	389	-	-	-	- 1	- 23	388
Share of net income in equity accounted investments - current	-	-	877	842	- 19	- 14	858	828
Operating income - current	**91 176**	**88 437**	**38 767**	**31 873**	**9 473**	**9 128**	**139 416**	**129 438**
Other non-recurring operating income and expense	-	-	-	-	-	-	-	-
Gain (losses) on disposals of investment properties and equity investments	- 443	76	-	-	-	-	- 443	76
Gain (losses) on disposals of intangible and other tangible assets	-	- 48	-	-	-	-	-	-
Change in fair value adjustments	- 82 537	45 620	7 459	2 527	- 800	12 982	- 75 878	61 129
Increase of fair value adjustment properties	*29 978*	*72 993*	*18 646*	*7 868*	*1 495*	*13 380*	*50 119*	*94 241*
Decrease of fair value adjustment properties	*- 112 515*	*- 27 373*	*- 11 187*	*- 5 341*	*- 2 295*	*- 398*	*- 125 997*	*- 33 112*
Share of net income in equity accounted investments - non-current	-	-	*1 698*	*427*	*1*	-	*1 699*	*427*
Operating income	**8 196**	**134 085**	**47 924**	**34 827**	**8 674**	**22 110**	**64 794**	**191 022**

5.3. Breakdown of investment property by operating segment

The value of investment properties by country is presented separately for assets valued at fair value and for assets valued at cost (definition in 6. *Investment properties*

(in thousands of euros)	30/06/2019	31/12/2018
Investment properties carried at fair value	**5 958 224**	**5 953 655**
France	4 252 899	4 283 277
Spain	1 354 715	1 319 540
Italy	350 610	350 838
Investment properties carried at cost	**64 404**	**62 605**
France	64 257	39 243
Spain	147	23 362
Italy	0	0
TOTAL	**6 022 628**	**6 016 260**

At 30 June 2019, regarding the value of assets, 71.7% of the Group's investment properties were located in France (compared to 71.9% at 31 December 2018), 22.5% in Spain (compared to 22.3%) and 5.8% in Italy (unchanged). The analysis of these items is presented under 6.1 *Details of investment properties carried at fair value and at cost*.

5.4. Breakdown of capital expenditures by operating segment

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

('in thousands of euros)	France		Spain		Italy		TOTAL	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Acquisitions	2 154	165 463	2 969	236 600	0	4	5 123	402 067
Development and acquisitions	45 276	57 971	0	0	397	1 971	45 673	59 942
Like-for-like capital expenditures	4 612	7 568	1 798	6 529	175	263	6 585	14 360
TOTAL Capital Expenditures	**52 042**	231 002	**4 767**	243 129	**572**	2 238	**57 381**	476 369

The ***acquisitions*** item mainly comprises the acquisition of retail space in Barentin on the existing site and the acquisition of the commercial rights to the *specialty leasing* activity in Spain for eight shopping centres held by the Group.

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

- the extension of the Nice-Lingostière shopping mall for €23.6 million over the period (50 new stores over an additional 12,000 sq.m, with a planned opening in 2020);
- the extension of the Rennes-Cesson shopping mall for €8.4 million (30 new stores over an additional 6,000 sq.m, opening end-2019);
- and restructurings of retail spaces to adapt them to customer needs and to optimise their use and profitability, particularly in Coquelles (Calais region, €5.2 million over the period), Bourg-en-Bresse (Lyon region, €2.5 million) and Hérouville Saint-Clair (Normandy, €0.4 million);
- preliminary studies or land acquisitions for approved developments, mainly in France, in particular in Thionville (East of France, €0.4 million) and Marseille-Vitrolles (€0.3 million).

Lastly, the ***capital expenditure, on a like-for-like basis,*** is mainly focused on assets being redeveloped, where renovation and modernisation works have been carried out on existing parts in order to optimise value creation. For illustration purposes, this involves the Rennes-Cesson (€0.7 million) and Bourg-en-Bresse (€0.4 million) sites in France, and the Los Patios (€0.6 million) site in Malaga, Spain. The renovation of the Spanish sites acquired in 2018 was also started.

6. INVESTMENT PROPERTIES

Accounting policies

Method adopted: fair value

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

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

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

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

Cost of investment property – general

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

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

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

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

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

Cost of investment property – under construction

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

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

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

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

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

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

Appraisal method

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

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

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

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

- Net-income capitalisation method

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

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

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

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

- Discounted cash flow method

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

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

The appraisers appointed by Carmila are as follows:

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

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

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

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

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

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

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

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

Lease agreements

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

The first-time application of IFRS 16 at 1 January 2019 resulted in the elimination of the distinction that was previously made between finance leases and operating leases. This results in the recognition on Carmila's balance sheet of a right-of-use over the leased asset with a corresponding lease liability on ground leases (*3.3 Accounting* standards). 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 amortisation of the debt.

Investment properties held for sale

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

Income on disposal

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

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

in thousands of euros

Investment properties carried at fair value - 31/12/2017	**5 356 002**
Acquisitions	271 534
Change in scope of consolidation	153 765
Investments	107 579
Capitalised interest	1 070
Disposal and removals from scope of consolidation	-23 490
Other movements and reclassifications	73 609
Change in fair value	13 586
Investment properties carried at fair value - 31/12/2018	**5 953 655**
Acquisitions	2 983
Change in scope of consolidation	0
Investments	10 054
Capitalised interest	0
Disposal and removals from scope of consolidation	-1 512
Other movements and reclassifications	39 071
Change in accounting method	29 851
Change in fair value	-75 878
Investment properties carried at fair value - 30/06/2019	**5 958 224**

in thousands of euros

Investment properties carried at cost - 31/12/2017	**91 581**
Acquisitions	31 923
Change in scope of consolidation	0
Investments	17 356
Capitalised interest	521
Disposal and removals from scope of consolidation	0
Other movements and reclassifications	-78 776
Change in fair value	0
Investment properties carried at cost - 31/12/2018	**62 605**
Acquisitions	2 140
Change in scope of consolidation	0
Investments	41 858
Capitalised interest	346
Disposal and removals from scope of consolidation	0
Other movements and reclassifications	-42 545
Change in accounting method	0
Change in fair value	0
Investment properties carried at cost - 30/06/2019	**64 404**

6.1.1 Investment properties carried at fair value

The "*Acquisitions*" line takes into account the acquisition of the commercial rights of the *specialty leasing* activity on eight sites held by Carmila in Spain, for €2.9 million.

The "*Investments*" line mainly comprises the investments made on a like-for-like basis and the restructurings valued by the appraisers.

The *"Other movements and reclassifications"* line shows the net balance of commissioning during the period and the transition from assets measured at cost at 31 December 2018 to now measured at fair value.

The "*Changes in accounting methods*" line takes into account the first-time application of IFRS 16, whose impacts are presented in Note *3.3 Accounting standards*.

Finally, the *"Change in fair value"* line records gains or losses on the value of assets using appraisals by independent real estate experts. This line includes the recognition of the IPUC for the Nice and Rennes projects for an amount of €7,239 thousand. The change in fair value is analysed by country in Note *6.2 Valuation assumptions and sensitivity analysis.*

6.1.2 Investment properties carried at cost

The *"Acquisitions"* line takes into account the acquisition of retail space in Barentin (Normandy) for €2.1 million.

The *"Investments" and "Capitalised interest"* lines primarily include the Rennes-Cesson (€9.1 million) and Nice-Lingostière (€23.6 million) projects started during the second half of 2018 and continued during the period.

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

in thousands of euros	30/06/2019
Investment properties carried at fair value - Acquisitions	2 983
Investment properties carried at fair value - Entry in the scope of consolidation	0
Investment properties carried at cost - Acquisitions	2 140
Investment properties carried at cost - Entry in the scope of consolidation	0
TOTAL Acquisitions and entry in the scope of consolidation	**5 123**
TOTAL Acquisitions - investments by country	**5 123**

in thousands of euros	30/06/2019
Investment properties carried at fair value - Investment	10 054
Investment properties carried at fair value - Capitalised interest	0
	0
Investment properties carried at cost - Investments	41 858
Investment properties carried at cost - Capitalised interest	346
TOTAL Investments and capitalised interests	**52 258**
Development and extensions	45 673
Like for like investments	6 585
TOTAL Acquisitions - dévelopment and extensions and like for like investments	**52 258**

6.2. Valuation assumptions and sensitivity analysis

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

At 30 June 2019, 98.9% of the Group's net asset value had been independently appraised.

The balances of rental charge deferrals and front-end fees recorded on the balance sheet and spread over the fixed term of the leases amounted to €6.6 million. These amounts are taken into account in the appraisal method used by the independent appraisers for their valuation and thus included in the book value and taken into account in the calculation of the change in the fair value adjustment.

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

30/06/2019 - Weighted average	Yield[(1)]	Rent in € per sq.m [(2)]	Discount rate [(3)]	Exit rate [(4)]	CAGR of NRI [(5)]
France	5,4%	266	6,0%	5,8%	1,6%
Spain	6,3%	225	8,2%	6,2%	1,7%
Italy	6,2%	301	7,3%	6,4%	1,8%

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

A slight decompression of capitalisation rates was observed in France (+14 bps) with stable rates in Spain and Italy. At Group level, these changes have a limited impact as compared *to 31 December 2018:*

31/12/2018 - Weighted average	Yield[(1)]	Rent in € per sq.m [(2)]	Discount rate [(3)]	Exit rate [(4)]	CAGR of NRI [(5)]
France	5,2%	266	5,9%	5,6%	1,6%
Spain	6,2%	224	8,2%	6,2%	1,7%
Italy	6,2%	301	7,3%	6,4%	1,8%

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

	France		Spain		Italy		TOTAL	
(in thousands of euros)	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Change in fair value adjustments	- 82 537	45 620	7 459	2 527	- 800	12 982	- 75 878	61 129
Increase of fair value adjustment properties	*29 978*	*72 993*	*18 646*	*7 868*	*1 495*	*13 380*	*50 119*	*94 241*
Decrease of fair value adjustment properties	*- 112 515*	*- 27 373*	*- 11 187*	*- 5 341*	*- 2 295*	*- 398*	*- 125 997*	*- 33 112*

Based on the asset fair value, excluding transfer taxes and related costs, the average yield on assets is slightly down and stands at 5.91% at 30 June 2019 (compared to 5.76% at 31 December 2018).

All else being equal, a 15 basis-point increase in yields would result in a decrease in the value of the total portfolio, including transfer taxes and duties (excluding assets under development or equity-accounted and excluding the effect of changes in rents equal to the decrease in yield) of €156 million (or 2.4%). A 25 basis-point drop in the yield rate would reduce the value of the portfolio by €256 million (-4.1%). The 50 basis-point drop in the yield rate would reduce the value of the portfolio by €492 million (-7.8%).

6.3. Investment properties held for sale

At 30 June 2019, there were no investment properties held for sale.

7. FINANCING AND FINANCIAL INSTRUMENTS

Accounting policies

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

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

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

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

In Carmila's case, all interest-rate derivatives in the portfolio are documented as *cash flow hedges* except for one residual cap recognised at fair value in profit and loss.

The use of cash flow hedge accounting has the following consequences: at the reporting date, interest-rate swaps are recognised at fair value on the statement of financial position, with the effective portion of the change in fair value being recognised directly in Other Comprehensive Income (OCI), and the ineffective portion in earnings. The amount recognised in "Other comprehensive income" is later recognised through profit and loss in a symmetrical manner to the hedged interest flows.

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 using prices from third-party financial institutions.

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

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

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

Application of IFRS 9 – renegotiation of debt

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

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

Finally, in May 2019, that same debt was renegotiated. The maturity of the debt was extended by one year, to 2024. No other terms of the loan were modified. This reduction of the debt at its original EIR led to recognizing a gain of €4,707 thousand recorded in other financial income, spread out over the residual duration of the underlying liability. At 30 June 2019, the expense linked to spreading over time the restatement of the original EIR of the debt amounted to €2,312 thousand and is recognised in other financial expenses.

7.1. Net financial income/expense

7.1.1 Cost of net indebtedness

(in thousands of euros)	30/06/2019	30/06/2018
Financial income	**240**	**203**
Interest on Group current-account	135	104
Financial income on cash equivalents	105	99
Other financial income	0	0
Financial expense	**-27 968**	**-25 505**
Interest expense on bonds	-17 821	-16 476
Interest expense on borrowings from lending institutions	-3 268	-3 071
Capitalised interest expense	346	759
Amortisation of costs, bond redemption premiums and deferred swaps reversal costs	-3 224	-3 704
Interest expense on swaps	-3 491	-3 013
Other interest expense	-503	0
Other financial expenses	-5	0
Cost of net indebtedness	**-27 728**	**-25 302**

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

- interest on bonds stands at -€17,821 thousand, compared to €16,476 thousand in June 2018. This increase is due to the bond issued in March 2018 with a nominal value of €350 million and a coupon of 2.125%, which has a full year impact in 2019 (€1.3 million in additional expenses);
- interest on bank borrowings is -€3,268 thousand;
- an amortisation expense for bond premiums and debt issuance costs stands at €3,224 thousand, including amortisation of swap cash payments (-€964 thousand). The decrease in this item is primarily due to the reduction in the amortisation charge of the swap cash payments of €0.5 million;
- net expenses on hedging derivatives amounted to -€3,491 thousand compared to -€3,013 thousand in June 2018; the three-month Euribor rate having remained at historically low levels since the beginning of the year;
- other interest expenses on loans and equivalent of €503 thousand represent the impact of the application of IFRS 16;
- financial income corresponds to interest paid on current accounts extended to non-consolidated companies and interest collected on drawdowns of commercial paper (in a negative rate context).

7.1.2 Other financial income and expenses

in thousands of euros	30/06/2019	30/06/2018
Other financial income	**6 839**	**362**
Financial income from investments	120	0
Change in value of financial instruments	787	362
Reversal of short-term investment provision	1 225	0
Other financial income	4 707	0
Other financial expenses	**-4 696**	**-5 827**
Change in fair value of financial instruments	0	0
Commitment fees undrawned credit lines	-1 465	-1 595
Latent loss on short-term investments	-545	-2 104
Amortisation of IFRS 9 implementation	-2 312	-1 975
Other financial expenses	-374	-153
Other financial income and expenses	**2 143**	**-5 465**

The net balance of other financial income and expenses improved by €7.6 million due to the cumulative effect of a significant increase in other financial income and a significant decrease in other financial expenses.

The improvement in other financial income is due to the recognition at 30 June 2019 of a €4,707 thousand income related to the application of IFRS 9 as a result of the one-year extension of the floating-rate debt and its restatement to the original effective interest rate. In addition, the Group recorded a provision reversal of €1,225 thousand on the market value of short-term investments held in portfolio. A provision of €3,046 thousand has been recorded at 31 December 2018.

Other financial expenses mainly comprise commitment fees for the undrawn credit lines amounting to €1,465 thousand and the spreading of the impact of IFRS 9 on the rerestatement to the original effective interest rate of the debt, for €2,312 thousand. Other financial expenses also take into account losses on the disposal of short-term investments (-€545 thousand).

The change in the fair value of the hedging instruments (ineffective portion and change of cap values due to the passage of time) and of the credit risk had a positive impact of €787 thousand over the period.

7.2. Current and non-current financial liabilities

On 12 June 2018, S&P awarded a BBB rating to Carmila with a "neutral" to "positive" outlook. This rating was confirmed on 16 July 2019.

At 30 June 2019, *the interest cover* ratio was 4.9 times, the *Loan-to-Value* stood at 36.0% and the average debt maturity at 5.4 years.

7.2.1 Change in indebtedness

in thousands of euros	31/12/2018	Change	Issuance	Repayment	Reclassifications	Other movements	Fair value adjustment (1)	30/06/2019
Non-current financial liabilities	**2 301 426**	**990**	**-765**	**1 691**	**0**	**0**	**17 243**	**2 320 585**
Bonds	1 550 000	-	-	-	-	-	-	1 550 000
Bond issuance premiums	-10 236	-	-	875	-	-	-	-9 361
Borrowings from lending institutions	755 002	-	-	- 569	-	-	-	754 433
Loan and bond issuance fees	-12 085	-	- 765	1 385	-	-	-	-11 465
Derivative instruments - liabilities	18 746	990	-	-	-	-	17 243	36 979
Current financial liabilities	**88 502**	**- 3 594**	**93 240**	**- 628**	**- 1**	**-**	**-**	**177 519**
Borrowing from lending institutions	-2 134	-	- 2 395	- 614	-	-	-	-5 143
Accrued interest on loans	15 019	-	10 635	- 14	- 1	-	-	25 639
Other loans and related debt-current	70 000	-	85 000	-	-	-	-	155 000
Derivative instruments - liabilities	0	-	-	-	-	-	-	0
Bank facilities	5 617	- 3 594	-	-	-	-	-	2 023
Other financial debt related to IFRS 16	**0**	**0**	**0**	**-877**	**0**	**33 152**	**0**	**32 275**
Other financial debt IFRS 16 - non current	0	0	0	0	-977	30 625	0	29 648
Other financial debt IFRS 16 - current	0	0	0	-877	977	2 527	0	2 627
Gross debt	**2 389 928**	**-2 604**	**92 475**	**186**	**-1**	**33 152**	**17 243**	**2 530 379**

Other loans and related debts represent commercial paper issued for the current part, in the amount of €155 million, and in other financial debt, the balance corresponds to the debt recorded in the context of the first-time application of IFRS 16 (see 3.3 *Accounting standards*).

7.2.2 Principal Group financing

(in thousands of euros)	Borrower	Currency of Issue	Interest rate	Final maturity date	Repayment profile	Maximum amount	Amount drawn at 30/06/2019
Bonds							
	Carmila SA	EUR	2,375%	sept-23	in fine	600 000	**600 000**
	Carmila SA	EUR	2,375%	sept-24	in fine	600 000	**600 000**
	Carmila SA	EUR	2,125%	mar-28	in fine	350 000	**350 000**
Bank loans						770 000	**770 000**
	Carmila SA	EUR	Euribor 3M	june 24	in fine	770 000	**770 000**
Treasury bills						600 000	**155 000**
	Carmila SA	EUR				600 000	**155 000**
Other financing - mortgages						3 068	**1 883**
	Financière Géric	EUR	2,65%	dec-19	amortised	1 054	**530**
	Financière Géric	EUR	Euribor 3M	mar-20	amortised	1 098	**662**
	Financière Géric	EUR	2,70%	dec-20	amortised	916	**691**
TOTAL						**2 923 068**	**2 476 883**

7.2.3 Bonds

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

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

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

In connection with the merger with Cardety, Carmila secured approval from a qualified majority of bondholders for both bonds, convened to a first notice meeting on 24 May 2017, to transfer these financial liabilities to Cardety.

In February 2018, Carmila issued a third bond with a par value of €350 million, dated 7 March 2018. Net of the premium and bank commissions, deducted from the nominal amount of the debt, Carmila received €347,767 thousand. The 10-year maturity of this bond, the longest tenor for the Group, is set for a maturity at 7 March 2028.

At 30 June 2019, Carmila's outstanding bond debt totalled €1,550 million. €12,799 thousand in premiums and issue costs remain to be amortised over the residual period of the underlying debts.

7.2.4 Borrowings from banks

On 15 December 2013, Carmila and a pool of banks signed a loan agreement for a total amount of €1,400 million, including a €1,050 million term loan as A tranche, used to partially fund the acquisition of investment properties from the Klépierre group, and a five-year revolving credit facility of €350 million. Facility A was fully drawn down in 2014. A rider to this agreement was signed on 30 July 2015, extending the maturity to 30 July 2020, with the option of two further one-year extensions. The first extension, requested in 2016, extended the maturity date to 30 July 2021.

On 17 September 2014, Carmila and a banking syndicate entered into a second loan agreement to partially finance the acquisition of assets Unibail and

Carrefour in the autumn of 2014, with a Facility A loan of €496 million and a revolving facility credit of €124 million. The Tranche A loan was drawdown in full on 27 November 2014. This loan agreement was signed for five years and was set to mature on 17 September 2019. During 2016, following the placement of the second bond, the Group made a partial repayment of the Facility A of €406 million. On 31 May 2016, Carmila negotiated an increase in the existing revolving credit facility, signed under the same loan agreement, bringing its amount from €124 million to €396.6 million.

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

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

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

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

Finally, on 29 May 2019, the fully-drawn syndicated €770 million loan was extended by one year to June 2024. This "renegotiation" led to the capitalisation of €765 thousand in fees spread over the remaining term of the underlying debt.

At 30 June 2019, €7,998 thousand in issuance costs for these loans remain to be amortised over the period of the underlying debts.

7.2.5 Compliance with the prudential ratios at 30 June 2019

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

- Interest Cover: the ratio of EBITDA to the net cost of debt must be greater than 2.00 at the test dates. This ratio totalled 4.9x at 30 June 2019 (unchanged from 31 December 2018);

- Loan-to-Value ratio: the ratio of consolidated net financial debt to the fair value of the investment assets (including transfer costs) must not exceed 55% on the same date. with the possibility of exceeding this ratio for a six month period. This ratio totalled 36.0% at 30 June 2019 (compared with 34% at 31 December 2018).

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

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

At 30 June 2019, the Group complied with the applicable covenants.

7.2.6 Other loans

In 2015, Carmila acquired Financière Géric. This company had taken out three amortisable bank loans for which the residual outstanding amount was €1,884 thousand at 30 June 2019, maturing in 2019 and 2020. These three loans were amortised for €1,183 thousand during the year. The outstanding amount of these loans is guaranteed by a mortgage on the assets of the Thionville shopping centre.

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

The outstanding balance at the end of June 2019 was €155 million with maturities of 3 months. The maximum outstanding balance drawn over the period was €155 million. As part of its 2017 refinancing, Carmila negotiated new credit lines with leading banks within the framework of the loan agreements signed on 16 June 2017:

- A confirmed revolving credit facility agreement in the amount of €759 million currently undrawn (the "RCF") maturing on 16 June 2024 following its extension on 29 May 2019;

- A confirmed credit facility agreement in the amount of €250 million in the form of a club deal ("CD") with a limited number of top-tier banking partners close to the Group, maturing on 16 June 2020.

7.2.7 Breakdown of financial debt by maturity date

At 30 June 2019, financial debt maturity broke down as follows:

(in thousands of euros)	30/06/2019	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds	**1 561 799**	**22 218**	**-2 431**	**-2 491**	**-2 552**	**1 547 055**
Bonds - non-current	1 550 000	-	-	-	-	1 550 000
Bond redemption premiums	-9 361	- 1 804	- 1 845	- 1 891	- 1 938	- 1 883
Accrued interests	24 597	24 597	-	-	-	-
Issuance costs	-3 437	- 575	- 586	- 600	- 614	- 1 062
Bank loans	**897 304**	**149 145**	**-5 616**	**-5 517**	**-5 534**	**764 826**
Borrowings from bank - non-current	754 433	-	- 4 067	- 3 950	- 3 950	766 400
Issuance costs	-8 028	- 1 754	- 1 549	- 1 567	- 1 584	- 1 574
Accrued interest	1 042	1 042	-	-	-	-
Borrowings from bank - current	-5 143	- 5 143	-	-	-	-
Other loans and related debt - current	155 000	155 000	-	-	-	-
Other financial debt related to IFRS 16						
Other financial debt IFRS 16 - non current	29 648	-	2 644	2 276	2 276	22 452
Other financial debt IFRS 16 - current	2 627	2 627	-	-	-	-
Bank and bond borrowings	**2 491 378**	**173 990**	**-5 403**	**-5 731**	**-5 811**	**2 334 333**
Derivative instruments - liabilities	36 979	8 575	7 584	7 557	5 705	7 558
Bank facilities	2 023	2 023	-	-	-	-
Gross debt by maturity date	**2 530 379**	**184 588**	**2 181**	**1 826**	**- 106**	**2 341 890**

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

2019 **Year of repayment** *(in thousands of euros)*	**2019**	**2020**	**2021**	**2022**	**2023**	**2024+**	**TOTAL**
Principal	156 198	686	0	0	600 000	1 720 000	2 476 884
Interest	49 263	49 501	48 913	49 223	45 270	29 468	271 638
Group Total (principal + interest)	**205 461**	**50 187**	**48 913**	**49 223**	**645 270**	**1 749 468**	**2 748 522**

2018 **Year of repayment** *(in thousands of euros)*	**2019**	**2020**	**2021**	**2022**	**2023**	**2024+**	**TOTAL**
Principal	72 381	686	0	0	1 370 000	950 000	2 393 067
Interest	49 263	49 690	49 998	50 928	39 387	17 523	256 789
Group Total (principal + interest)	**121 644**	**50 376**	**49 998**	**50 928**	**1 409 387**	**967 523**	**2 649 856**

7.2.8 Hedging transactions

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

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

- Level 1: Financial instruments quoted on an active market;

- Level 2: Financial instruments whose fair value measurement uses techniques based on observable market parameters;

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

(in thousands of euros)	Fair value level	Fiar value in profit and loss	Fiar value in OCI *period impact*	Loans and receivables	Liabilities at amortised cost	Liabilities at fair value	Value in balance sheet 31/12/2018
ASSETS							**363 714**
Security deposits				12 633			**12 633**
Trade receivables				132 400			**132 400**
Other current financial receivables				16 626			**16 626**
Short term investment							
Cash and cash equivalent	Level 1	119 408					**119 408**
LIABILITIES							**2 475 586**
Bonds					1 537 202		**1 537 202**
Bank loans					746 405		**746 405**
Commercial papers					155 000		**155 000**
Financial derivatives liabilities	Level 2		-18 207			36 979	**36 979**

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

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

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

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

The fixed interest rate position (fixed-rate debt + swapped variable-rate debt, excluding swaption) represents 85% of gross debt at 30 June 2019 (compared with 88% at end of 2018) and hedging instruments represent 71% of variable-rate debt (including commercial paper) as of the same date.

At 30 June 2019, the Group had contracted, with leading partner banks, nine fixed-rate payer swaps against the three-month Euribor for a notional amount of €560 million, the longest of which matures in December 2027, and a tunnel of swaptions for an amount of €100 million.

	Liabilities	Nominal value				
(in millions of euros)	FV	**TOTAL**	2019	2020	2021	> 2021
Swap	38,3	**660**		100		560

These instruments hedge the future variable-rate interest payments of the Group's financing for which the highly probable character is confirmed by the €770 million bank loan.

These hedging instruments, still effective, were recognised as cash flow hedges for the financial year. As a consequence of this cash flow hedge accounting the derivative instruments are recognised on the closing balance sheet at their market value, with the change in fair value on the effective part of the hedge recognised in shareholders' equity (OCI) and the ineffective part in profit and loss under "*Other financial income and expenses*". The fair value of the swaps at 30 June 2019 was considered to be 100% effective and therefore recognised in shareholders' equity for €37,982 thousand. The change in items recognised in OCI during the first half of 2019 is -€17,243 thousand and includes -€18,207 thousand in changes in fair value on the Swaps and +€964 thousand in recycling of OCI to profit or loss (cash payments of previously cancelled swaps).

(in thousands of euros)	30/06/2019	31/12/2018
Financial instruments liabilities		
Interest rate derivative liabilities - FV charged in earnings	94	226
Interest rate derivative liabilities - Cash-flow Hedges	37 982	19 775

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

in thousands of euros	Drop in interest rates of 0.5%		Rise in interest rates of 0.5%	
	Change in equity	**Change in profit and loss**	**Change in equity**	**Change in profit and loss**
Swap as CFH	-17 627		16 945	
Options as trading		0		0

7.3. Management of financial risks and hedging strategy

7.3.1 Credit risk

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

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

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

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

7.3.2 Liquidity risk

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

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

Carmila has two revolving credit lines at its disposal totalling €759 million and €250 million with maturities in June 2024 and January 2020 respectively. At 30 June 2019, neither of these two lines had been drawn down.

7.3.3 Other financial risks

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

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

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

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

8. DETAIL OF OTHER BALANCE-SHEET ITEMS

8.1. Intangible fixed assets

Accounting policies

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

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

in thousands of euros	31/12/2018	Acquisitions	Allowances / reversals	Reclassification / scrapped	30/06/2019
Software	1 532	56	-	39	1 627
Other intangible assets	16 404	-	-	-	16 404
Intangible assets in progress	41	10	-	- 40	11
Intangible assets - gross value	17 977	66	-	- 1	18 042
Amortisation / software impairment	- 910	-	- 93	- 1	- 1 004
Amortisation / impairment of other intangible fixed assets	- 12 512	-	- 162	-	- 12 674
Intangible assets - total amortisation	- 13 422	-	- 255	- 1	- 13 678
Total intangible assets - net value	**4 555**	**66**	**- 255**	**- 2**	**4 364**

8.2. Property, plant and equipment

Accounting policies

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

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

in thousands of euros	31/12/2018	Acquisitions	Allowances / reversals	Change in accounting method	Reclassification / scrapped	30/06/2019
Technical plant, machinery and equipment	4 154	78	-	-	-	4 232
Office and computer equipment	448	28	-	-	-	476
Transport equipment	-	-	-	599	-	599
Company's offices building	-	-	-	2 701	-	2 701
Other property, plant and equipment	85	13	-	-	-	98
Property, plant and equipment - gross value	4 687	119	-	3 300	-	8 106
Depreciation/impairment of technical plant, machinery and equipmei	- 2 192	-	- 149	-	-	-2 341
Depreciation/impairment of office and computer equipment	- 388	-	- 13	-	-	-401
Depreciation/impairment of transport equipment	-	-	- 171	-	-	-171
Depreciation/impairment of company's offices building	-	-	- 313	-	-	-313
Depreciation/impairment of other property, plant and equipment fixec	- 45	-	- 1	-	-	-46
Property, plant and equipment - total depreciation	- 2 625	-	- 647	-	-	-3 272
Total property, plant and equipment net	**2 062**	**119**	**- 647**	**3 300**	**-**	**4 834**

At 30 June 2019, property plant and equipment mainly includes fixtures and office equipment for the Group's offices and services centres in France and Spain. No acquisitions or write-offs occurred during the period.

The "*change in method*" column represents the first-time application of IFRS 16 which resulted in the recognition of €3,300 thousand in property, plant and equipment for the long-term leases for company vehicles in France and the leases for the registered offices in France and in Spain. The associated depreciation expense amounts to €484 thousand for the period.

8.3. Investments in equity-accounted companies

Accounting policies

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

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

in thousands of euros	31/12/2018	Net income	Distribution	Capital increase	30/06/2019
Investment in equity-accounted companies	49 766	2 557	-1 683	-	50 640

At 30 June 2019, this item exclusively includes As Cancelas (Spain), acquired in 2014 and currently in operation, and Carmila Thiene (Italy), which is developing a project.

Financial information on equity-accounted entities

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

	30/06/2019	31/12/2018
Investment properties	135 274	135 079
Other non-current assets	1 380	1 566
Deffered tax assets	199	184
Non-current assets	136 852	136 829
Trade receivables	371	442
Other current assets	807	866
Cash and Cash equivalent	1 452	4 078
Current assets	2 630	5 386
Total assets	**139 482**	**142 215**

	30/06/2019	31/12/2018
Shareholders' equity	91 070	92 064
Equity	91 070	92 064
Borrowings and financing from associates	28 284	31 126
Other non current liabilities	16 614	16 327
Non current liabilities	44 898	47 453
Current liabilities	3 514	2 698
Total liabilities and shareholders' equity	**139 482**	**142 215**

	30/06/2019	30/06/2018
Gross rental income	4 660	4 561
Net income	**5 114**	**2 510**
Dividend distributed	2 960	2 960

8.4. Other non-current assets

Accounting policies

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

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

Substitution of IFRS 9 by IAS 39 "Financial *instruments – Recognition and Measurement*" *leads* to a redefinition of the measurement in the methodology of classification and assessment of financial assets:

- based on the contractual characteristics of cash flows, on the one hand;
- and on the economic model for asset management, on the other.

The definition of financial assets selected is extended to loans, advances, non-consolidated securities current accounts, trade receivables and derivative assets. IFRS 9 also makes a distinction between two categories of financial assets: debt instruments and equity instruments. Depending on the characteristics of the contractual cash flows *and business* model, the resulting valuation method is different.

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

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

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

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

in thousands of euros	31/12/2018	Acquisitions	Disposals	Reclassification	Other movements	30/06/2019
Non-consolidated equity interests	72	18	0	0	0	90
Advances to associates or non-consolidated companies	202	33	0	0	0	235
Security deposits	12 826	14	-206	0	0	12 634
Other financial assets	71	0	0	0	0	71
Other non-current assets - gross value	13 171	65	-206	0	0	13 030
Impairment on other non current assets	-1 223	0	0	0	0	-1 223
Other non current assets - net	**11 948**	**65**	**-206**	**0**	**0**	**11 807**

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

The increase in non-consolidated equity interests and in advances to non-consolidated associates represents an investment for a minority stake of a capital increase in an existing retail company in Spain. The Group thus invests in innovative retail concepts and supports these retailers in their development, particularly by offering opportunities to open in the shopping centres held by the Group.

8.5. Trade receivables

Accounting policies

Trade receivables mainly comprise rent to be received from tenants, front-end fees and fees from services rendered to tenants. In the event of loss in value, these receivables are subject to depreciation, which takes into account the debtor's capacity to honour its debt and the period for which the receivable is overdue. The Group makes a 50% bad debt provision when the receivable is overdue by over 6 months and less than one year, and at 100% of the receivables if overdue by more than a year.

In addition, for any tenant presenting a risk of insolvency, a bad debt provision is made for 100% of the receivables due. These are tenants in safeguard procedures, in receivership, liquidation, or any tenant for which a significant credit risk has been identified.

The trade receivables have a maturity of less than one year, with the exception of rent discounts and step rents, which are first minimum lease term.

Lastly, pursuant to the application of IFRIC 21, provisions were recorded for all property taxes owed for the year 2018 as of 1 January of that year. Simultaneously, a provision for the share of property taxes rebilled to tenants was recorded as unbilled revenue. Accordingly, net taxes at 30 June are equivalent to the net taxes expected for the year. This adjustment has no impact on the annual financial statements.

(in thousands of euros)	30/06/2019	31/12/2018
Trade receivables - gross value	153 366	143 265
Depreciation of trade receivables	-20 966	-19 649
Trade receivables and other receivables - net	**132 400**	**123 616**

The increase over the period is mainly due to the recording of accrued income for property taxes in France, yet to be invoiced.

(in thousands of euros)	Accounting balance[1]	current	overdue	< 15 days	>= 15 days < 30 days	>= 30 days < 60 days	>= 60 days < 90 days	>= 90 days < 180 days	>= 180 days < 360 days	>= 360 days	TOTAL Provision
Espagne	5 398	0	5 398	-475	651	224	-239	1 189	650	3 398	4 056
Italie	9 394	6 152	3 242	-62	146	72	410	218	613	1 849	2 313
France	101 929	78 830	23 103	-294	144	-57	4 652	3 481	4 155	11 018	14 597
TOTAL Group (including VAT)	**116 721**	**84 982**	**31 743**	**-831**	**941**	**239**	**4 823**	**4 888**	**5 418**	**16 265**	**20 966**

This aged balance does not include accrued invoices nor receivables unrelated to rental activity.

8.6. Other current assets

(in thousands of euros)	30/06/2019	31/12/2018
Tax receivables	32 082	37 020
Corporate tax receivables	2 885	2 590
Other tax receivables	29 197	34 430
Financial receivables	99 874	161 784
Receivables related to investment properties	16 296	19 607
Derivative instruments - assets	881	0
Short term investment	82 697	142 177
Other receivables	20 842	18 440
Receivables from charges rebilled to tenants	12 005	10 942
Other miscellaneous receivables	7 957	7 740
Prepaid expenses	880	-242
Total other receivables - gross value	**152 798**	**217 244**
Depreciation of other receivables	0	0
Other current receivables - net	**152 798**	**217 244**

At 30 June 2019, the significant reduction in financial receivables is due to the gradual disposal of marketable securities, which are unwound into available cash. These marketable securities do not meet all the criteria set out in IAS 7 to be presented in cash and cash equivalent. At 30 June 2019, these short-term investments were valued at their market value. They are presented net of the market value adjustment at their realisable value, giving rise to an impairment charge of €1,821 thousand. The loss recorded as a result of the disposals during the first half year to €545 thousand.

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

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

8.7. Net cash

Accounting policies

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

(in thousands of euros)	30/06/2019	31/12/2018
Cash	119 408	70 518
Cash equivalent	0	0
Cash and cash equivalent	119 408	70 518
Bank facilities	-2 023	-5 617
Net cash	**117 385**	**64 901**

[1] *Excluding short term investment displayed in other current financial assets booked at its fair value at 31 December 2018* *82 697*

Cash equivalents were presented as other current financial assets to the extent that all the criteria defined in IAS 7 *"Cash and cash equivalents"* do not appear to be met to classify these short term investments as cash equivalents.

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

8.8. Equity

8.8.1 Share capital and premiums

in euros	Number of shares	Share capital	Issuance premium	Merger premium
On 1 January 2019	**136 561 695**	819 370 170	519 655 151	1 748 548 849
Cash payment dividend GM 16/05/2019	**-**	-	-	- 138 216 000
New shares issued	**112 611**	675 666	- 675 666	-
On 30 June 2019	**136 674 306**	**820 045 836**	**518 979 485**	**1 610 332 849**

At 30 June 2019, the share capital was made up of 136,674,362 shares of two classes, each with a nominal value of six euros (€6) fully subscribed and paid up. These shares are broken down into 135,561,695 class A shares and 112,611 class B shares.

On 16 May 2019, based on a proposal by the Board of Directors, the Shareholders' Meeting approved the distribution of a dividend of €1.50 per share for the 2018 financial year, paid in a single payment. The ex-dividend date was 21 May and payment was made on 23 May. An amount of €66,500 thousand was deducted from distributable income and the remaining €138,216 thousand from the merger premium.

In addition, the company issued 112,611 class B shares under the preference share-based bonus plans for Carmila's key employees and corporate officers, which was approved by the Shareholders' Meeting on 16 May 2018. This capital increase was charged against issuance premiums.

8.8.2 Distributions of premiums and capital increases by Carmila

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

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

8.8.3 Treasury stock

Treasury stock is deducted from consolidated shareholders' equity at its acquisition cost. Any income from the sale of treasury stock (together with the related tax effects) is directly charged to shareholders' equity and does not contribute to net income for the financial year. The company set up a share liquidity contract following its listing on Euronext Paris.

At 30 June 2019, in order to comply with current regulations, the company transferred 102,358 shares from the liquidity contract to treasury shares to be used in share-based bonus plans. At the closing date, the company therefore holds 86,460 Carmila shares under the liquidity contract and 106,707 treasury shares intended for use in future share-based bonus plans.

8.8.4 Earnings per share

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

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

At 30 June 2019	
Average number of shares (undiluted)	136 368 528
Number of shares resulting from share-based payments present and future at 30 June 2019	302 109
Average number of shares (fully diluted)	136 670 637

8.9. Provisions

Accounting policies

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

(in thousands of euros)	31/12/2018	Allowances	Reversal	Reclassification	Actuarial adjustments (OCI)	30/06/2019
Other contingency provisions	5 175	87	- 231	9	-	5 040
Total contingency provisions	5 175	87	- 231	9	-	5 040
Provision for pensions and retirement benefits	510	5	- 5	-	-	510
Provisions for charges	510	5	- 5	-	-	510
Total non-current provisions	**5 685**	**92**	**- 236**	**9**	**-**	**5 550**

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

8.10. Other non-current liabilities

This item includes an earn-out payment related to the acquisition of an asset in 2016, in which the estimates of future performance and amounts were sufficiently reliable to justify the accruing of this earn-out payment. The payment is expected to take place in 2021.

8.11. Trade and fixed-asset supplier payables

(in thousands of euros)	30/06/2019	31/12/2018
Fixed assets payables	60 771	52 141
Miscellaneous trade payables	3 476	3 804
Trade payables and invoices yet to be receive	30 096	24 566
Trade and fixed assets payables	**94 343**	**80 511**

Fixed asset payables showed a noticeable increase due to the ongoing projects in Nice (+€27.9 million) and Rennes (+€2.8 million). This impact is offset by the settling of payables with the fixed asset suppliers for ongoing or completed projects, particularly Orléans Place d'Arc, Coquelles, BAB2 in Anglet and Evreux.

8.12. Other current liabilities

(in thousands of euros)	30/06/2019	31/12/2018
Tax and payroll related payables	66 142	44 237
Tax liabilities (excluding corporate income tax)	49 866	27 730
Tax liabilities - corporate income tax	7 559	5 834
Social-security liabilities	8 717	10 673
Miscallaneous liabilities	98 195	87 517
Other miscellaneous debts	23 999	17 784
Prepaid income	74 196	69 733
Other current liabilities	**164 337**	**131 754**

The increase in tax and payroll-related payables is primarily linked to the recognition of the entire property tax at 1 January 2019 under IFRIC 21, which is paid during the second half of the year. This recognition of the property tax at 30 June represents a liability of €17.5 million for France.

The increase in miscellaneous liabilities results mainly from the down payments called for from tenants prior to invoicing.

9. DETAIL OF OTHER INCOME STATEMENT ITEMS

9.1. Net rental income

Accounting policies

Gross rental income

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

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

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

Property expenses

Real estate expenses include:

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

Non recovered rental charges:

These charges mainly represent expenses on vacant premises and rebillable expenses that have not been rebilled. These charges mainly comprise co-ownership expenses, as well as net income and expenses for marketing and rebilled works.

Property expenses (landlord):

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

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

(in thousands of euros)	30/06/2019	30/06/2018
Rent	179 235	166 331
Front-end fees and other indemnities	-305	544
Gross Rental Income	178 930	166 875
Property tax	-21 339	-18 455
Charges rebilled to tenants	17 916	15 530
Real estate expenses	-3 423	-2 925
Rental charges	-31 526	-29 609
Charges rebilled to tenants	27 380	25 677
Non-recovered rental charges	-4 146	-3 932
Management fees	-26	-343
Charges rebilled to tenants	0	8
Losses and depreciation of receivables	-3 450	-2 747
Other expenses	-923	-1 918
Property expenses (landlord)	-4 399	-5 000
Net Rental Income	**166 962**	**155 018**

Gross rental income. The growth in rental income is mainly due to the 2018 acquisitions in Spain and France (+€7 million), the deliveries of extension projects (+3 million) and growth on a like-for-like basis (+€2.6 million) which offset the disposal of the Grugliasco shopping centre in Italy in 2018 (-€0.5 million)

Real estate expenses. The deterioration in net real estate expenses is mainly due to the full-year effect of the acquisitions in Spain in 2018. The amount net of tax was stable in France and Italy (where the property tax is not rebillable).

Non-recovered rental expenses. The increase in non-recovered rental charges, up by 5.4%, reflects the improved rebilling of these expenses, since they are growing at a slower pace than rental income (+7.2%***).***

Property expenses. The improvement in non-recovered rental expenses reflects the better management of expenses (-€1.0 million) which offsets a deterioration in the customer risk compared to the first half of 2018 in Spain (-€0.5 million), and France (-€0.5 million), offset by an improvement in Italy (+€0.3 million).

9.2. Overhead expenses

(in thousands of euros)	30/06/2019	30/06/2018
Income from management, administration and other activities	2 657	1 362
Other income	2 391	3 553
Payroll expenses	-13 234	-12 629
Other overhead expenses	-19 362	-17 586
Overhead expenses	**-27 548**	**-25 300**

9.2.1 Income from management, administration and other activities

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

9.2.2 Other service income

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

9.2.3 Payroll expenses

Payroll expenses amounted to €13,234 thousand at 30 June 2019, up 5%.

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

9.2.4 Other external expenses

Other external expenses mainly comprise marketing expenses and contributions by the lessor to the marketing funds (€3.8 million), fees (€10.4 million), including those paid to the Carrefour group under service agreements (accounting, human resources, general services, etc.), appraisal fees for the property portfolio, financial communication and advertising fees, and travel expenses. This item also includes directors' fees (€0.3 million), convention and travel expenses, banking fees, subcontracting costs, etc.

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

9.3. Depreciation, amortisation, provisions and impairment

(in thousands of euros)	30/06/2019	30/06/2018
Depreciation and amortisation allowance for fixed assets and impairment of intangible fixed assets	-917	-412
Reversal / accruals for provisions of contingent liabilities and current assets	84	-1 084
Allowances for depreciation of fixed assets, amortisation of intangible fixed assets and provisions	**-833**	**-1496**

Depreciation, amortisation and impairment concern mainly software, facilities and furniture in the office buildings where the Group has its registered offices. The first-time application of IFRS 16 resulted in the recording of a fixed asset for the Group's vehicle lease agreements and for its Spanish and French registered offices. These assets are depreciated over the first firm term lease. The depreciation expense on these two items stands at €419 million for the period and explains the increase during the period.

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

9.4. Other operating income and expenses

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

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

Carmila did not carry out any material disposals during the period. The negative income on disposal results from a land exchange transaction and write-offs during the period.

10. TAXES

Accounting policies

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

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

French tax regime for REITs (Real Estate Investment Trusts)

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

Characteristics of the regime

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

In return for this exemption, these listed property investment companies are required to distribute 95% of their rental income, 70% of their capital gains on disposals (effective 1 January 2019, previously 60%) and 100% of the dividends received from their REIT subsidiaries.

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

Discounting of the exit *tax liability*

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

Income tax for companies not subject to the REIT tax regime

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

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

Ordinary-law arrangements and deferred tax

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

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

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

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

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

Deferred tax is calculated at the local tax rates approved on the closing date. The rates applied at 30 June 2019 are 24% in Italy and 25% in Spain.

In France, the Finance Act has maintained the social contribution rate at 3.3% but has introduced a progressive reduction in income tax from 33.33% to 25% by 2022. The theoretical tax rate of 32.02% thus is equivalent to the ordinary tax rate of 31% (28% for profits up to €0.5 million) and to the corporate income tax social contribution of 3.3% in effect as of 30 June 2019.

10.1. Income tax expense

(in thousands of euros)	30/06/2019	30/06/2018
Deferred tax	-10 162	-18 773
Withholding tax	-192	-197
Current tax	-1 827	-1 007
Income tax charge	**-12 181**	**-19 977**

The deferred tax expense totals -€10,162 thousand and is mainly due to the change in deferred taxation linked to changes in fair value (-€9,880 thousand).

The balance mainly represents the income tax expense in Spain that is subject to tax consolidation (-€325 thousand).

The decrease in the income tax expense is due on the one hand to a more moderate growth in appraisal values than in the first half of 2018, and on the other to the effect of the review of the tax values in 2018 which had a full and non-recurring effect in 2018.

The tax payable by the Group is -€1,827 thousand, including €1.6 million in Italy and €0.2 million in France owed by the French companies outside the REIT regime. Finally, the income tax expense includes the withholding tax on the interest paid by the Group's Italian subsidiaries to Carmila SA, for €0.2 million. The increase in the income tax expense payable is primarily due to the improved in profitability in Italian operations.

10.2. Tax reconciliation

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

(in thousands of euros)	30/06/2019	30/06/2018
Net consolidated income	27 029	140 278
Income tax expense	12 181	19 977
Share of net income of equity-accounted companies	-2 557	-1 255
Net income before taxes and excluding equity-accounted companies' net income	36 653	159 000
Tax rate applicable to the parent company	32,02%	34,43%
Theroetical income tax (expense)/income	**-11 736**	**-54 744**
Tax exempt income resulting from the SIIC regime	-2 554	39 260
Temporary differences	-15	0
Permanent differences	-781	241
Other tax accrual	0	-8 661
Difference in tax rates	3 198	4 601
Tax deficit allocation	0	0
Tax loss without deferred tax recognition	-294	-674
Effective tax (expense)/income	**-12 181**	**-19 977**
Effective tax rate	**33,23%**	**12,56%**

10.3. Current tax assets and liabilities

(in thousands of euros)	30/06/2019	31/12/2018
Tax credits	2 885	2 970
Total tax assets	**2 885**	**2 970**
Tax liabilities non-current	4 569	9 138
Tax liabilities current	7 531	6 676
Liabilities related to tax consolidation	28	6
Total tax liabilities	**12 128**	**15 820**

At 30 June 2019, tax receivables totalled €2,238 thousand for Spain, €442 thousand for Italy and €205 thousand for France.

The French companies subject to corporate income tax opted for the SIIC regime on 1 June 2014. Financière Géric chose the SIIC regime at 1 January 2017. A provision was recorded in the 2016 financial statements for the total amount of exit tax to be paid by this company. On the balance sheet, at 30 June 2019, the exit tax liability of Financière Géric totalled €9,138 thousand, including €4,569 thousand payable in more than one year.

10.4. Deferred tax assets and liabilities

(in thousands of euros)	31/12/2018	Profit and loss impact	Change in scope of consolidation	Other	30/06/2019
Deferred tax - assets	7 776	-794	0	0	6 982
Deferred tax - liabilities	154 692	9 872	0	0	164 564
Net balance of deferred tax	**-146 916**	**-10 666**	**0**	**0**	**-157 582**
Breakdown of differed tax by category					
Properties	-154 419	-9 880	0	-	-164 299
Tax losses	7 503	-786	0	-	6 717
Net balance of deferred tax	**-146 916**	**-10 666**	**0**	**0**	**-157 582**

11. OFF-BALANCE-SHEET COMMITMENTS AND ASSOCIATED RISKS

Off-balance-sheet commitment

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

Contingent liabilities

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

Contingent liabilities

In 2017 Carmila received a tax assessment from the tax authority for the 2014 financial year including an adjustment notice for €62,134 thousand, interest and penalties included. After consulting its tax lawyers, Carmila is disputing the basis of this adjustment and considers that its chances of success in litigation are probable. The Administrative High Court's (*Conseil d'Etat*) decision of 24 April 2019 regarding the real estate company FRA strengthens the Group's position. Consequently, no provision has been posted.

11.1. Commitments received

in thousands of euros	**30/06/2019**	**31/12/2018**
Unused credit facilities	1 009 000	1 009 000
Commitments related to Group financing	1 009 000	1 009 000
Sale commitments	0	0
Bank guarantees received from tenants	25 740	24 778
Commitments related to the Group operating activities	25 740	24 778
TOTAL commitments received	**1 034 740**	**1 033 778**

11.1.1 Unused credit facilities

The Group finances itself through equity and borrowings contracted by the parent company. At 30 June 2019, the Group had two confirmed undrawn credit lines set-up within the scope of its refinancing programme in June 2017, totalling €1,009 million.

11.1.2 Bank guarantees received from tenants

As an owner and manager of shopping malls, some leases provide for the Group to receive a first demand bank guarantee securing the sums owed by the tenants. In addition, €76,754 thousand in security deposits paid by the lessees are recorded on the balance sheet.

11.1.3 Other guarantees received – liability guarantee

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

11.2. Commitments given

(in thousands of euros)	30/06/2019	31/12/2018
Commitments to acquire	0	0
Commitments given related to the scope of consolidation	0	0
Financial guarantees issued	1 884	3 067
Commitments related to Group financing	1 884	3 067
Commitments under conditions precedent	0	2 460
Commitments to complete works	47 182	65 704
Rental guarantees and deposits	6 921	6 553
Commitments given on swaps	0	100 000
Commitments related to the Group operating activities	54 103	174 717
TOTAL commitments given	**55 987**	**177 784**

11.2.1 Financial guarantees issued

Prior to its acquisition by the Group, Financière Géric granted prime mortgages for an initial amount of €13,000 thousand as a guarantee to its bank financing. At 30 June 2019, the outstanding amount guaranteed is €1,883 thousand. The underlying outstanding matures in 2019 and 2020.

11.2.2 Commitments under conditions precedent

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

11.2.3 Commitments to complete works

Work commitments relate to the projects approved by the Investment Committee and/or already under contract and not recognised on the balance sheet. These are mainly restructuring projects in France. At 30 June 2019, the work commitments concern mainly the Rennes-Cesson extension work and the restructuring of Cité Europe at Coquelles. The reduction over the period is primarily due to the disbursements for these two projects, which were ongoing as at 31 December 2018, during the first half of 2019.

11.2.4 Rental guarantees and deposits

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

11.2.5 Commitments given on swaps

As at 30 June 2019, the Group had not contracted any Swaps or any other derivatives awaiting execution and application. The swaptions recorded off-balance sheet at 31 December 2018 took effect during the period.

11.3. Reciprocal commitments

Directly linked to development and redevelopment projects. Reciprocal commitments relate to acquisition contracts (VEFA) and other contracts for real estate development. At 31 December 2018, secured acquisition contracts totalled €85,794 thousand mainly composed of the Nice Lingostière project.

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

12. TRANSACTIONS WITH RELATED PARTIES

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

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

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

During the first half of 2019, Carmila acquired the commercial rights for the specialty leasing activity in eight Spanish shopping centres in Spain from the Carrefour group for a total investment of €2.9 million during the period.

For more information, please refer to the consolidated financial statements in Carmila's 2018 Registration Document (*11. Transactions with related parties)*.

13. EMPLOYEE COMPENSATION AND BENEFITS

13.1. Other external expenses

See *Note 9.2.3*.

13.2. Headcount

At 30 June 2019, the Carmila Group had 190 employees, including 131 in France mainly through its Almia Management subsidiary, 44 employees in Spain and 15 in Italy (excluding people on alternate training programs).

13.3. Employee benefits

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

13.3.1 Retirement plans

Accounting policies

Defined-contribution schemes

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

These contributions are recognised as expenses when they fall due.

Defined-benefit schemes and long-term benefits

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

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

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

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

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

- the share of this total benefit allocated to financial years prior to the valuation date (Actuarial Debt or Value of the Obligations) reflects amounts due under the company's obligations for "services rendered". The actuarial debt reflects amounts due under the total obligations indicated on the balance sheet;

- the share of the total cost allocated to financial years subsequent to the valuation date (Cost of Services) represents the likely increase in obligations as a result of the additional year of service that the participant will have performed at the end of the financial year. Depending on their nature, charges related to the cost of services are recorded either under Operating income or under other financial income and expenses for the portion relating to interest expenses.

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

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

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

At 31 December 2018, the Group applied the following principal actuarial assumptions:

- discount rate: 1.44% (unchanged from 2017);
- salary indexation: 2.0% (unchanged from 2017);
- retirement age: between 166 and 172 quarters, depending on age.

These assumptions remained unchanged as at 30 June 2019. The impact on net income for the period is not material.

13.3.2 Share-based payments

Accounting policies

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

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

The Group has four share-based bonus plans for corporate officers and key employees in France, Spain and Italy. The cost is spread over the vesting period (period of work to be completed by the employee prior to being able to exercise the options allocated to him or her). The two plans granted in 2016 (plan 1 and plan 2) were delivered in 2018.

There were two types of plans in effect at 31 June 2019, granted in 2018, 2018 and 2019:

- The 2017 share-based Performance Plan that incorporate, along with presence criteria outlined above, the fulfilment of conditions relating to the Group's financial performance. Of these Performance Plans:
  - 50% relates to the fulfilment of conditions linked to the change in the total shareholder's return for 2017 (based on the NNNAV indicator as defined by EPRA) versus a comparable panel of real estate companies,
  - 50% relates to the fulfilment of conditions relating to the change in Recurring Earnings Per Share in 2017 compared with the original subscription price;
- in 2018, the preference share-based performance plan incorporates, in addition to a continued employment criterion, the fulfilment of conditions relating to the Group's financial performance:
  - 1/3 relates to the fulfilment of conditions linked to the change in the total shareholder return (based on the NNNAV indicator as defined by EPRA) versus a comparable panel of real estate companies,
  - 1/3 relates to the fulfilment of conditions linked to the comparison of recurring earnings per share for the financial years ended on 31/12/2017 and 31/12/2020,
  - 1/3 relates to the fulfilment of conditions linked to the comparison of the 2020 stock market price to the NAV at 31 December 2019;
- a new preference share-base preference plan was granted and incorporates, in addition to a continued employment criterion, the fulfilment of conditions relating to the Group's financial performance:
  - 1/4 relates to a total shareholder return over three years by end 2021 compared to a panel,
  - 1/4 relates to the growth in recurring earnings per share,
  - 1/4 relates to the percentage of environmental certifications in the portfolio,
  - 1/4 relates to the total stock market yield over three years by end 2021 compared to a panel.

Fifty percent of the 2017 plan was definitively allocated over the period for key employees. The class B preference shares were issued during the period under the bonus preference share-based plan approved by the Shareholders' Meeting in 2018.

The benefits granted were thus spread over the vesting period and recognised as payroll expenses for €721 thousand, with a corresponding increase in equity of €585 thousand and social-security accruals (20% and 30% social-security expenses) of €136 thousand.

14. ADDITIONAL INFORMATION

14.1. Subsequent events

On 16 July 2019, Standard & Poor's confirmed Carmila's long-term rating of BBB with a "positive" outlook. The upholding of Carmila's rating and outlook reflect the resilience of the Group's portfolio and its capacity for development, through organic growth and acquisitions, while maintaining strict financial discipline.

In addition, Carmila obtained the AMF's approval of the base prospectus for a €1.5 billion EMTN programme.

15. LIST OF CONSOLIDATED COMPANIES

LIST OF CONSOLIDATED COMPANIES AT 30 JUNE 2019

List of consolidated companies Fully consolidated companies	Country	% interest June 2019	December 2018	Change	% control June 2019	December 2018	Change
FRANCE							
Carmila SA	**France**	**100,00%**	**100,00%**	**-**	**100,00%**	**100,00%**	**-**
Carmila France SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Almia Management SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI du centre Commercial de Lescar	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI de l'Arche	France	50,00%	50,00%	-	50,00%	50,00%	-
SCI des Pontots	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Anglet	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Coquelles	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Labège	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Orléans	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Carmila Bourges	France	100,00%	100,00%	-	100,00%	100,00%	-
SCI Sothima	France	100,00%	100,00%	-	100,00%	100,00%	-
Hyparmo Sarl	France	100,00%	100,00%	-	100,00%	100,00%	-
Bay1Bay2 SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Financière Géric SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Louwifi SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Crèche sur Saone SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Evreux SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Ventures France SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
KC11 SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Best of the web SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Saran SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Nice SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Lou5G SAS	France	100,00%	0,00%	100%	100,00%	0,00%	100%
SPAIN							
Carmila España SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Santiago SLU	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Talavera SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Huelva SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Mallorca SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Puerto SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Cordoba SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
ITALY							
Carmila Holding Italia SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Italia SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Assago SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Limbiate SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Carmila Milano Nord SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Galleria Commerciale Nichelino SRL	Italy	100,00%	100,00%	-	100,00%	100,00%	-

List of consolidated companies Equity accounted companies	Country	June 2019	December 2018	Change	June 2019	December 2018	Change
As Cancelas	Spain	50,00%	50,00%	-	50,00%	50,00%	-
Carmila Thiene SRL	Italy	50,10%	50,10%	-	50,10%	50,10%	-

List of deconsolidated companies in 2018	Country	June 2019	December 2018	June 2019	December 2018	Comments
None						

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

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

Carmila

Société Anonyme

Share capital of € 820,045,836

58, Avenue Emile Zola
92100 Boulogne Billancourt

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

For the period from 1st January, 2019 to 30 June, 2019

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

For the period from 1st January, 2019 to 30 June, 2019

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Carmila, for the period from 1st January, 2019 to 30 June, 2019,
- the verification of the information presented in the half-yearly management report.

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

I. Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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.

Without qualifying our conclusion, we draw your attention to the matter set out in note“3.3 Accounting Standards” to the condensed half-yearly consolidated financial statements regarding the initial application of the standard IFRS 16 – Leases and the interpretation IFRIC 23 – Uncertainty over Income Tax.

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 25th July, 2019

KPMG S.A.

French original signed

Eric Ropert
Partner

Adrien Johner
Partner

DELOITTE & ASSOCIÉS

French original signed

Stephane Rimbeuf
Partner