HALF-YEAR FINANCIAL REPORT

30 JUNE 2017

4 April 2017

Contents

Introduction

Definitions

The terms "Company" and "Carmila" (formerly Cardety) used herein refer to the Carmila company, a limited company with €810,360,174 in share capital, with its registered office at 58, avenue Emile Zola in Boulogne-Billancourt (92100), registered with the Nanterre Trade & Company Register under number 381 844 471.

The term "Group" used herein refer to the Company and its subsidiaries consolidated.

The term "Registration Document" used herein denotes the 2016 Registration Document of Cardety (which became Carmila on 12 June 2017), which was filed with the French financial markets authority (AMF) on 25 April 2017 under reference D.17-0428.

The term "Document E" used herein denotes the Document E filed with the AMF on 5 May 2017 under reference E.17-040.

Copies of this Half-Year Financial Report are available free-of-charge from Carmila's registered office at 58, avenue Emile Zola – 92100 Boulogne-Billancourt, and via Carmila's website (www.carmila.com).

1. PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

1.1. Person responsible for the Half-Year Financial Report

Jacques Ehrmann, the Company's Chairman and Chief Executive Officer.

1.2. Declaration of the person responsible for the Half-Year Financial Report

"I declare that, to the best of my knowledge, the IFRS summary financial statements for the half-year just ended 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; and that the Half-Year Financial Report attached hereto presents a true picture of the significant events that occurred during the first six months of the year, their impact on the financial statements and the principal related-party transactions, and describes the main risks and uncertainties for the remaining six months of the financial year."

Jacques Ehrmann, Chairman and Chief Executive Officer

2. SELECTED FINANCIAL INFORMATION

2.1. Highlights of the first half-year

In the first half of 2017, the Company continued to effectively roll out its operational strategy in the three countries where it operates. The highlights of the half-year were:

- A further improvement in the occupancy rate, to 96.2%, which allowed the Company to tend towards a level in line with its objectives;
- The public opening of the BAB2 shopping centre extension in Anglet (Bayonne), which confirmed the success of expanding existing centres where catchment areas are adapted;
- The merger of the GIE Geric partnership with its parent company, Financière Geric, which now directly owns the entire Thionville shopping centre and the subsidiary's simultaneous decision to adopt the SIIC tax regime ;
- The merger of Carmila with Cardety, the legal acquirer, which took place on June 12, giving Carmila access to the capital markets, for which it took advantage in July with a public capital increase of €628 million;
- The merger has been accounted for as a reverse merger, as Carmila, the acquiree, had nearly 40 times the assets of Cardety, the acquirer. Cardety's activities are therefore only consolidated in June;
- Cardety, the legal acquirer, changed its name to Carmila on June 12.

2.2. Key figures

Audited interim financial statements at 30 June 2017 (in thousands of €)

2.2.1 Consolidated statement of net income

(in thousands of euros)		**2017 6 months**	**2016 12 months**	**2016 6 months restated**
Gross Rental income		**146 797**	**275 683**	**134 974**
Real estate expenses		- 3 476	- 3 863	- 3 524
Unrecovered rental expenses		- 3 479	- 8 272	- 4 206
Property expenses (landlord)		- 5 850	- 11 045	- 5 478
Net rental income	***Note 9.1***	**133 992**	**252 503**	**121 766**
Overheads	*Note 9.2*	- 24 827	- 41 579	- 18 602
Other income from operations	*Note 8.3*	-	1 948	974
Allowances for depreciation/amortization of tangible and intangible fixed assets and provisions	*Note 9.3*	- 640	- 523	- 292
Other current operating income and expenses	*Note 9.4*	- 1 084	- 267	- 23
Gains (losses) on sales of investment properties		- 191	441	118
Increase in the fair value of investment properties		172 265	235 500	82 846
Decrease of the fair value of investment properties		- 24 464	- 77 822	- 68 798
Balance of fair value adjustments	*Note 6*	147 801	157 678	14 048
Share of net income in equity accounted companies	*Note 8.3*	11 350	6 094	4 456
Operating income		**266 401**	**376 295**	**122 445**
Income from cash and cash equivalents		242	615	164
Cost of gross financial debt		- 25 032	- 49 877	- 26 027
Cost of net financial debt	***Note 7.1.1***	**- 24 790**	**- 49 262**	**- 25 863**
Other financial income and expenses	*Note 7.1.2*	5 992	- 3 005	- 618
Financial income (expenses)		**- 18 798**	**- 52 267**	**- 26 481**
Income before taxes		**247 603**	**324 028**	**95 964**
Income tax	*Note 10.1*	- 11 928	- 28 380	- 8 234
Consolidated net income		**235 675**	**295 648**	**87 730**
Group share		**235 448**	**294 531**	**87 524**
Non-controlling interests		**227**	**1 117**	**206**
Average number of shares comprising Carmila's share capital	*Note 8.8.3*	104 973 554	103 213 154	101 911 022
Income per share (in euros)		2,24	2,85	0,86
Fully diluted average number of shares		105 215 180	103 359 780	101 968 292
Fully diluted income per share (in euros)		2,24	2,85	0,86

Consolidated statement of other comprehensive income

(in thousands of euros)		2017 6 months	31/12/2016 12 months	2016 6 months restated
Consolidated net income		**235 675**	**295 648**	**87 730**
Items to be recycled in income		7 177	- 13 907	- 22 547
Cash-flow hedges	*Note 7.2*	7 177	- 13 907	- 22 547
Related tax				
Items not to be recycled in income		7	39	- 58
Revaluation of net liabilities under defined-benefit schemes		7	39	- 58
Related tax		-	-	-
Consolidated comprehensive income		**242 859**	**281 780**	**65 125**

2.2.2 Statement of financial position

ASSETS

(in thousands of euros)	30/06/2017 6 months	31/12/2016 12 months	30/06/2016 6 months
Intangible fixed assets	4 656	4 885	5 195
Tangible fixed assets	2 098	960	859
Investment properties	5 238 931	4 850 442	4 347 636
Equity investments (Equity accounted)	63 368	48 331	46 685
Other non-current assets	10 846	9 349	23 840
Deferred tax assets	2 346	2 074	2 704
Non-current assets	**5 322 245**	**4 916 041**	**4 426 919**
Trade receivables	106 859	98 164	104 583
Tax receivables	5 234	3 648	2 688
Other current assets	105 740	116 346	67 769
Cash and cash equivalents	101 990	71 243	279 677
Current assets	**319 823**	**289 401**	**454 717**
Total assets	**5 642 068**	**5 205 441**	**4 881 635**

2.2.2 Consolidated statement of financial position (cont.)

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of euros)	30/06/2017 6 months	31/12/2016 12 months	30/06/2016 6 months
Share capital	653 209	313 655	313 373
Additional paid-in capital	1 966 087	1 842 673	1 903 520
Treasury shares	72	-	-
Other comprehensive income	- 31 645	- 38 829	- 47 566
Consolidated reserves	119 005	230 918	231 284
Consolidated income	235 448	294 531	87 524
Shareholders' equity – Group share	**2 942 176**	**2 642 948**	**2 488 135**
Non-controlling interests	5 963	8 156	7 464
Shareholders' equity	**2 948 139**	**2 651 104**	**2 495 599**
Non-current provisions	1 245	609	968
Non-current financial liabilities	1 966 541	2 050 970	2 055 587
Deposits and guarantees	68 119	67 216	62 462
Non-current tax liabilities	13 102	15 542	15 862
Deferred tax liabilities	74 331	65 970	47 348
Non-current liabilities	**2 123 338**	**2 200 307**	**2 182 227**
Suppliers of fixed assets	53 957	33 773	26 589
Trade payables	23 801	22 993	26 073
Current financial liabilities	356 883	167 469	29 080
Other current liabilities	128 336	122 725	114 385
Current tax liabilities	7 614	7 070	7 683
Current liabilities	**570 591**	**354 030**	**203 810**
Total liabilities and shareholders' equity	**5 642 068**	**5 205 441**	**4 881 635**

2.2.3 Consolidated statement of cash flows

(in thousands of euros)	2017 6 months	2016 12 months	2016 6 months
Consolidated total net income	**235 675**	**295 648**	**87 730**
Adjustments			
Elimination of income from equity-accounted companies	- 11 350	- 6 094	- 4 456
Elimination of depreciation, amortisation and provisions	851	302	149
Elimination of change in fair value in the income statement	- 148 027	- 158 073	- 14 889
Elimination of income from transfers and dilution losses and profits	191	- 2 074	- 1 035
Elimination of dividend income	1	-	- 1
Reversal of accrual related to share-based payments	418	1 644	467
Cash flow after cost of net financial debt and tax	**77 759**	**131 353**	**67 965**
Elimination of tax expense (income)	11 928	28 380	8 234
Elimination of cost of net financial debt	24 790	49 263	25 867
Cash flow before cost of net financial debt and tax	**114 477**	**208 996**	**102 066**
Impact of change in trade receivables	- 6 800	- 6 668	- 8 716
Impact of change in trade payables	23 310	2 624	- 2 500
Impact of change in other receivables and payables	17 066	- 25 162	940
Change in working capital requirements	33 576	- 29 206	- 10 276
Change in deposits and guarantees	- 1 301	3 122	- 655
Taxes paid	- 2 508	- 5 234	- 2 447
Cash flows from operating activities	**144 244**	**177 678**	**88 688**
Impact of changes in scope of consolidation	- 6 007	- 38 625	- 38 598
Acquisition of investment properties	- 109 559	- 404 823	- 45 230
Acquisition of other fixed assets	- 1 262	- 321	- 4
Change in loans and advances granted	- 101	2 031	- 2 048
Disposal of investment properties and other fixed assets	163	3 691	3 025
Dividends received	1 473	972	973
Cash flows from investment activities	**- 115 294**	**- 437 075**	**- 81 882**
Capital increase	- 25	2 002	-
Net disposals (acquisitions) of treasury shares	72	-	-
Bond issues	-	592 999	592 999
Loan issues	426 173	142 000	
Loan repayments	- 374 872	- 408 230	- 407 096
Interest paid	- 14 095	- 57 003	- 29 422
Interest received	242	613	39
Dividends and premiums distributed to shareholders	- 62 901	- 77 305	- 14 409
Cash flows from financing activities	**- 25 406**	**195 076**	**142 111**
Change in net cash position	**3 545**	**- 64 321**	**148 920**
Opening cash position	55 120	119 441	119 441
Closing cash position	58 662	55 120	268 361

2.2.4 Statement of changes in shareholders' equity

Statement of change in consolidated shareholders' equity *(in thousands of euros)*	**Capital**	**Additional paid-in capital**	**Treasury shares**	**Other comprehensive income**	**Consolidated reserves**	**Consolidated income**	**Shareholders' equity – Group share**	**Non-controlling interests**	**Shareholders' equity**
Position at 31 December 2015	**303 914**	**1 926 370**	**-**	**- 24 940**	**- 114 808**	**324 776**	**2 415 311**	**40 199**	**2 455 510**
Recycling of OCI in income statement				881	-		881		881
Change in fair value on hedging instruments				- 23 428	-		- 23 428		- 23 428
Actuarial gains and losses on retirement benefits				- 58	-		- 58		- 58
Income for the period						87 524	87 524	206	87 730
Dividends paid		- 85 096			324 675	- 324 776	- 85 197	- 1 018	- 86 215
Capital increase	9 459	62 246					71 705		71 705
Payments in shares					467		467		467
Changes in scope of consolidation				- 21	20 951		20 930	- 31 922	- 10 992
Position at 30 June 2016	**313 373**	**1 903 520**	**-**	**- 47 566**	**231 285**	**87 524**	**2 488 135**	**7 464**	**2 495 599**
Position at 31 December 2016	**313 655**	**1 842 673**	**-**	**- 38 827**	**230 915**	**294 531**	**2 642 947**	**8 156**	**2 651 103**
Recycling of OCI in income statement				1 489	-		1 489		1 489
Change in fair value on hedging instruments				5 688	-		5 688		5 688
Actuarial gains and losses on retirement benefits				7	-		7		7
Income for the period						235 448	235 448	227	235 675
Dividends paid		- 63 069	72		286 696	- 294 531	- 70 832	- 170	- 71 001
Capital increase	339 554	186 483			- 510 072		15 965		15 965
Share-based payments					418		418		418
Changes in scope of consolidation				- 2	111 047		111 045	- 2 251	108 794
Position at 30 June 2017	**653 209**	**1 966 087**	**72**	**- 31 645**	**119 004**	**235 448**	**2 942 175**	**5 962**	**2 948 137**

2.3. Analysis of net asset value[(1)]

EPRA net asset value (EPRA NAV) *(in thousands of euros)*	**30.06.2017** **Carmila (*)**	**Change Dec./June**	**31.03.2017** **Carmila pro forma (*)**	**Change Dec./March**	**31.12.2016** **Carmila pro forma (*)**
Consolidated shareholders' equity – Group share	**2 942 177**	**254 527**	**2 815 853**	**128 203**	**2 687 650**
Cancellation of the recognition of the fair value adjustment of hedging instruments	16 458	(5 655)	18 864	(3 249)	22 113
Cancellation of deferred taxes on unrealised capital gains	60 910	3 021	59 361	1 472	57 889
Optimisation of transfer taxes net of tax effects	63 108	12 819	57 842	7 553	50 289
EPRA NAV	**3 082 653**	**264 712**	**2 951 920**	**133 979**	**2 817 941**
Number of shares comprising share capital at period end	108 868 229		108 868 229		108 868 229
NAV excluding transfer taxes (EPRA NAV) per share at period end (in €)	**28,32**	**2,43**	**27,11**	**1,23**	**25,88**
Fully diluted number of shares comprising share capital at period end	109 010 040		109 014 855		109 014 855
Fully diluted EPRA NAV per share (in €) at period end	**28,28**	**2,43**	**27,08**	**1,23**	**25,85**

(*) After distribution.

(1) On 31 December 2016 and 31 March 2017, shareholders' equity included Cardety's net assets less expected dividends. As this information was provided in the context of the capital increase, we thought useful to provide the proforma amounts. As the effective date of the merger was June 12, the consolidated net income only includes Cardety's activity for the month of June, and the consolidated statement of financial position includes Cardetys assets and liabilities as at 30/06/2017

EPRA NAV is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. For this reason, deferred taxes on property revaluations are excluded as the investment property is not expected to be sold and the tax liability is not expected to materialise. In addition, the fair value of financial instruments which the company intends to hold to maturity is excluded as these will cancel out on settlement. All other assets including trading property, finance leases, and investments reported at cost are adjusted to fair value.

This EPRA NAV, calculated on the basis of a number of outstanding shares in the period at a unit price of €28.32, increased by 9.4% compared with 31 December 2016 pro forma. The change reflects an increase in the value of Carmila's assets, with the average capitalisation rate decreasing from 5.9% to 5.7%.

Triple net asset value (NNNAV EPRA) *(in thousands of euros)*	30.06.2017 Carmila (*)	Change Dec./June	31.03.2017 Carmila pro forma (*)	Change Dec./March	31.12.2016 Carmila pro forma (*)
EPRA NAV	**3 082 653**	**264 712**	**2 951 920**	**133 979**	**2 817 941**
Fair value adjustements of hedging instruments	(16 458)	5 655	(18 864)	3 249	(22 113)
Fair value adjustments of fixed rate debt	(12 621)	11 213	(17 241)	6 593	(23 834)
Deferred taxes on unrealised capital (gains) or losses	(60 910)	(3 021)	(59 361)	(1 472)	(57 889)
Triple net asset value (NNNAV EPRA)	**2 992 664**	**278 559**	**2 856 454**	**142 349**	**2 714 105**
Number of shares comprising share capital at period end	108 868 229		108 868 229		108 868 229
NAV excluding transfer taxes (EPRA NNNAV) per share at period end (in €)	**27,49**	**2,56**	**26,24**	**1,31**	**24,93**
Fully diluted number of shares comprising share capital at period end	109 010 040		109 014 855		109 014 855
Fully diluted EPRA NNNAV per share (in €) at period end	**27,45**	**2,56**	**26,20**	**1,31**	**24,90**

(*) After distribution

The EPRA triple-net asset value (EPRA NNNAV) assumes immediate liquidation resulting in the expression at fair value of all financial instruments and the recognition of all potential tax. It stood at €27.49 per share at 30 June 2017, again using the number of shares comprising the share capital at the end of the period. The EPRA NNNAV increased by €2.56 or 10.3% compared with 31 December 2016 pro forma.

3. HALF-YEAR REPORT ON OPERATIONS - JUNE 30, 2017

3.1. The Company's activities and results in the first half of 2017

3.1.1 <u>Half-year activities</u>

3.1.1.1 Gross rental income (GRI)

During the first half of the year, activity reflected the mood prevailing in the different countries where the Company operates. In France (69.8% of GRI), there was a "wait-and-see" atmosphere as the elections approached. It was also affected by an unfavourable calendar effect, due to the shift in the sales to July, compared with the previous year. In Spain (23.5%), the economy continued to improve, with unemployment falling by 1.4% to 17.1% and a 1.7% rise in GDP in the half-year. In Italy (6.6%), the economy was also lacklustre.

GRI came in at €146.8 million in the first half of the year, up €11.8 million or 8.8% compared with 30 June 2016. This increase was due to a combination of factors, most notably:

- Rental income generated by acquisitions in 2016. Four Spanish sites, which grew the rental income by €7.4 million in the first half of 2017,contributed to the increase;
- Rental income generated by shopping centre extensions including BAB2 delivered at H1 17 and extensions delivered during H2 2016 contributed to €2.8 millions to rental income
- Letting activity was dynamic during H1, with 180 new leases signed, representing €6.4 million in full-year rental income.
- There were 220 renewals in the half-year, generating a reversion of €576,000 on an annual basis (+7,6 %) broken down into 7.7% in France, 10.6% in Spain and slightly declining in Italy.
- Specialty Leasing and the pop up store business came in at €3.5 million, up 20.8% over 2016.

The increase in like-for-like GRI from leases in the portfolio was 2.4% at H1 2017 vs. H1 2016, which includes 0,4% of indexation.

3.1.1.1.1 Financial occupancy rate (excluding strategic vacancies)

The financial occupancy rate ("EPRA vacancy rate") consolidated (excluding strategic vacancies) increased by 0,20% to reach 96,2%. The increase since December 2016 is mainly due to Spain, which remains in a good trend, as compared to June 2016 France and Spain show a strong increase.

- In France, the financial occupancy rate is 96.0%, the same as at 31 December 2016. The increase was 2.0% compared with 30 June 2016;
- In Spain, the occupancy rate continued to rise, reaching 96.1%, compared with 94.8% at the end of last year and 92.1% at the end of the first half of 2016;

- In Italy, the financial occupancy rate remained at a very high level (99.1%), the same as at 31 December 2016 and up 0.6% compared with June 2016

3.1.1.1.2 Indexation

This remained limited during the period, excepted in Spain, where indexation reaches +1.1% in the first semester. In France it reaches +0,1% and in Italy+ 0,2%.

3.1.1.2 Net rental income (NRI)

Net rental income increased from €12.2 million to €134.0 million. This represented 91.3% of GRI, compared with 90.2% in H1 2016. The amount of non-recoverable charges and owner expenses decreased by €0.4 million. This performance should be compared with the decrease in vacancies. And 2016 was also adversely affected by the settlement of expenses at the Thionville site, which was purchased in the previous year.

3.1.1.3 Overheads

Overheads amounted to €24.8 million, compared with €18.6 million in 2016. Most of this increase is due to extraordinary non recurring expenses resulting from the merger in the amount of €6.3 million. Other overheads were unchanged.

The adjustment of human resources to the development of the business resulted in an increase in staff numbers by 27 people, hired progressively over the period and for which the full cost will be born in the second half of the year. In 2016, a payroll costs include one-off variable bonus accrual.

Other external expenses mainly include marketing expenses, chiefly relating to the increased use of digital applications, and fees, including those paid to the Carrefour Group for the services rendered in the service agreements (accounting, human resources, general services, etc.), appraisal fees for the property portfolio, financial communications and advertising fees, travel expenses and Directors' fees. These general expenses combined with other current operating expenses reach €25.9 millions; restated for merger costs (€6,3 millions), it increases by 5.2% compared with H1 2016.

The merger costs of €6.3 million mainly comprise fees and costs related to the lender consent waiver, particularly bond holders (€0.7 million).

3.1.1.4 EBITDA

EBITDA excluding merger costs came in at €114.9 million, up €10.0 million on the first half of 2016 once restated the merger costs, reflecting the increase in NRI and the solid performance of overheads.

3.1.1.5 Net financial gain/loss

A financial net cost of - €18.8 million was registered. To compare this result with 2016, it should be restated for the badwill deriving from the merger, amounting to + €6.5 million. Excluding non-recurring items, financial expenses stand at -€25.3 million, compared with -€26.5 million last year. The average cost of debt improved by 26 bps to 1.89%. This decrease in average cost is due to a change in the debt structure as a result of the commercial paper programme and the continuing favourable change in interest rates compared with the first half of 2016.

The hedging policy designed to protect the Company against rising interest rates was continued. The proportion of fixed-rate debt represents 70% of gross debt, compared with 73% at 31 December. Moreover, taking caps into account, 83% of gross debt is hedged.

In the first half of 2017, the Company restructured its debt to take into account the merger with Cardety (see section 3.1.5) with a view to extending its duration. It repaid Cardety's existing loan, drawn down in the amount of €21.6 million, and Tranche A of the syndicated loan put in place on 17 September 2014, drawn down in the amount of €90.0 million. These changes resulted in the recognition of a non-recurring financial expense of €1.3 million, which came to €2.0 million with the addition of the amortization of the debt issuance fees over the period.

3.1.1.6 Recurring net income (FFO/EPRA earnings)

EPRA EARNINGS *(in thousands of euros)*	**June 2016 Carmila**	**June 2017 Carmila**
Consolidated net income	**87 730**	**235 675**
Total restatements	- 10 120	- 144 740
Change in fair value of investment properties	- 14 048	- 147 801
Change in fair value of equity investments consolidated using the equity method	- 3 855	- 10 644
Deferred taxes relating to fair value adjustments (EPRA)	5 943	11 757
Depreciation/amortisation of tangible and intangible assets	385	413
Gains (losses) on sales of investment properties	- 118	191
Cancellation of amortisation of the cost of unwinding derivatives	881	1 489
Restatement not taken into account in definition of EPRA equity-accounted earnings	692	711
Minority interests inf fair value adjustments		- 856
EPRA earnings	**77 610**	**90 935**
Restatement of debt issuance costs	4 423	2 018
Restatement of property development margin	- 974	
Income from disposals and other non-recurring expenses		6 324
Derecognition of badwill		- 6 528
Recurring net income	**81 059**	**92 749**

The increase in recurring net income of €11.7 million compared with 30 June 2016 can be summarised as follows: an increase in NRI of €12.2 million with very limited increases in expenses (-€1.3 million excluding merger costs). After restatement of non-recurring items in the two half-years, financial expenses increased (-€0.6 million), but the tax charge decreased after the restatement of deferred tax on fair-value adjustments (+€2.1 million). The latter effect is the result of the absence of corporate tax in 2017 for Financière Geric (Thionville site), which opted for the SIIC regime on January 1, 2017. Finally, restatements of equity-accounted earnings and non-controlling interests in the table above show a variation of -€0.7 million.

3.1.1.7 Net income attributable to the Company

Including the balance of the fair value adjustments, which came to +€14.0 million in 2016 and +€147.8 million in 2017, net income attributable to the Company was €87.5 million in 2016 and €235.4 million in 2017.

3.1.2 Investment and development

In the first half of the year, Carmila saw the successful public opening of Phase 2 of the extension programme for the BAB2 shopping centre in Anglet (Bayonne) in April. The extension has entailed (taking account of both project phases) an expansion of 11,000 m² with 38 stores, increasing the BAB2 shopping centre to 25,700 m² with 120 stores. The total investment was €82.4 million, with a 6.4% rate of return.

Going forward, Carmila has a pipeline of 36 projects for extensions to existing shopping centres (33 in France and three in Italy). The overall investment is €1.5 billion over the next five years, with future rental income of approximately €100 million. To date, 21 construction permits and 34 commercial licenses (CDAC/CNAC) were awarded, including three building permits (Purpan, Nice and Laval) and two commercial licences (CDAC/CNAC permits Sallanches and Laval) in the first half of 2017.

3.1.2.1 A major extension pipeline to boost the leadership position of Carmila's sites

The extension programme is being successfully implemented. Eight extension projects for existing sites are underway, with openings scheduled for 2017 (Langueux (Saint Brieuc), Pau - Lescar, Rambouillet, Saint Egrève (Grenoble), Vannes, Crèches sur Saône, Evreux phase 1 and Nichelino in Turin, Italy).
The investment in the extension projects reached €71.2 million in the first half of 2017.

3.1.2.2 The renovation programme for the existing property portfolio is close to completion

Carmila has pursued its programme of asset renovation. Nearly all of its portfolio will be renovated by the end of 2017.

Six renovations were delivered in France in the first half of 2017 (BAB2 in Anglet, Mably, Saint Jean de Luz, Saran, Saint Brieuc - Langueux and Rethel) and five in Spain (Jerez Sur, Jerez Norte, Macarena, La Granadilla and Lugo).

The investment in these renovations is €12.1 million in the first half of 2017.

3.1.3 Asset valuation

The investment properties that comprise Carmila's assets are initially recognised and valued individually at their construction cost and subsequently at their fair value, with any change recognised in the income statement.

The fair values used are determined on the basis of the conclusions of independent experts. Carmila uses experts 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 experts have access to all the information needed for valuation of the assets, and specifically the list of leases, the vacancy rate, rental arrangements and the main performance indicators for tenants (such as sales). 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.

Investment property under construction may be measured at fair value by an independent expert. The Company believes that a development project's fair value can be reliably determined if the following three conditions are all met:

- All the permits required to complete the extension have been obtained;
- The construction contract has been signed and the works have begun;
- And there is no longer any uncertainty regarding the amount of future rents.

Eight extension projects were thus measured at fair value. The surplus compared with the cost price was recognised for the first time in the financial statements under investment property.

The experts appointed by Carmila are as follows:

- Cushman & Wakefield, for all three countries;
- Catella, for the French and Spanish assets;
- Jones Lang Lasalle for part of the French assets deriving from Cardety;
- CBRE for part of the French assets deriving from Cardety.

At 30 June, all of the Company's assets had been valued by independent experts.

3.1.3.1 Overall valuation of assets

The overall valuation of the portfolio at 30 June 2017 is €5,616.3 million, including acquisition costs. This total breaks down as follows:

	GAV ITT 30/06/2017	
	M€	%
France	**4 169,6**	**74%**
Spain	**1 123,1**	**20%**
Italy	**323,6**	**6%**
Total	**5 616,3**	**100%**

As well as the fair values determined by the experts for each shopping centre, this valuation takes into account work in progress (capex) for projects under development as well as the fair value adjustment determined by the experts for development projects meeting the conditions set out in the previous section. The eight projects meeting the conditions were valued at €57.1 million at 30 June 2017.

This valuation also includes the Company's proportionate share of investment properties measured at fair value held in the subsidiaries consolidated using the equity method, i.e. €83.8 million.

3.1.3.2 Changes in the first half-year

	GAV ITT 30/06/2017		GAV ITT 31/12/2016		Evolution	
	M€	%	M€	%	% gross	% LfL
France(Ex Carmila)	**4 022,6**	**72%**	**3 815,3**	**72%**	**5,4%**	**2,5%**
France (Ex Cardety)	**147,0**	**3%**	**133,9**	**3%**	**9,8%**	**1,8%**
Spain	**1 123,1**	**20%**	**1 066,4**	**20%**	**5,3%**	**5,3%**
Italy	**323,6**	**6%**	**305,2**	**6%**	**6,0%**	**1,7%**
Total	**5 616,3**	**100%**	**5 320,9**	**100%**	**5,6%**	**3,0%**

The €295.4 million increase in assets in the first half-year can be analysed as follows:

- The value of the assets already in the portfolio at the end of last year increased by 3.0%, i.e. €33.7 million, including acquisition costs, due to the increase in rents, and by €127.7 million, including acquisition costs, due to rate compression;
- The inclusion of the BAB2 extension (Phase 2) contributed €24.0 million (i.e. a valuation of €76.9 million for investments valued at €52.9 million at 31 December 2016);
- Investments in extension projects other than BAB2 for €51.6 million and the recognition of fair value on these projects contributed €57.1 million.

Cardety's assets were included in an inverse merger on 1 June 2017.

3.1.3.3 Changes in capitalisation rates

	NPY 30/06/17	NPY 31/12/16
France	**5,6%**	**5,7%**
Espagne	**6,4%**	**6,6%**
Italie	**6,1%**	**6,1%**
Total	**5,8%**	**5,9%**

The main reasons for the reduction in cap rate is the compression of the rate applied to the largest assets in French and Spanish portfolio as a result of decrease in vacancy, improvement in merchandising mix and the market valuation of this class of assets

3.1.3.4 Reconciliation of assets with investment properties in the balance sheet

(in thousands of euros)		30-juin-17
Fair value of investment properties	**excluding acquisition costs**	**5 238 931**
Acquisitions costs and transfer taxes		286 526
JV's share of properties consolidated using the equity method (including acquisition costs)		63 850
Share of works in progress on properties consolidated using the equity method		18 224
Unrealised capital gains on projects in subsidiaries consolidated using the equity method		8 767
Assets measured at fair value - including acquisition costs		**5 616 298**

Assets include elements relating to the fair value of properties held in the companies consolidated using the equity method.

3.1.3.5 Table of changes in investment properties

(in thousands of euros)		06.2017	2016
Fair value of investment properties	**- At beginning of year**	**4 850 443**	**4 277 683**
Acquisitions of investment properties		5 079	324 970
Change in scope of consolidations		142 000	
Capital expenditure relating to investment properties		104 300	111 975
Change in works in progress during the period		- 11 234	- 22 050
Capitalised interest		664	1 209
Disposals and removals from consolidation scope		- 10	- 870
Other movements and reclassifications		- 112	- 152
Change in fair value		147 801	157 678
Fair value of investment properties	**- At end of year**	**5 238 931**	**4 850 443**

On the asset side of the balance sheet, investment properties increased during the half-year due to :

- The change in scope due to the merger with Cardety (€142 million);
- The capital expenditure over the period excluding acquisitions (€104.3 million);
- The change in the fair value of investment properties held (€147.8 million).

3.1.3.6 Breakdown of investments by operating segment and nature

(in thousands of euros)	France	Spain	Italy	2017
Acquisition of investment properties	5 057	-	22	5 079
Renovations	7 747	3 152	1 184	12 083
Restructuring	5 469			5 469
Property management	10 412	63		10 475
Extension works on investment properties	71 011	-	206	71 217
Acquisitions of other fixed assets	1 243		31	1 274
Total investment	**100 939**	**3 215**	**1 443**	**105 597**

In the first quarter, the main investments were related to the extensions (€71.2 million) and the ongoing renovation programme (€12.1 million).

3.1.4 Financial structure

3.1.4.1 Changes in financial structure

The transfer to Cardety of Carmila's two bond loans, of €600 million each, was approved by a qualified majority of bondholders at general meetings held on May 24, 2017, for a fee of €0.7 million.

At the same time as the merger with Cardety, Carmila renegotiated its bank loans.

On June 12, 2017 the drawn-down portion of Cardety's syndicated loan of €21.6 million, set up on July 18, 2016, was repaid.

On June 16, 2017, the remaining balance of the syndicated loan, set up on September 17, 2014 for an amount of €620 million and with a maturity date of September 16, 2019, was repaid. The remaining balance at June 16, 2017 was €90.0 million. The drawn down of the Tranche A of this loan was originally €496.0 million, but the Company made several partial repayments in 2016 for a total amount of €406.0 million.

On June 16, 2017, Carmila signed a supplementary clause to the syndicated loan agreement of December 15, 2013, initially amounting to €1,400.0 million, of which €1,050.0 million in Tranche A was drawn down and a revolving credit facility of €350.0 million. The drawn-down amount of this loan was €753.8 million at 31 December 2016. Under the supplementary clause, the drawn-down amount was adjusted to €770.0 million and the revolving loan was cancelled. The maturity date of this loan agreement was extended by five years, to 16 June 2022.

The set-up costs of this loan restructuring, including the new revolving credit lines described below, totalled €5,9 million for the period. A financial expense for early repayment was recognised in the amount of €1,3 million.

Carmila is careful to diversify its sources of financing and their maturities, and has set up a commercial paper programme for a maximum amount of €600 million. A new programme for an equivalent amount for Cardety, which became Carmila on 12 June 2017, was authorised by Banque de France on June 29, 2017. The outstanding amount at the end of June was €290.0 million, compared with €142.0 million at 31 December 2016.

3.1.4.2 Debt liquidity and maturity

The commercial programme is backed by revolving credit facilities subscribed by banks of prime standing under loan agreements entered into June 16, 2017. These agreements are as follows:

- A revolving credit facility of €759.0 million maturing on 16 September 2022;
- A revolving credit facility of €250.0 million in the form of a club deal with a limited number of banking partners of prime standing that are close to the Company. The maturity date for this line is 16 September 2020.

With these renegotiations, the average debt maturity stands at 6.7 years with the following maturity dates:

	Closing	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds - non-current	1 200 000		-	-		1 200 000
Bond issue premiums - non-current	-11 574	-1 587	-1 627	-1 668	-1 715	-4 977
Bonds	**1 188 426**	**-1 587**	**-1 627**	**-1 668**	**-1 715**	**1 195 023**
Borrowings from credit institutions - non-current	776 528	2 396	2 427	1 704		770 000
Accrued interest on current borrowings	23 683	23 683	-	-	-	-
Other loans and similar debt - current	290 000	290 000	-	-	-	-
Loan and bond issue fees	-14 583	-2 672	-2 606	-2 632	-2 435	-4 238
Bank and bond borrowings	**2 264 054**	**311 820**	**-1 806**	**-2 596**	**-4 150**	**1 960 785**
Derivatives held as liabilities - non-current	16 171			2 397		13 774
Bank facilities (bank overdrafts)	43 328	43 328	-	-	-	-
Gross debt by maturity date	**2 323 553**	**355 148**	**- 1 806**	**- 199**	**- 4 150**	**1 974 559**

3.1.4.3 Interest-rate risk management

Carmila is exposed to the risk of a change in interest rates on its variable-rate borrowings. The aim of the interest-rate risk management policy in place is to limit the impact of increases in interest rates on current and future income and cash flows using interest-rate swap derivatives, caps or swaps.

The fixed-rate position represented 70% of gross debt at 30 June 2017 (compared with 73% at end-2016). Including optional instruments (caps), 83% of debt is hedged. These hedging instruments are recognised as cash-flow hedges.

The fair value of this hedging instruments stands at -€33.1 million as of June 30, 2017 (including -€19.3 million of Other comprehensive income), compared with -€38.8

million at 31 December 2016. The fair-value adjustment of these hedging instruments for H1 2017 amounts to a reversal of +€5.6 million.

3.1.4.4 Prudential ratios and credit rating

The new loan agreement mentioned in 3.1.4.1 and the revolving credit facilities are subject to compliance with financial covenants at the balance-sheet date.

- Interest cover: the 12-month EBITDA/net cost of financial debt ratio stands at 4.5 at 30 June, well above the contractual minimum threshold of 2.0;

- Loan to value: the consolidated net financial debt/fair value of the investments properties stands at 40.6% at the end of the half-year (prior to capital increase that took place in July). The ratio must not exceed 55.0% contractually;

- The consolidated secured liability must not exceed 20% of the fair value of the investment properties. This was the case at 30 June 2017;

- The fair value of the investments properties must be in excess of €2,500.0 million.

Standard & Poors confirmed its BBB flat, stable outlook credit rating for Carmila, and assigned the same rating to the merged entity on 13 June 2017. Carmila also has a short-term rating of A-2.

3.1.5 Shareholders' equity and shareholding structure

Consolidated shareholders' equity – Group share came to €2,942.2 million, compared with €2,642.9 million at 31 December 2016. The main changes affecting shareholders' equity are as follows:

- The merger by absorption of Carmila, which resulted in the issuance of 104,551,551 new shares of Cardety with a nominal unit value of €6, with an exchange parity of one Cardety share for three Carmila shares. The share capital therefore increased by €339.6 million and the issue premium by €186.5 million. Both were deducted from consolidated reserves with a net impact on Company shareholders' equity of €16.0 million;
- The change in the scope of consolidation was €111.0 million;
- Profit for the period was €235.4 million (including €147.8 million corresponding to the fair value adjustment in the first half of 2017);
- The 2016 dividends distribution amounts to €63.7 million for Carmila and €8.1 million for Cardety over the period;
- Also included is the favourable effect of €5.7 million, of the fair value adjustment of hedging instruments.

The number of shares outstanding at June 30, 2017 is of 108,868,229, as a result of the merger whereby 104,551,551 shares were issued. In addition, there is a bonus share plan allowing for a maximum of 141,811 potential shares. Finally, the Company held 7,280 treasury shares at 30 June.

On the same date, the shareholders with stakes of more than 10% of Carmila's share capital were as follows: Carrefour (42.4%), Colony (12.7%), Predica (11.18%) and Cardif (10.72%).

3.2. Main risks and uncertainties during the period

Events or factors that could have a material impact on the Company's operations, financial position and results are presented in Chapter 5 – "Risk factors and risk management", in the report on operations in the Registration Document.

The nature and level of risks changed during the first half of 2017 in the context of the merger of Carmila SAS with Cardety, approved on June 12, 2017. These are presented in Chapter 4 – "Risk factors", in Appendix II to Document E, which was produced at the time of the merger of Carmila SAS with Cardety.

3.3. Related-party transactions

No related-party transaction has a significant impact on the Company's financial position or results in the first half of 2017.

In the context of the merger of Carmila SAS with Cardety, as mentioned above and below, the service agreements were updated and renewed in the first half of 2017. These are described in Chapter 19 of Appendix II to Document E.

3.4. Subsequent events

In July 2017, Carmila successfully completed a capital increase of € 628 millions in order to finance its development plan 2017 -2020.

3.5. Outlook

The Company intends to pursue its growth in the second half of 2017, as described in paragraphs 6.3 ("Strategy") and 12.2 ("Medium-term outlook") off Appendix II to Document E.

3.6. Significant events during the first half of 2017

3.6.1. The merger by Carmila SAS with Cardety on June 12, 2017

The shareholders of Cardety and Carmila met on June 12, 2017 in extraordinary general meetings and approved the merger project for their respective companies, on the basis of a parity of one Cardety share for three Carmila shares, thus entailing the absorption of Carmila by Cardety.

The entity thus created was renamed "Carmila" and the new shares resulting from the merger were admitted to trading on 14 June 2017 in Compartment A of the Euronext Paris regulated market under ISIN code FR0010828137 (mnemonic code CARM).

A Document E was prepared in view of this transaction and filed with the AMF on May 5, 2017 with the visa number no. E.17-040.

The two companies had previously signed a merger agreement on 4 April 2017 to create the third-largest listed shopping centre property company in continental Europe, with a portfolio of 205 assets valued at €5.4 billion, engaged in the value-creation and development of shopping centres that are leaders in their catchment areas, in France, Spain and Italy, based on a strategic partnership with the Carrefour Group, one of the world's leading retailers.

3.6.2. Changes in governance

The Board of Directors of the Company in its new configuration, at its meeting of June 12, 2017, after the two extraordinary general meetings summoned to approve the new composition of the Board of Directors and its Committees, also appointed Jacques Ehrmann as Chairman and Chief Executive Officer and Géry Robert-Ambroix and Yves Cadélano as Managing Directors.

The Board of Directors now comprises 14 Directors (eight men and six women), including nine independent directors and three non-voting directors:

	First appointed on:	Term of office expires on:
Jacques Ehrmann Chairman and Chief Executive Officer	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020.
Jérôme Bédier Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019.
Marie-Noëlle Brouaux Director	20 May 2015	Ordinary general meeting called to approve the financial statements

		for the year ended 31 December 2018.
Anne Carron Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019.
Séverine Farjon Independent director	20 May 2015	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2018.
Valérie Guillen Independent director	18 April 2016	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2017.
Olivier Lecomte Independent director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019.
Laurent Luccioni Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019.
Francis Mauger Director	18 June 2012	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2018.
Nadra Moussalem Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2019.
Axa Reim France (rep. by Amal del Monaco) Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020.
Cardif Assurance Vie (rep. by Nathalie Robin) Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020.
Predica (rep. by Emmanuel Chabas) Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020.
Sogecap (rep. by Yann Briand) Director	12 June 2017	Ordinary general meeting called to approve the financial statements for the year ended 31 December 2020.

The Board of Directors of the Company also resolved, at its meeting of 12 June 2017, to change the reference corporate governance code by adopting the governance code published by AFEP and MEDEF.

3.6.3. Capital increase

At its meeting held on 23 June 2017, the Board of Directors used the delegations of authority and powers granted under the thirty-seventh and forty-seventh resolutions of the shareholders' general meeting of June 12, 2017 to proceed to placement of shares, as previously announced at the time of the merger of Carmila SAS into Cardety.

This placement comprised (i) a capital increase carried out through the allotment to existing shareholders of warrants giving right to subscribe shares pursuant to the thirty-seventh resolution of the shareholders' general meeting (the "Capital Increase") and (ii) a capital increase through an issuance, without preferential subscription rights, of warrants giving right to subscribe shares reserved to the underwriting banks pursuant to the forty-seventh resolution of the shareholders' general meeting (the "Additional Capital Increase")

This transaction was described in a prospectus filed with the Autorité des Marchés Financiers on June 23, 2017 under the visa number 17-298, which includes Cardetys' registration document, appendix 2 to Document E and an offering circular (including the summary of the prospectus).

As a result of the Capital Increase, 23 123 818 new shares were issued and paid at a price of €24/share. The nominal amount of the capital increase stands at €138,7 millions and the issuance premium at €416,2 millions.

As a result of the Additional Capital Increase, 3 067 982 new additional shares were issued and paid at a price of €24/share. The nominal amount of this Additional Capital Increase stands at €18,4 millions and the issuance premium at €55,2 millions.

In total this transaction enables Carmila to raise €628,6 millions in view of financing its growth over the years 2017 to 2020 and notably 37 extensions projects, targeted acquisitions, and the deployment of its digital marketing strategy.

At the end of this transaction finalized on July 31, 2017, Carmila's share capital amounts to €810 360 174 divided into 135 060 029 shares of nominal value of €6/share.

3.6.4. Operational events during the first half of 2017

3.6.5.1 Sales/acquisitions

In the first half of 2017, no shopping centre acquisitions were carried out other than as part of the merger of Carmila's assets by Cardety on June 12, 2017. There were no disposals over the period.

3.6.5.2 Other events

The Company pursued its expansion projects in the first half of 2017.

3.6.5. Outlook

On the basis of the assumptions described in section 13 of Appendix II to the Company's Document E, our forecasts are as follows:

(i) Obtaining a level of rental income of more than €295 million in 2017, representing an increase of 4.6% over the pro forma income generated in 2016; this growth should mainly be generated by a further rise in occupancy rates, the delivery of the extensions projects scheduled for 2017 and achieving the acquisitions programme;

(ii) Control of overheads, which should be approximately €50 million in 2017, with, in particular, the successful establishment during 2017 of the digital platform, and the strengthening of the teams;

(iii) Achieving a level of recurring net income in 2017 in range of €175 to €180 million (excluding recognition of badwill relating to the merger, as this is a non-recurring item, as well as the costs relating to the merger, the capital increases resulting from the merger and any investment), flat compared with 2016. The Company therefore aims to generate recurring net income of more than €200 million in 2018 (excluding costs relating to the capital increases resulting from the merger and any investment);

(iv) The resolution to the general meeting of a dividend of €1.50 per share for the financial year ending 31 December 2017, with an interim payment in the fourth quarter of 2017 of 50% of the amount of this dividend.

3.7 Transactions on the Company's share capital

3.7.1 Successive share-buyback programmes

Old share-buyback programme set up by the Board of Directors at its meeting of 26 May 2016, following authorisation by the combined general meeting of 26 May 2016

In its eighth resolution, the combined general meeting of 26 May 2016 authorised the Board of Directors to purchase, or to have purchased, shares of the Company, specifically with the aim of:

- Implementing any Company stock-option plan under the provisions of Articles L.225-177 et seq. of the French Commercial Code, or any similar plan;
- The granting or sale of shares to employees so that they can benefit from the Company's expansion and/or the implementation of any employee savings plan under the conditions provided for in law, particularly Articles L.3332-1 et seq. of the French Labour Code;
- The granting of bonus shares under the provisions of Articles L.225-197-1 et seq. of the French Commercial Code;
- The delivery of shares upon exercise of rights attached to marketable securities giving access to the share capital by redemption, conversion, exchange, presentation of a warrant or in any other way;
- The cancellation of all or part of the shares thus bought back, provided that the Board of Directors has a valid authorisation from the general meeting, acting in an extraordinary capacity, enabling it to reduce the share capital by cancelling shares purchased as part of a share-buyback programme;
- The custody and subsequent delivery of shares (as payment, exchange or otherwise) in relation to acquisitions and, in particular, mergers, spin-offs or contributions, in accordance with the market practices permitted by the AMF; or
- Management of the secondary market or the liquidity of the Company's shares by an investment services provider, under a liquidity agreement in accordance with the Code of Ethics of the French Financial Markets Association recognised by the AMF, in accordance with the market practices permitted by the AMF.

This authorisation replaced and cancelled the authorisation of the combined general meeting of 20 May 2015.

On 26 May 2016, the Board of Directors decided to utilise this new authorisation in order to implement a new share-buyback programme, which closed out the previous one.

The maximum unit purchase price was set at €40.

The maximum number of shares that could be bought back by the Company was 10% of the shares making up its share capital, and the total maximum amount that the Company could devote to buying back its own shares was €2,500,000.

Given the number of shares already held at 24 May 2016, i.e. 10,219 treasury shares representing 0.24% of the share capital, the maximum number of shares that could be purchased under this authorisation was 421,448 shares (9.76% of the share capital).

The duration of the buyback programme is 18 months from the authorisation granted by the combined general meeting of 26 May 2016, i.e. until 26 November 2017.

Intermediate share-buyback programme set up by the Board of Directors at its meeting of 18 May 2017, following authorisation by the combined general meeting of 18 May 2017

In its seventh resolution, the combined general meeting of 18 May 2017 authorised the Board of Directors to purchase, or to have purchased, shares of the Company, specifically with the aim of:

- Implementing any Company stock option plan under the provisions of Articles L.225-177 et seq. of the French Commercial Code or any similar plan;
- The granting or sale of shares to employees so that they can benefit from the Company's expansion and/or the implementation of any employee savings plan under the conditions provided for in law, particularly Articles L.3332-1 et seq. of the French Labour Code;
- The granting of bonus shares under the provisions of Articles L.225-197-1 et seq. of the French Commercial Code;
- The delivery of shares upon exercise of rights attached to marketable securities giving access to the share capital by redemption, conversion, exchange, presentation of a warrant or in any other way;
- The cancellation of all or part of the shares thus bought back, provided that the Board of Directors has a valid authorisation from the general meeting, acting in an extraordinary capacity, enabling it to reduce the share capital by cancelling shares purchased as part of a share-buyback programme;
- Management of the secondary market or the liquidity of the Company's shares by an investment services provider, under a liquidity agreement in accordance with the Code of Ethics of the French Financial Markets Association recognised by the AMF, in accordance with the market practice permitted by the AMF.

This authorisation replaced and cancelled the authorisation of the combined general meeting of 26 May 2016.

On 18 May 2017, the Board of Directors decided to utilise this new authorisation in order to implement a new share-buyback programme, which closed out the previous one.

The maximum unit purchase price was set at €40.

The maximum number of shares that could be bought back by the Company was 10% of the shares making up its share capital, and the total maximum amount that the Company could devote to buying back its own shares was €2,500,000.

Given the number of shares already held at 16 May 2017, i.e. 9,409 treasury shares representing 0.22% of the share capital, the maximum number of shares that could be purchased under this authorisation was 422,258 shares (approximately 9.78% of the share capital).

The duration of the buyback programme is 18 months from the authorisation granted by the combined general meeting of 18 May 2017, i.e. until 18 November 2018.

Intermediate share-buyback programme set up by the Board of Directors at its meeting of 12 May 2017, following authorisation by the combined general meeting of 12 June 2017

In its thirty-sixth resolution, the combined shareholders' meeting of 12 June 2017 authorised the Board of Directors to purchase, or to have purchased, shares of the Company, specifically with the aim of:

- Implementing any Company stock option plan under the provisions of Articles L.225-177 et seq. of the French Commercial Code or any similar plan;
- Granting or selling shares to employees so that they can benefit from the Company's expansion and/or the implementation of any employee savings plan under the conditions provided for in law, particularly Articles L.3332-1 et seq. of the French Labour Code;
- Granting bonus shares under the provisions of Articles L.225-197-1 et seq. of the French Commercial Code;
- Generally, honouring obligations relating to stock option plans or other allotments of shares to employees or corporate officers of the issuer or an associated companies;
- The delivery of shares upon exercise of rights attached to marketable securities giving access to the share capital by redemption, conversion, exchange, presentation of a warrant or in any other way;
- The cancellation of all or part of the shares thus bought back, provided that the Board of Directors has a valid authorisation from the general meeting, acting in an extraordinary capacity, enabling it to reduce the share capital by cancelling shares purchased as part of a share-buyback programme;
- Management of the secondary market or the liquidity of the Company's shares by an investment services provider, under a liquidity agreement in accordance with the Code of Ethics of the French Financial Markets Association recognised by the AMF, in accordance with the market practices permitted by the AMF.

This authorisation replaced and cancelled the authorisation of the combined general meeting of 18 May 2017.

On 12 June 2017, the Board of Directors decided to utilise this new authorisation in order to implement a new share-buyback programme, which closed out the previous one.

The maximum unit purchase price was set at €50.

The maximum number of shares that can be bought back by the Company is 10% of the shares making up its share capital, and the total maximum amount that the Company can devote to buying back its own shares is €50,000,000.

The duration of the buyback programme is 18 months from the authorisation granted by the combined general meeting of 12 May 2017, i.e. until 12 December 2018.

3.7.2 Number of shares held by the Company at 30 June 2017

At 30 June 2017, the Company held 7,280 treasury shares, representing about 0.007% of the share capital. At this date, the carrying value of the portfolio was €194,450.33, i.e. an average value of €18.82 per share, for a nominal value of €6.

3.7.3 Breakdown of share capital at 30 June 2017

The table below shows the Company's shareholding structure at 30 June 2017:

	Shares		***Voting rights***		
Shareholders	***Number***	***Capital (%)***	***Number***	***% Theoretical***	***% Real***
CRFP 13 - Carrefour (1)	46,209,234	42,445	46,209,234	42,445	42.45
CAA Kart 2 (Predica)	12,168,946	11,178	12,168,946	11,178	11.18
C Commerce 2 (Cardif)	11,671,852	10,721	11,671,852	10,721	10.72
Colkart Sarl	10,769,925	9,893	10,769,925	9,893	9.89
LVS II France I SAS (Amundi)	6,333,020	5,817	6,333,020	5,817	5.82
SAS Sogecar 2 (Sogecap)	6,333,020	5,817	6,333,020	5,817	5.82
SCI Vendôme Commerces	5,835,926	5,361	5,835,926	5,361	5.36
Colkart Investment II SCS	3,110,681	2,857	3,110,681	2,857	2.86
Kart SBS	2,192,984	2,014	2,192,984	2,014	2.01
OPPCI Kartam (Amundi)	1,688,422	1,551	1,688,422	1,551	1.55
Delta Immo – Swiss Life REIM(2)	832,065	0.764	832,065	0.764	0.76
Charles de Gaulle Neuilly - Primonial REIM (3)	832,065	0.764	832,065	0.764	0.76
Primonial CapImmo (3)	184,733	0.170	184,733	0.170	0.17
SwissLife Dynapierre – Swiss Life REIM (2)	85,960	0.079	85,960	0.079	0.08
Public	24,153,549	22,186	24,153,549	22,186	22.19
Treasury shares	7,280	0.007	7,280	0.007	-
Total	108,868,229	100.00	108,868,229	100.00	100.00

(1) Including shares held by the directors as a result of the share loans contracted with CRFP 13.
(2) Delta Immo and SwissLife Dynapierre have declared that they are acting together.

(3) Charles de Gaulle Neuilly and CapImmo have declared that they are acting together.

At 30 June 2017, the Company's capital was divided into 108,868,229 shares corresponding to 108,868,229 voting rights. If voting rights that cannot be exercised are subtracted from this figure, the total number of real voting rights is 108,860,949.

3.7.4 Delegations of authority and powers granted to the Board of Directors

Nature of transaction	Maximum amount	Date of general meeting granting authorisation	Date of expiry	Utilisations
1 – Authorisation to carry out transactions on the Company's shares	10% of share capital per 24-month period	26/05/2016 12/06/2017	26/11/2017 12/12/2018	See section 3.7.1 above
2 – Authorisation to reduce the share capital by cancelling shares	10% of share capital per 24-month period	26/05/2016 12/06/2017	26/11/2017 12/08/2019	Authorisation not utilised
3 – Authorisation to increase the share capital by issuing – while maintaining pre-emption rights – shares and/or transferable securities giving access to equity	Nominal amount of €100,000,000 Nominal amount of €500,000,000	26/05/2016 12/06/2017	26/07/2018 12/08/2019	Authorisation not utilised at 30 June 2017 See section 3.6.4.
4 – Authorisation to increase the share capital by issuing – without pre-emption rights – through offers to the public, shares and/or transferable securities giving access to equity	Nominal amount of €100,000,000 Nominal amount of €165,000,000	26/05/2016 12/06/2017	26/07/2018 12/08/2019	Authorisation not utilised
5 – Authorisation to increase the share capital by issuing – without pre-emption rights – through private placements, shares and/or transferable securities giving access to equity	20% of the share capital per year and up to a total nominal amount of €50,000,000 20% of the share capital per year and up to a total nominal amount of €165,000,000	26/05/2016 12/06/2017	26/07/2018 12/08/2019	Authorisation not utilised
6 – Authorisation to increase the share capital, by issuing – without pre-emption rights for members of savings schemes – of shares and/or transferable securities giving access to equity	Nominal amount of €85,000,000	12/06/2017	12/08/2019	Authorisation not utilised

7 – Authorisation to increase the number of securities to be issued in the event of a capital increase with or without pre-emption rights	15% of initial capital increase	26/05/2016 12/06/2017	26/07/2018 12/08/2019	Authorisation not utilised
8 – Authorisation to determine the issue price of shares in the context of a capital increase through the issue – without pre-emption rights – of shares and/or transferable securities giving access to equity	10% of the share capital per year and up to a total nominal amount of €50,000,000 10% of the share capital per year and up to a total nominal amount of €165,000,000	26/05/2016 12/06/2017	26/07/2018 12/08/2019	Authorisation not utilised
9 – Authorisation to issue shares or transferable securities giving access to equity without pre-emption rights as remuneration for contributions in kind in capital stock or transferable securities giving access to equity	10% of the share capital and up to a total nominal amount of €50,000,000 10% of the share capital and up to a total nominal amount of €85,000,000	26/05/2016 12/06/2017	26/07/2018 12/08/2019	Authorisation not utilised
10 – Authorisation to resolve upon a capital increase by incorporating premiums, reserves, profits or other	Nominal amount of €10,000,000 Nominal amount of €500,000,000	26/05/2016 12/06/2017	26/07/2018 12/08/2019	Authorisation not utilised
11 - Authorisation to grant bonus shares, either outstanding or to be issued, to the Company's salaried staff and corporate officers	Maximum number of shares representing 0.5% of the share capital, up to €500,000,000	12/06/2017	12/08/2019	Authorisation not utilised
12 - Authorisation to increase the share capital, by issuing – without pre-emption rights – share purchase warrants giving access to shares, reserved for investment services providers as part of a securities placement operation	Nominal amount of €50,000,000	12/06/2017	12/12/2018	Authorisation not utilised at 30 June 2017 See section 3.6.4.

4. INTERIM FINANCIAL STATEMENTS For the six-month period ended 30 June 2017

INTERIM FINANCIAL STATEMENTS
For the six-month period ended 30 June 2017

Table of contents

1. CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

Introductory comment:

The 30 June 2017 column contains figures for the six-month period from 1 January 2017 to 30 June 2017. The 31 Dec. 2016 column contains figures for the parent company's 12-month financial year. The 30 June 2016 column contains figures for the six-month period from 1 January 2016 to 30 June 2016.

1.1. Consolidated statement of income

(in thousands of euros)		2017 6 months	2016 12 months	2016 6 months restated (1)
Gross Rental income		**146 797**	**275 683**	**134 974**
Real estate expenses		- 3 476	- 3 863	- 3 524
Unrecovered rental expenses		- 3 479	- 8 272	- 4 206
Property expenses (landlord)		- 5 850	- 11 045	- 5 478
Net rental income	***Note 9.1***	**133 992**	**252 503**	**121 766**
Overheads	*Note 9.2*	- 24 827	- 41 579	- 18 602
Other income from operations	*Note 8.3*	-	1 948	974
Allowances for depreciation/amortization of tangible and intangible fixed assets and provisions	*Note 9.3*	- 640	- 523	- 292
Other current operating income and expenses	*Note 9.4*	- 1 084	- 267	- 23
Gains (losses) on sales of investment properties		- 191	441	118
Increase in the fair value of investment properties		172 265	235 500	82 846
Decrease of the fair value of investment properties		- 24 464	- 77 822	- 68 798
Balance of fair value adjustments	*Note 6*	147 801	157 678	14 048
Share of net income in equity accounted companies	*Note 8.3*	11 350	6 094	4 456
Operating income		**266 401**	**376 295**	**122 445**
Income from cash and cash equivalents		242	615	164
Cost of gross financial debt		- 25 032	- 49 877	- 26 027
Cost of net financial debt	***Note 7.1.1***	**- 24 790**	**- 49 262**	**- 25 863**
Other financial income and expenses	*Note 7.1.2*	5 992	- 3 005	- 618
Financial income (expenses)		**- 18 798**	**- 52 267**	**- 26 481**
Income before taxes		**247 603**	**324 028**	**95 964**
Income tax	*Note 10.1*	- 11 928	- 28 380	- 8 234
Consolidated net income		**235 675**	**295 648**	**87 730**
Group share		**235 448**	**294 531**	**87 524**
Non-controlling interests		**227**	**1 117**	**206**
Average number of shares comprising Carmila's share capital	*Note 8.8.3*	104 973 554	103 213 154	101 911 022
Income per share (in euros)		2,24	2,85	0,86
Fully diluted average number of shares		105 215 180	103 359 780	101 968 292
Fully diluted income per share (in euros)		2,24	2,85	0,86

(1) Financial statements restated after change of method (see Note 16)

1.2. Consolidated statement of other comprehensive income

(in thousands of euros)		2017 6 months	31/12/2016 12 months	2016 6 months restated (1)
Consolidated net income		**235 675**	**295 648**	**87 730**
Items to be recycled in income		7 177	- 13 907	- 22 547
Cash-flow hedges	*Note 7.2*	7 177	- 13 907	- 22 547
Related tax				
Items not to be recycled in income		7	39	- 58
Revaluation of net liabilities under defined-benefit schemes		7	39	- 58
Related tax		-	-	-
Consolidated comprehensive income		**242 859**	**281 780**	**65 125**

(1) Financial statements restated after change of method (see Note 16)

1.3. Consolidated statement of financial position

ASSETS

(in thousands of euros)		30/06/2017 6 months	31/12/2016 12 months	30/06/2016 6 months (1)
Intangible fixed assets	*Note 8.1*	4 656	4 885	5 195
Tangible fixed assets	*Note 8.2*	2 098	960	859
Investment properties	*Note 6*	5 238 931	4 850 442	4 347 636
Equity investments (Equity accounted)	*Note 8.3*	63 368	48 331	46 685
Other non-current assets	*Note 8.4*	10 846	9 349	23 840
Deferred tax assets	*Note 10.3*	2 346	2 074	2 704
Non-current assets		**5 322 245**	**4 916 041**	**4 426 919**
Trade receivables	*Note 8.5*	106 859	98 164	104 583
Tax receivables	*Note 10.3*	5 234	3 648	2 688
Other current assets	*Note 8.6*	105 740	116 346	67 769
Cash and cash equivalents	*Note 8.7*	101 990	71 243	279 677
Current assets		**319 823**	**289 401**	**454 717**
Total assets		**5 642 068**	**5 205 441**	**4 881 635**

(1) Financial statements restated after change of method (see Note 16)

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of euros)		30/06/2017 6 months	31/12/2016 12 months	30/06/2016 6 months (1)
Share capital		653 209	313 655	313 373
Additional paid-in capital		1 966 087	1 842 673	1 903 520
Treasury shares		72	-	-
Other comprehensive income		- 31 645	- 38 829	- 47 566
Consolidated reserves		119 005	230 918	231 284
Consolidated income		235 448	294 531	87 524
Shareholders' equity – Group share		**2 942 176**	**2 642 948**	**2 488 135**
Non-controlling interests		5 963	8 156	7 464
Shareholders' equity		**2 948 139**	**2 651 104**	**2 495 599**
Non-current provisions	*Note 8.9*	1 245	609	968
Non-current financial liabilities	*Note 7.2*	1 966 541	2 050 970	2 055 587
Deposits and guarantees		68 119	67 216	62 462
Non-current tax liabilities	*Note 10.3*	13 102	15 542	15 862
Deferred tax liabilities		74 331	65 970	47 348
Non-current liabilities		**2 123 338**	**2 200 307**	**2 182 227**
Suppliers of fixed assets	*Note 8.10*	53 957	33 773	26 589
Trade payables	*Note 8.11*	23 801	22 993	26 073
Current financial liabilities	*Note 7.2*	356 883	167 469	29 080
Other current liabilities	*Note 8.12*	128 336	122 725	114 385
Current tax liabilities	*Note 10.3*	7 614	7 070	7 683
Current liabilities		**570 591**	**354 030**	**203 810**
Total liabilities and shareholders' equity		**5 642 068**	**5 205 441**	**4 881 635**

(1) Financial statements restated after change of method (see Note 16)

1.4. Consolidated statement of cash flow

(in thousands of euros)		2017 6 months	2016 12 months	2016 6 months (1)
Consolidated total net income		**235 675**	**295 648**	**87 730**
Adjustments				
Elimination of income from equity-accounted companies		- 11 350	- 6 094	- 4 456
Elimination of depreciation, amortisation and provisions		851	302	149
Elimination of change in fair value in the income statement		- 148 027	- 158 073	- 14 889
Elimination of income from transfers and dilution losses and profits		191	- 2 074	- 1 035
Elimination of dividend income		1	-	- 1
Reversal of accrual related to share-based payments		418	1 644	467
Cash flow after cost of net financial debt and tax		**77 759**	**131 353**	**67 965**
Elimination of tax expense (income)		11 928	28 380	8 234
Elimination of cost of net financial debt		24 790	49 263	25 867
Cash flow before cost of net financial debt and tax		**114 477**	**208 996**	**102 066**
Impact of change in trade receivables		- 6 800	- 6 668	- 8 716
Impact of change in trade payables		23 310	2 624	- 2 500
Impact of change in other receivables and payables		17 066	- 25 162	940
Change in working capital requirements	*Note 8.5*	33 576	- 29 206	- 10 276
Change in deposits and guarantees		- 1 301	3 122	- 655
Taxes paid		- 2 508	- 5 234	- 2 447
Cash flows from operating activities		**144 244**	**177 678**	**88 688**
Impact of changes in scope of consolidaation		- 6 007	- 38 625	- 38 598
Acquisition of investment properties	*Note 6.1*	- 109 559	- 404 823	- 45 230
Acquisition of other fixed assets		- 1 262	- 321	- 4
Change in loans and advances granted		- 101	2 031	- 2 048
Disposal of investment properties and other fixed assets		163	3 691	3 025
Dividends received		1 473	972	973
Cash flows from investment activities		**- 115 294**	**- 437 075**	**- 81 882**
Capital increase		- 25	2 002	-
Net disposals (acquisitions) of treasury shares		72	-	-
Bond issues	*Note 7.2*	-	592 999	592 999
Loan issues	*Note 7.2*	426 173	142 000	
Loan repayments	*Note 7.2*	- 374 872	- 408 230	- 407 096
Interest paid		- 14 095	- 57 003	- 29 422
Interest received		242	613	39
Dividends and premiums distributed to shareholders		- 62 901	- 77 305	- 14 409
Cash flows from financing activities		**- 25 406**	**195 076**	**142 111**
Change in net cash position		**3 545**	**- 64 321**	**148 920**
Opening cash position		55 120	119 441	119 441
Closing cash position	*Note 8.7*	58 662	55 120	268 361

(1) Financial statements restated after change of method (see Note 16)

1.5. Statement of changes in consolidated shareholder equity

(in thousands of euros)	Capital	Additional paid-in capital	Treasury shares	Other comprehensive income	Consolidated reserves	Consolidated income	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
Position at 31 December 2015	**303 914**	**1 926 370**	**-**	**- 24 942**	**- 114 808**	**324 776**	**2 415 310**	**40 199**	**2 455 510**
Recycling of OCI in income statement				881	-		881		881
Change in fair value on hedging instruments				- 23 428	-		- 23 428		- 23 428
Actuarial gains and losses on retirement benefits				- 58	-		- 58		- 58
Income for the period						87 524	87 524	206	87 730
Dividends paid		- 85 096			324 675	- 324 776	- 85 197	- 1 018	- 86 215
Capital increase	9 459	62 246					71 705		71 705
Payments in shares					467		467		467
Changes in consolidation scope				- 21	20 952		20 931	- 31 922	- 10 991
Position at 30 June 2016	**313 373**	**1 903 520**	**-**	**- 47 568**	**231 286**	**87 524**	**2 488 135**	**7 464**	**2 495 600**
Position at 31 December 2016	**313 655**	**1 842 673**	**-**	**- 38 828**	**230 916**	**294 532**	**2 642 948**	**8 156**	**2 651 104**
Recycling of OCI in income statement				1 489	-		1 489		1 489
Change in fair value on hedging instruments				5 688	-		5 688		5 688
Actuarial gains and losses on retirement benefits				7	-		7		7
Income for the period						235 448	235 448	227	235 675
Dividends paid		- 63 069	72		286 696	- 294 532	- 70 833	- 170	- 71 002
Capital increase	339 554	186 483			- 510 072		15 965		15 965
Share-based payments					418		418		418
Changes in consolidation scope				- 1	111 045		111 044	- 2 251	108 793
Position at 30 June 2017	**653 209**	**1 966 087**	**72**	**- 31 645**	**119 003**	**235 448**	**2 942 175**	**5 962**	**2 948 137**

2. FINANCIAL HIGHLIGHTS

During the first half of the 2017, the Group continued the effective execution of its operational strategy in the three countries in which it operates. The main developments during the first half were:

- Further improvement in the occupancy rate to 96.2%, bringing the Group closer to its objectives,

- The opening to the public of the BAB2 shopping centre extension in Anglet (Bayonne), demonstrating the relevance of the strategy of developing existing shopping centres where their catchment area justifies doing so,

- The merger between Geric partnership and its parent company Financière Geric, which now directly has full ownership of the Thionville shopping centre and the subsidiary's simultaneous decision to adopt the SIIC tax regime effective 1 January,

- The merger of Carmila with Cardety on 12 June, thereby giving it access to the capital market, which it took advantage of in July with a €628 million rights issue,

- This merger was accounted for as a reverse merger insofar as the assets and liabilities of Carmila, the acquired company, were close to 40 times the size of those of Cardety, the acquiree company. Cardety's business activity was consolidated solely for the month of June.

- Cardety, the acquiree, changed its name to Carmila on 12 June.

3. ACCOUNTING PRINCIPLES AND VALUATION METHODS

3.1. Presentation of the Group

The Carmila group (hereinafter "the Group" or "the Carmila group") was set up to manage and enhance the value of the shopping centres anchored by Carrefour hypermarkets in France, Spain and Italy.
At 30 June 2017, it had 186 employees, including 131 in France, 42 in Spain and 13 in Italy. It owns a portfolio of 207 shopping centres. It came into possession of most of these following transactions in early 2014, with the acquisition of 126 sites in France, Spain and Italy from Klépierre and the contribution by Carrefour of 45 sites in France. In late 2014, it acquired 6 shopping centres in France from Unibail-Rodamco and received an asset contribution from the Carrefour Group of two sites in France, plus various plots and a shareholding in Spain. Lastly, on 12 June 2017, Carmila merged with Cardety, a small Euronext-listed real estate company.
Carmila (hereinafter "the Company"), the Group's parent company, is a *Société d'Investissement Immobilier Cotée* ("SIIC") registered in France. Its registered office is located at 58 Avenue Emile Zola in Boulogne-Billancourt (92100).
Since the 12 June 2017 merger of Carmila SA with and into Cardety SA, which changed its name to Carmila SA at the same date, the Company's shares have been listed on Euronext. During July, Carmila completed a €628 million capital increase. The Carrefour Group is the largest shareholder, with a 36.7% holding in Carmila's share capital. Carmila's financial statements are accounted for by the Carrefour Group under the equity method.

3.2. Background

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union on 30 June 2017 and were approved by the Company's Board of Directors on 4 September 2017.

In connection with the preparation of these interim consolidated financial statements:

- In 2016, the Group changed its method of accounting for investment property at historical cost, and adopted the fair value option under IAS 40 - Investment Property for the relevant assets on the statement of financial position. This change in accounting principles was carried out retroactively from 1 June 2014, the start date of the first financial year presented. The Group presents a reconciliation of the statement of income for the six-month period to 30 June 2016, with the new method applied since 2016 showing the effects of the change in accounting method.
- By comparison with the historical interim consolidated financial statements for the six-month period to 30 June 2016, these consolidated financial statements include certain changes that improve the relevance and quality of the information presented in respect of:
    - The format of the financial statements, including the statement of income, to reflect EPRA's (European Public Real Estate Association) recommendations and to facilitate comparisons with the Group's industry peers.
    - The presentation of segment information to improve the quality of the information provided.
    - The reorganisation of the accompanying notes to reunite the accounting principles with the related detailed notes to the financial statements, in line with the recommendations of the AMF's "Guide to the relevance, consistency and readability of financial statements".

The methods used to prepare these financial statements are presented in Note 3 "Principles and Methods of Consolidation" and in the introduction to each of the notes to the consolidated financial statements. The Group's consolidated financial statements are presented in thousands of euros, unless stated otherwise.

3.3. Accounting standards and consolidation methods

IFRS standards applied

The Carmila group's interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting and include all the requisite information for a full set of financial statements in line with IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) as adopted by the European Union at 30 June 2017. All the standards, interpretations and amendments adopted by the European Union are available on the European Commission website at:
http://ec.europa.eu/internal_market/accounting/ias/index_en.htm
No new mandatory standards have entered force since 1 March 2017
In addition, the Group did not opt for early application of the following standards, which were adopted by the European Union on 31 December 2016 but are not mandatory in periods beginning on 1 January 2017:

- IFRS 15 - Revenue from Contracts with Customers.

- IFRS 9 - Financial Instruments.

The standards and interpretations not yet applicable at 30 June 2017, but potentially applicable to the Group, published by the IASB, but not yet adopted by the European Union at 30 June 2017 are as follows:

- IFRS 16 - Leases.

- The various amendments to IFRS 2, IFRS 4, IFRS 17, IAS 12, IFRIC 22 and IFRIC 23

- Amendments from the 2014-2018 IFRS improvement cycle (IFRS 1, IFRS 12 and IAS 28)

Assessment of the effects of applying the new standards:
Work is being carried out to determine the potential effects of these standards, interpretations and amendments on Carmila's consolidated financial statements. The Group is in the process of assessing the potential effects of the first-time adoption of IFRS 9, IFRS 15 and IFRS 16 and does not anticipate any material impact on its financial statements.

3.4. Principal estimates and judgments by management

Estimates and assumptions by the Group's management, which may affect the carrying amount of certain assets and liabilities, income and expenses, as well as disclosures provided in the notes to the financial statements, are used in the preparation of the consolidated financial statements. Group management reviews its estimates and assumptions regularly to make sure they are suitable based on past experience and the current economic situation. If these assumptions change, these items may differ in future financial statements from the current estimates.
The principal estimates used by management to prepare the financial statements relate to:

- Measurement of the fair value of investment property (see Note 6): the Group has its property assets appraised every six months by independent appraisers, according to the methods presented in Note 6. The expert appraisers use assumptions for future cash flows and interest rates that have a direct effect on the value of the properties.
- Measurement of financial instruments. The Group measures the fair value of the financial instruments that it uses, in accordance with the standard models applied in the market and under IFRS 13, as presented in Note 7.2.6.
- The amount of provisions for risks and other provisions related to business activities (see Note 8.9),
- The assumptions used to calculate and recognise deferred taxes (see Note 10).

3.5. Change in accounting method

In 2016, the company chose to apply the fair value model pursuant to IAS 40. Accordingly, all relevant investment properties are measured at the price that would be received for the sale of an asset in an orderly transaction between market participants at the measurement date. Adoption of this principle better reflects the value of the Group's rental assets and how this value has changed over time, and facilitates comparison with other industry players. The effects of this change in method were presented retrospectively for the 2015 and 2014 financial years in the 2016 financial statements.

The main effects of this change in method on the consolidated statement of income for the six months to 30 June 2016 and the consolidated statement of financial position at 30 June 2016 are presented below and relate to the following items:

- In the consolidated statement of income, increases and decreases in fair value replace depreciation or impairment charges. The share in income of associates is also adjusted for changes in fair value. Deferred tax is recognised if the companies holding the assets are subject to taxation.

The impact of this change in method is presented in Note 16.

4. SCOPE AND METHODS OF CONSOLIDATION

4.1. Scope and methods of consolidation

Consolidation methods

- **Determination of control**

In accordance with IFRS 10 - Consolidated Financial Statements, an investor controls an entity when it has the ability to direct the relevant activities, is exposed or is entitled to variable returns from its involvement with the entity and is able to affect these returns by virtue of its power over the entity. The Group has power over an entity when it holds existing rights giving it the current ability to direct the relevant activities, i.e. those activities that materially affect the entity's returns.

- **Subsidiaries**

Subsidiaries are companies controlled by the Group. The Group controls a subsidiary when it is exposed or entitled to variable returns from its involvement with the entity and is able to affect these returns by virtue of its power over the entity. Subsidiaries' financial statements are included in the consolidated financial statements from the date the Group gains control until the date when it ceases to have control. Subsidiaries are consolidated on the Group's statement of financial position, regardless of the percentage interest held.

- **Jointly-controlled entities**

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 may be classified as either joint operations or joint ventures.

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

- **Associates**

Pursuant to IAS 28, all associates over which the Group holds significant influence, which is presumed to exist when the percentage of voting rights held is greater than or equal to 20%, are accounted for under the equity method. All investees, regardless of the percentage interest held, are analysed to determine whether the Company holds significant influence.
Under the equity method of accounting, the Group's investment in an associate and joint venture is recorded initially at cost then adjusted to reflect the investor's share of the net income or loss of the associate that occur after the acquisition. Goodwill related to an associate is included in the carrying amount of the investment. The share of income for the period is shown under "Share in income from associates". On the statement of financial position, these investments are shown under "Investments in associates."
The financial statements for the associates are prepared for the same reporting period as for the Group, and adjusted where appropriate to match the accounting policies applied by the Group. Information on investments in associates is presented in accordance with 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, among other factors, whether a business portfolio is acquired in addition to property assets. If securities are purchased in a company whose sole purpose is to hold investment property, and in the absence of any other ancillary services (asset-related contract, personnel, know-how), the acquisition is

accounted for as an acquisition of assets as provided for in paragraph 2(b) of IFRS 3 - Business Combinations.
All acquisitions carried out in the reporting period were treated as acquisitions of property.

Foreign currency translation
The Group's financial statements are presented in thousands of euros.
An entity's functional currency is the currency in which the bulk of its business-related cash flows are denominated. All the Group's entities are located in the euro zone and use the euro as their functional currency.

Translation of transactions in foreign currencies
When a Group entity carries out transactions in a currency other than its functional currency, they are initially recognised at the rates of exchange prevailing at the transaction dates. At the end of the reporting period, monetary items denominated in foreign currencies are translated into euros at the closing exchange rate, with any exchange differences recognised in profit or loss.

Transactions eliminated from the consolidated financial statements
Items on the statement of financial position, plus income or expenses resulting from intra-Group transactions are eliminated when the consolidated financial statements are prepared.

Current and non-current classification
Assets expected to be realised, consumed or transferred as part of the normal operating cycle or within 12 months after the reporting date 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 as part of the normal operating cycle or in the 12 months following the end of the reporting period are classified as "current liabilities."
The Group's normal operating cycle is 12 months.
Deferred taxes are always shown as non-current assets or liabilities.

Classification of income and expenses

The Group has opted to present its share of income from associates equity-accounted under operating income given that their business is a natural extension of the Group's operations.

4.2. Accounting treatment of the merger between Carmila and Cardety

On 2 March 2017, Cardety and Carmila announced their plan for Carmila to merge intoCardety, with the contribution to Cardety of all Carmila's assets as such existed at the merger completion date, i.e. on 12 June 2017, subject to the resumption by Cardety of all Carmila's liabilities as such existed on the same date.

As a result of the merger, Carmila transferred all its assets and liabilities to Cardety. Given the legal structure of the transactions, Cardety is the acquirer and Carmila the acquiree . Carmila's shareholders received one new Cardety share for every three Carmila shares they held.

Nonetheless, under IFRS 3, the standard applicable to business combinations, one entity must be identified as the acquirer for accounting purposes, irrespective of the legal substance of the transaction (identity of the acquiring company). In this particular case, the analysis performed by Cardety's and Carmila's management teams led to view this business combination as a reverse acquisition for accounting purposes, with Carmila the acquirer and Cardety the acquiree.

Under IFRS, the fair value at the date on which the consideration was transferred by the acquirer for accounting purposes is determined based on the number of shares that Carmila, the acquirer, would have had to issue to Cardety's shareholders in its capacity as the acquiree for accounting purposes to give them the same percentage holding in the Merged Entity.

Accordingly, the consideration transferred was determined on all the shares contributed to the transaction in line with the merger agreement.

CALCULATION OF THE CONSIDERATION TRANSFERRED

Number of Carmila shares at the date of the merger agreement (31 March 2017)		313 654 694
Number of Carmila shares at the date of the merger agreement (31 March 2017 - including bonus share allotme		314 094 571
Cardety's percentage interest in the Merged Entity after the transaction		**4,0%** *
Theoretical number of Carmila shares to be issued to Cardety shareholders		12 950 034
Value of Carmila shares adopted in the merger agreement (€)		8,15
Estimate of the consideration transferred (in thousands of euros)		**105 543**

* the calculation of percentage of interest is the following:

Number of Carmila shares at the date of the merger agreement (31 March 2017 - including bonus share allotme		314 094 571
Exchange ratio *(a)*		0,333
Equivalent in Cardety shares	[A]	104 698 190
Number of Cardety shares at the date of the merger agreement	[B]	4 316 678
Cardety's percentage interest in the Merged Entity after the transaction	[B]/([A]+[B])	**4,0%**

(a) ratio is adjusted to include distributions planned by Carmila and Cardety between the date of the Merger Agreement and the completion date

The consideration transferred was calculated based on a number of shares reflecting Carmila's bonus share allotments, i.e. 314,094,571 shares.

(In thousands of euros)		
Consideration transferred to Cardety	[A]	105 543
Cardety's net assets prior to Merger (equity)		120 184
Cardety's net assets post Distribution (equity)	[B]	112 069
Impact on equity arising from the business combination	[A] - [B]	**(6 526)**

* See calculation below for the amount distributed:

Price per share	1,88
Number of Cardety shares	4 316 678
Amount of distribution by Cardety (in thousands of euros)	8 115
Price per share	0,20
Number of Carmila shares	313 654 694
Amount of distribution by Carmila (in thousands of euros)	62 731

On this basis, the consideration transferred has an impact of €105,540,000 on the equity of Carmila, the acquirer for accounting purposes. This amount generated €6,528,000 in negative goodwill, a badwill. This badwill arises from the difference between the value of the consideration transferred at the date when the terms of the merger were approved and the amount of equity including the net income for the period to completion.

4.3. Presentation of the main partnerships

4.3.1. As Cancelas

The shares and voting rights in Spanish company As Cancelas are held jointly by Carmila and Grupo Realia, its partner. All the resolutions were adopted by a 50.01% majority of votes. The Group is responsible for property management, marketing and management of the centre, with Grupo Realia handling the administration. Since Carmila believes that the company is jointly controlled, it is therefore accounted for under the equity method.

4.3.2. Galleria Commerciale Nichelino SRL

Carmila Holding Italia owned the entire share capital of Galleria Commerciale Nichelino until 6 April 2016. Since then, its interest in Carmila Holding Italia has decreased to 50.1%, with Carrefour Property Italia's increasing to 49.9% by virtue of the 6 April 2016 capital increase.

Under the Renovation and Development Agreement entered into by Carrefour and Carmila (see Note 11.3 on Reciprocal commitments), the governance arrangements for this company are as follows:

- Decisions within the jurisdiction of all shareholders are to be approved unanimously, including those relating to the company's budget and business plan, investment projects, and financing.
- The company has two joint managers, who are appointed by Carmila Holding Italia and Carrefour Property Italia respectively.
- The project is jointly financed in equal parts by both shareholders.
- The development project margin is shared by the parties on a 50-50 basis.
- Carrefour has granted Carmila a call option on the entire share capital and shareholder advances granted to Galleria Commercial Nichelino, for an agreed period subject to conditions concerning the appraised value of the developed and leased properties. Carmila has granted Carrefour a put option subject to similar conditions.

The Group regards Galleria Commerciale Nichelino as being jointly controlled with Carrefour Property Italia, and it is therefore accounted for using the equity method at a rate of 50%.

4.3.3. Financière Geric

Geric partnership, which was indirectly 35%-owned when Financière Geric was acquired in September 2015, was accounted for under the equity method at 31 December 2015. On 31 March 2016, the members of Geric partnership acquired co-ownership units in proportion to their property rights, and Geric partnership purchased the partners vested interest in the co-ownership, then cancelled them. Accordingly, Geric partnership was able to become an indefinitely liable partnership [*société en nom collectif*, partnership], with Financière Geric, a Carmila Group subsidiary, its sole owner. As a result of these changes in the Group's percentage of ownership, the company has been fully consolidated from that date.

At 1 January 2017, Geric indefinitely liable partnership merged with its parent company Financière Geric, giving the latter full ownership of the Thionville shopping centre. On the same date, Financière Geric opted for the SIIC tax regime.

5. SEGMENT INFORMATION

5.1. Definition of segments and indicators used

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

- France
- Spain
- Italy

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

- Gross rental income
- Net rental income per segment.

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

- Capital gains or losses on disposals of investment property.
- Any other non-recurring income or expense.

The operating expenses for each segment reflect the expenses incurred directly by the segments. Common expenses incurred by the French segment are rebilled to the other segments on a prorated basis for the services they receive.
Furthermore, the Management Committee also reviews changes in the fair value of investment properties by segment when this information is available (twice a year).

Over the period, no individual lessee represented more than 10% of the Group's Gross Rental Income.

5.2. Results by operating segment

Statement of income by operating segment for the six-month period ended 30 June 2017

(in thousand of euros)	France	Spain	Italy	2017 6 months
Gross Rental income	102 522	34 538	9 737	146 797
Real estate expenses	- 1 754	- 1 422	- 300	- 3 476
Unrecovered rental expenses	- 1 541	- 1 934	- 4	- 3 479
Property expenses (landlord)	- 4 668	- 986	- 196	- 5 850
Net rental income	**94 559**	**30 196**	**9 237**	**133 992**
Overheads	- 19 689	- 3 950	- 1 188	- 24 827
Other income from operations	-	-	-	-
Allowances for depreciation/amortization of tangible and intangible fixed assets and provisions	- 589	- 22	- 29	- 640
Other current operating income and expenses	28	-	-	28
Recurring operating income	**74 309**	**26 224**	**8 020**	**108 553**
Non current operating income and expenses	- 1 112	-	-	- 1 112
Gains (losses) on sales of investment properties	- 194	3	-	- 191
Increase in the fair value of investment properties	121 723	45 397	5 145	172 265
Decrease of the fair value of investment properties	- 21 111	- 2 247	- 1 106	- 24 464
Balance of fair value adjustments	100 612	43 150	4 039	147 801
Share of net income in equity accounted companies	-	4 720	6 630	11 350
Operating Income	**173 615**	**74 097**	**18 689**	**266 401**

Statement of income by operating segment for the six-month period ended 30 June 2016

(in thousand of euros)	France	Spain	Italy	2016 6 months
Gross Rental income	99 595	25 843	9 536	134 974
Real estate expenses	- 1 906	- 1 324	- 294	- 3 524
Unrecovered rental expenses	- 2 528	- 1 662	- 16	- 4 206
Property expenses (landlord)	- 4 489	- 890	- 99	- 5 478
Net rental income	**90 672**	**21 967**	**9 127**	**121 766**
Overheads	- 14 174	- 3 209	- 1 219	- 18 602
Other income from operations	-	-	974	974
Allowances for depreciation/amortization of tangible and intangible fixed assets and provisions	- 98	- 19	- 175	- 292
Other current operating income and expenses	44	-	-	44
Recurring operating income	**76 444**	**18 739**	**8 707**	**103 890**
Non current operating income and expenses	- 26	- 41	-	- 67
Gains (losses) on sales of investment properties	141	- 23	-	118
Increase in the fair value of investment properties	55 394	19 484	7 968	82 846
Decrease of the fair value of investment properties	- 64 234	- 4 201	- 363	- 68 798
Balance of fair value adjustments	- 8 840	15 283	7 605	14 048
Share of net income in equity accounted companies	- 91	4 584	- 37	4 456
Operating Income	**67 628**	**38 542**	**16 275**	**122 445**

5.3. Analysis of investment property by country

The appraisal values are as follows:

in thousand of euros	30/06/2017 Eclud. Transfer Tax	31/12/2016 Eclud. Transfer Tax
France	3 828 085	3 401 956
Spain	1 026 930	734 960
Italy	293 560	288 290
Total portfolio appraisal	**5 148 575**	**4 425 206**
Investment properties values at cost and works in progress	90 356	425 237
Total investment properties	**5 238 931**	**4 850 443**
Breakdown of investment properties by country		
France	3 917 014	3 582 171
Spain	1 026 930	979 982
Italy	294 987	288 290
Total investment properties	**5 238 931**	**4 850 443**

5.4. Capital expenditure by country

(in thousands of euros)	France	Spain	Italy	2017
Acquisition of investment properties	5 057	-	22	5 079
Renovations capital expenditure	7 747	3 152	1 184	12 083
Restructuring capital expenditure	5 469			5 469
Current minetnance capital expenditure	10 412	63		10 475
Extension works on investment properties	71 011	-	206	71 217
Acquisitions of other fixed assets	1 243		31	1 274
Total investment	**100 939**	**3 215**	**1 443**	**105 597**

6. INVESTMENT PROPERTY

Accounting policy

Method adopted: Fair value

An investment property is property held for the purpose of earning rental income or for capital appreciation, or both. The Group considers shopping centres as investment properties. In line with the method laid down in IAS 40 and pursuant to EPRA's recommendations, investment properties are accounted for and measured individually at cost and subsequently at fair value, with any subsequent changes being recognised in profit or loss.

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 orderly transaction between market participants at the measurement date.

Cost of investment properties

The costs incurred in acquiring an investment property are capitalised in the value of the investment property.

During the life of the property, expenses such as building work, borrowing costs, marketing fees and other internal costs for project development are also capitalised.

Eviction compensation 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 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 expensed.

For investment properties under construction (including extensions), capitalised expenses include the cost of works, the cost of borrowings directly related to the construction, and initial tenanting of the extension.

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

Investment property under construction may be measured at fair value. If fair value cannot be reliably determined, these projects continue to be measured at cost, until their fair value can be reliably determined. Like other assets at fair value, they are appraised at their market value by an

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

- All necessary administrative authorisations required for the extension have been obtained
- The construction agreement has been signed and the works have begun, and
- Uncertainty regarding the amount of future rents has been removed.

Appraisal method
Fair value is determined in accordance with the measurement rules set forth in IFRS 13. Given the complexity of property asset appraisals and the nature of certain non-observable inputs (pace of rental growth, capitalisation rate), the fair values have been categorised in Level 3 in accordance with the standard's fair value hierarchy, based on the type of inputs used for the appraisal.
The fair values used are those determined on the basis of findings by independent experts. Carmila uses experts to measure the value of its portfolio at the end of every six-month period. The assets are inspected during these appraisals. The expert appraisals comply with the guidance contained in the RICS Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors ("Red Book"). To assist them in their task, the expert appraisers were given access to all the information they needed to value the assets, and specifically the list of leases, the vacancy rate, rental arrangements and the key indicators for lessees (such as sales).
They independently estimate their current and future cash flows by applying risk factors either to the capitalisation rate applied to net income or to future cash flows.
On the basis of the data provided, two methods have been used to value assets:

- <u>Capitalisation of net income</u>

This method consists in applying a rate of return to the total triple-net rental income for occupied premises and capitalising the net market rent for vacant premises.
For rented units, the total triple-net income is determined on the basis of the rents stated in the lease data base, less any non-recoverable charges. For vacant premises, a market rent considering an appropriate vacancy period is applied.
The rate of return used is that observed in the real estate market for a comparable asset, and reflects the sales space, specific characteristics, such as location, access, profile, retail competition, form of ownership (full ownership, co-ownership, etc.), reversionary and expansion potential, and recent transactions involving assets of the same type.
All net present values of step rents, all charges on vacant premises, and other non-recurring costs or works are deducted from the figure obtained.

- <u>Discounted cash flow method</u>

Under this method, a property asset's present value is equal to the sum of total discounted future net cash flows over a given period (generally 10 years). The net free cash flow for each year is calculated in the same manner as net rental income in the capitalisation method, less non-recurring expenses (works, rent adjustments, and other) indexed over time. A resale value is calculated for the property based on the last indexed rent at the resale date, less any related expenses, to which a rate of return is applied.
The discount rate applied is a risk-free rate (yield on 10-year OAT TEC French government bonds), plus property market risk and liquidity premiums and asset-specific premiums (reflecting the nature of the property, rental risk, obsolescence premium).
The following experts have been appointed by Carmila:

- Cushman & Wakefield, for all three countries
- Catella for the assets in France and Spain

The expert appraisers use one or more of the methods presented above. Cushman & Wakefield primarily uses the discounted cash flow method, while Catella systematically makes use of an average of both methods.

Any difference between the fair value calculated using this method at the reporting date and that at the start of the year plus works and expenses capitalised for the year is recognised in profit or loss.
Property under construction measured at cost is tested for impairment based on a comparison with

the project's estimated fair value. A project's fair value is measured internally by the Development teams based on an exit capitalisation rate and the expected net rental income upon completion of the project. When fair value is lower than the carrying amount, an impairment loss is recognised. Investment property is appraised by independent experts on 30 June and 31 December every year.

Leases

When it enters into long-term property leases, the Group analyses contractual arrangements to determine whether the agreement is an operating lease or a finance lease, i.e. an agreement that has the effect of transferring to the lessee substantially all the risks and rewards of ownership. When a property complex is leased, the land and building are analysed separately.

For properties made available to the Group under a finance lease, the minimum future lease payments are discounted. An asset is recognised together with a financial liability of the same amount. Assets are depreciated over the same periods as property, plant and equipment that the Group owns or over the term of the lease where it is shorter than the useful life of the properties. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Investment property held for sale

Under the terms of IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, assets under promise or mandate are shown on a separate line in the statement of financial position at their most recent appraised fair value. Any capital gain or loss on the sale of an investment property, which is the difference between the net sale proceeds and the net carrying amount of the asset, are recognised in profit or loss.

6.1. Analysis of investment property

(in thousands of euros)		06.2017	2016
Fair value of investment properties	**- At beginning of year**	**4 850 443**	**4 277 683**
Acquisitions of investment properties		5 079	324 970
Change in scope of consolidation		142 000	
Capital expenditure relating to investment properties		104 300	111 975
Change in works in progress during the period		- 11 234	- 22 050
Capitalised interest		664	1 209
Disposals and removals from scope of consolidation		- 10	- 870
Other movements and reclassifications		- 112	- 152
Change in fair value		147 801	157 678
Fair value of investment properties	**- At end of year**	**5 238 931**	**4 850 443**

6.2. Assumptions and sensitivity used for measurement purposes

Given the sparse public data available, the complexity of real estate appraisals and the fact that real estate appraisers use the Group's confidential rent rolls for their appraisals, Carmila believes that a Level 3 fair value classification of its assets is most appropriate. In addition, non-observable inputs, 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 2017, the Group's entire portfolio value underwent an independent appraisal.

Rental charge deferrals and front-end fees spread over the fixed term of the leases amounted to €0.5 million. The appraisal value of the assets shown on the statement of financial position is adjusted by these amounts.

Based on the portfolio value of the assets excluding transfer taxes and transaction costs, the average rate of return on the assets was 5.7% at 30 June 2017.

All other factors remaining equal, a 25 basis-point increase in yields would reduce the value of the assets, including transfer taxes and transaction costs (excluding assets under development or accounted for under the equity method and excluding the effect of changes in rents reflecting the decrease in yields) by €224 million (or 4.2%).

7. FINANCING AND FINANCIAL INSTRUMENTS

Accounting policy

Borrowings and other financial liabilities are measured at amortised cost calculated at the effective interest rate.

Bond redemption premiums and issuance costs are deducted from the nominal amount of the relevant borrowings and are accounted for at 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.
IAS 39 Financial Instruments – Recognition and Measurement, defines three types of hedging relationship:

a) Fair value hedge: 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 profit or loss.
b) Cash flow hedge: a hedge of exposure to changes in cash flows that:
   i. Is attributable to a specific risk associated with a recognised asset or liability (such as all or some future interest payments on floating-rate debt) or a highly probable forecast transaction, and
   ii. Could affect profit or loss.
c) Hedge of a net investment in a foreign operation, as defined in IAS 21 - Effects of Changes in Foreign-Exchange Rates.

In Carmila's case, all the interest-rate derivatives in the portfolio are documented as cash flow hedges.
The use of cash flow hedge accounting has the following consequences: at the reporting date, the interest-rate swap is recognised at its fair value on the statement of financial position, while the effective portion of the change in fair value is recognised directly in other comprehensive income (OCI), and the ineffective portion in profit or loss.
Carmila uses the dollar-offset method for testing hedge effectiveness. This test involves comparing changes in the fair value of the derivative with changes in the fair value of the hypothetical derivative perfectly hedging the hedged risk at the outset and at each reporting date by applying a uniform shock to the benchmark yield curve (250 bps) for the prospective test and at each reporting date for the retrospective test.

Pursuant to IAS 39.74, only the intrinsic value component of the caps is documented for future cash flow hedges. Changes in time value are expensed directly under other financial income and expenses.

Method for determining the fair value of derivatives

The market values of interest-rate instruments are determined based on the valuation models recognised on the market or by using the ratings established by third-party financial institutions.
The values estimated by valuation models are based on the discounting of future cash flows expected for futures instruments and on the Black & Scholes models for options instruments. These models use parameters based on market data (yield curves, exchange rates) obtained from recognised financial-data providers.
The fair value of derivatives incorporates a counterparty risk component for derivative assets and an own credit risk component for derivative liabilities. Counterparty risk is calculated using the expected loss method, which takes into account the exposure to default risk, the probability of default and the

loss rate in the event of default. The probability of default is determined based on the market data available for each counterparty (so-called implied CDS approach).
The fair value of non-current financial liabilities is estimated according to the market value of bonds or of all future cash flows discounted in line with market conditions for a similar instrument (exchange rates, maturity, interest type and other factors).

7.1. Net financial income/(expense)

7.1.1. Cost of net debt

(in thousand of euros)	2017 6 months	2016 6 months
Interest expense on financial debt	- 18 310	- 26 028
Other financial expenses	- 6 722	- 3
Cost of gross financial debt	**- 25 032**	**- 26 031**
Interest income from loans and current accounts	113	124
Other financial income	129	44
Net cost of financial debt	**- 24 790**	**- 25 863**

In the first half of 2017, interest expenses on borrowings after hedging break down as follows:

- Interest paid on bank borrowings came to €4,200,000, compared with €5,848,000 in the first half of 2016
- Interest paid on bonds came to €14,093,000, compared with €11,083,000 in the first half of 2016 given the second €600 million bond issued in late March 2016.
- A non-recurring financial expense of €2,018,000 related to the early redemption of bonds and the amortisation of the related issuance costs was recognised, compared with €3,201,000 in 2016.
- The net charge on hedging derivatives was €2,941,000, compared with €3,394,000 in 2016.
- The Group amortised €1,489,000 in respect of the termination payment subsequent to the unwinding of swaps in the first half of 2016, compared with €881,000.

7.1.2. Other financial income and expense

(in thousands of euros)	30/06/2017 6 months	31/12/2016 6 months
Financial income from investments	-	- 61
Change in value of financial instruments	412	595
Other financial income	6 528	1
Other financial expenses	- 948	- 1 153
Other financial income and expenses	**5 992**	**- 618**

Other financial income includes the badwill amounting to€6,528,000 as a result of the merger of Carmila with Cardety. This badwill reflects the rounding of the merger exchange ratio set at 1 Cardety share for 3 Carmila shares and the income from the period before the completion of the merger. The merger was retroactive from 1 January 2017, whereas the net contribution was accounted for on the date of the completion when control was obtained, i.e. in June 2017, in accordance with the IFRS rules. Cardety's net income over the first five months of 2017 increased the negative goodwill.

Other financial expense comprises:

- changes in the fair value of hedging instruments (ineffective portion and change in the caps' time value) and of credit risk, and
- commitment fees on undrawn credit lines.

7.2. Current and non-current financial liabilities

7.2.1. Change in indebtedness

(in thousand euros)	31/12/2016	Drawdowns	Repayment	Varation of scope of consolidation	Change in fair value	30/06/2017
NON CURRENT						
Bonds - non current	1 200 000	-	-	-	-	1 200 000
Bonds issue premium - non current	- 12 355	-	781	-	-	- 11 574
Borrowings from credit institution - non current	851 481	16 173	- 112 749	21 623	-	776 528
Loan and bond issue fees	- 9 103	- 6 994	2 122	- 608	-	- 14 583
Derivied held as liabilities - non current	20 948	1 110	-	-	- 5 887	16 171
Total non-current financial debt	**2 050 972**	**10 289**	**- 109 846**	**21 015**	**- 5 887**	**1 966 543**
CURRENT						
Borrowings from credit institution - current	-	-	-	-		-
Accrued interest on current borrowings	9 344	14 319	- 2	22		23 683
Other loans and similar debt	142 000	410 000	- 262 000	-		290 000
Bank facilities (bank overdrafts)	16 123	26 898	-	307		43 328
Total current financial debt	**167 467**	**451 217**	**- 262 002**	**329**	**-**	**357 011**
Gross financial debt	**2 218 439**	**461 506**	**- 371 848**	**21 344**	**- 5 887**	**2 323 554**

7.2.2. Bonds

In the first quarter of 2016, the Group carried out a second bond issue for a notional amount of €600,000,000 on 18 March 2016. As a result, it raised net proceeds of €592,999,000 on 24 March after deducting the issue premium and bank fees. The bond issue has a maturity of 8.5 years, representing a maturity date of 16 September 2024 with a coupon of 2.375%.

On 30 March 2016, the Group made a partial repayment of €296,300,000 on Tranche A of the loan agreement of 17 September 2014 (see below).

Carmila SAS also adjusted its hedging position to account for the partial repayment of its bank debt and thus cancelled six swaps during the period with a nominal amount of €340,000,000. These unwinding transactions gave rise to an equalising payment of €19,269,000.

To recap, Carmila issued a bond on 10 September 2015 (notional amount of €600,000,000) raising net proceeds of €593,034,000 received on 18 September after deducting the issue premium and bank fees. The 8-year bond is due to mature on 18 September 2023 and has a coupon of 2.375%.

In connection with the merger with Cardety, Carmila secured approval to transfer these financial liabilities to Cardety from a qualified majority of both bonds' holders. They were convened to a first notice meeting on 24 May 2017. This agreement gave rise to payment of a fee of €650,000 to the bondholders.

Standard & Poor's restated the rating of Carmila, the merged entity, on 13 June 2017. Its corporate rating is BBB, with a stable outlook and its short-term rating A-2.

7.2.3. Bank borrowings

In parallel with the merger with Cardety, Carmila renegotiated all its borrowings from its banking partners.

On 12 June 2017, the full amount of Cardety's syndicated loan agreement arranged on 18 July 2016 in an amount of €21,600,000 was repaid.

On 16 June 2017, the outstanding balance of the syndicated loan initially arranged on 17 September 2014 an amount of €620,000,000 and due for repayment on 16 September 2019 was repaid. The balance drawn down on 16 June was €90,000,000. To recap, drawn-down Tranche A originally amounted to €496,000,000, but the Group made several partial repayments in 2016 amounting to €406,000,000 (€296,300,000 on 30 March 2016, €11,273,000 on 31 May 2016, and €98,427,000 on 16 June 2016).

On 16 June 2017, a supplemental agreement to the syndicated loan agreement dated 15 December 2013 initially for a total amount of €1,400,000,000, including €1,050,000,000 in respect of a drawn-down Tranche A, and a €350,000,000 confirmed credit line, which was subsequently amended by a supplemental agreement on 30 July 2015, was signed. The balance drawn down at 31 December 2016 was €753,827,000. Pursuant to this supplemental agreement, the portion drawn down was increased to €770,000,000 and the revolving credit facility cancelled. The maturity date of this loan agreement was extended by 5 years to 16 June 2022.

The cost of arranging these supplemental and new agreements, including the revolving credit facilities described below, amounted to €5,950,000 in the period. An early redemption fee amounting to €1,262,000 was recognised as a financial expense.

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

- Interest cover: the ratio of EBITDA to the net cost of debt must be greater than 2.00x at the test dates.

- Loan to Value ratio: the ratio of consolidated net debt to the fair value of investment property (excluding transfer costs) must not exceed 0.55x on the same dates.

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

Under the loan agreements, Carmila may provide security for up to 20% of the total amount of the fair value of the investment property. The latter amount must exceed €2,500,000,000 at any given time.

At 30 June 2017, the Group complied with the applicable covenants.

Other financing

In 2015, the Carmila France Group acquired Financière Geric. The company had arranged three bank loans repayable in instalments for a residual total amount of €6,528,000 at 30 June 2017 (maturity dates between December 2019 and December 2020). Repayments of €1,258,000 were made on these three loans during the year. These loans also bear mortgages in proportion with the outstanding amount, which can be exercised on the assets of the Thionville shopping centre.

Carmila strives to diversify its sources of financing and their maturities, and has set up a short-term debt securities programme (NEU CP) for a maximum amount of €600,000,000. A new programme in an equivalent amount for Cardety, which changed its name to Carmila on 12 June 2017, was registered with the Banque de France on 29 June 2017. The outstanding balance at the end of June came to €290,000,000, compared with €142,000,000 at 31 December 2016, with maturities ranging from 1 to 5 months. This programme is backed by commited facilities with prime banks under the loan agreements entered into on 16 June 2017 presented above.

In addition to the supplemental agreement to the loan agreement providing for a drawn-down Tranche A, which was presented in the previous section, Carmila arranged on 16 June 2017:

- A credit facility agreement amounting to €759,000,000 in the form of a revolving credit facility (the "RCF") available until 16 September 2022.

- A similar credit facility agreement amounting to €250,000,000 in the form of a club deal ("CD") with a limited number of prime banking partners close to the Group maturing on 16 September 2020.

7.2.4. Breakdown of financial liabilities by maturity date

At 30 June 2017, the principal maturities break down as follows:

	Closing	Less than 1 year	2 years	3 years	4 years	5 years or more
Bonds - non-current	1 200 000		-	-		1 200 000
Bond issue premiums - non-current	-11 574	-1 587	-1 627	-1 668	-1 715	-4 977
Bonds	**1 188 426**	**-1 587**	**-1 627**	**-1 668**	**-1 715**	**1 195 023**
Borrowings from credit institutions - non-current	776 528	2 396	2 427	1 704		770 000
Accrued interest on current borrowings	23 683	23 683	-	-	-	-
Other loans and similar debt - current	290 000	290 000	-	-	-	-
Loan and bond issue fees	-14 583	-2 672	-2 606	-2 632	-2 435	-4 238
Bank and bond borrowings	**2 264 054**	**311 820**	**-1 806**	**-2 596**	**-4 150**	**1 960 785**
Derivatives held as liabilities - non-current	16 171			2 397		13 774
Bank facilities (overdrafts)	43 328	43 328	-	-	-	-
Gross debt by maturity date	**2 323 553**	**355 148**	**- 1 806**	**- 199**	**- 4 150**	**1 974 559**

7.2.5. Hedging transactions

In its capacity as parent company, Carmila handles almost all the Group's financing transactions and manages its interest-rate risk centrally.
Carmila is exposed to the risk of a change in interest rates on its floating-rate borrowings. The aim of the interest rate risk management policy in place is to curb the impact of changes in interest rates on current and future income and cash flows using interest-rate derivatives, caps and/or swaps.

The fixed-rate position accounted for 70% of gross debt at 30 June 2017 (compared with 73% at year-end 2016), and fixed-rate hedging instruments for 60% of underlying floating-rate debt. More specifically, at 30 June 2017, Carmila held:

- Seven swap contracts with a fixed interest rate covering a notional amount of €410,000,000, with maturity dates ranging from June 2020 to September 2025.
- Four caps capping interest payments on Carmila's debt covering a nominal amount of €300,000,000, with maturity dates ranging from June 2018 to December 2019.

These hedges, which are still active, have been accounted for as cash flow hedges.

Concurrently with its March 2016 bond issue, the Group terminated six swap contracts in April 2016, representing a notional amount of €340,000,000. Their fair value prior to termination was estimated at negative €19,111,000 at the specific repayment date of the underlying financial liabilities, which reflects the effective portion of these instruments, and it was again recognised in other comprehensive income (OCI). The termination payment made upon the effective unwinding of these six swaps amounted to -€19,269,000. The difference, which reflects the ineffective portion of these instruments, was recognised directly in other financial expense for the period. From an accounting point of view, the fair value of the terminated instruments is amortised on a straight-line basis over the initial term of the contracts (maturity date in the second half of 2024). In the first half of 2017, a financial expense of €1,489,000 was recognised with an equivalent adjustment to other comprehensive income, compared with €881,000 the first half of 2016.

In total, the fair value of hedging instruments came to negative €33,141,000 (including €19,269,000 recognised in Other comprehensive income) at 30 June 2017, compared with negative €41,205,000 at 31 December 2016. The fair value adjustment related to the other still active hedges was accompanied by an additional €5,655,000 reversal in the first half of 2017, increasing their impact on equity to negative €16,458,000 at 30 June 2017.

7.3. Management of financial risks and hedging strategy

7.3.1. Credit risk

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

In France, Spain and Italy, trade receivables relate to payments due from tenants, with none individually representing a significant percentage of the related revenue. In addition, upon signing a lease agreement, tenants pay security deposits or supply bank guarantees that, on average, account for three months of rent. Furthermore, the Group endeavours to implement procedures to check up on the financial health of its customers and also to monitor and systematically follow up on rent arrears.

Cash investments are made solely in high-quality instruments, and not in any speculative-grade or high-risk investments.

Hedging agreements are intended to hedge interest-rate risk and are entered into solely for non-speculative hedging transactions. The counterparties for these transactions are prime banks.

7.3.2. Liquidity risk

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

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

Carmila has two revolving lines of credit at its disposal, totalling €759,000,000 and €250,000,000 (see Note 6.2.4 above). At 30 June 2017, neither of these lines had been drawn down.

7.3.3. Other financial risks

Fluctuations 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 rate risk.

Carmila has implemented an interest-rate risk hedging policy using derivatives (interest-rate swaps and plain-vanilla options), as presented in Note 6.2.6 Hedging transactions.

The Group does not hold any publicly traded stock and is therefore not exposed to the risk of fluctuations in share prices.

8. DETAILED ANALYSIS OF OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS

8.1. Intangible assets

Accounting policy
IAS 38 - Intangible Assets states that intangible assets with a finite useful life are amortised on a straight-line basis over periods corresponding to their expected useful life. Intangible assets that do not have a finite useful life are not amortised, but are tested for impairment, either annually or whenever there are indications of impairment.

8.2. Property, plant and equipment

Accounting policy

In accordance with IAS 16 - Property, Plant and Equipment, land, buildings and equipment that are not classified as investment property are measured at cost less depreciation and impairment.
Non-current assets in progress are accounted for at cost less any identified impairment.

8.3. Investments in associates

Accounting policy

The accounting methods applied are presented in Note 4.1 Associates.
The method of accounting for investment property at fair value was also applied to investments in associates in proportion to the Group's interest in those entities.

	31/12/2016	Income	Dividend	Capital increase	Reserves	30/06/2017
Investment in equity accounted companies	48 331	11 350	- 1 474	50	5 111	63 368

The As Cancelas shopping mall in Spain, which was acquired in 2014, was recognised at its present fair value at 30 June 2017.

Galleria Commerciale Nichelino houses the extension project for the Nichelino shopping centre in Turin, which is being co-developed with the Carrefour Group. The project, currently under construction, has been recognised at cost since inception. The capital increase for a 50% stake by Carrefour Property Italia in 2016 gave rise to a share premium, with the portion attributable to Carmila amounting to €1,948,000 being recognised in profit or loss in 2016. Since then, Galeria Commerciale Nichelino has been accounted for under the equity method. Given the change in ownership , the company, which was fully consolidated in the previous year, is now accounted for under the equity method (see note 14.2 Principal partnerships). 50% of the gain on disposal resulting from the loss of control was recognised in operating income at 30 June 2016 and amounted to €974,000. The shopping centre is due to open during the 4th quarter of 2017.

Financial information concerning associates

The key indicators concerning the financial position of associates are shown below. The figures shown are based on 100% ownership (including consolidation adjustments):

Equity accounted companies *(in thousands of euros)*	**30/06/2017**	**31/12/2016**	**31/12/2014**
Investment propertires	188 906	144 934	82 706
Other non current assets	1 354	1 354	1 307
Deferred taxes	186	124	133
Non current assets	**190 446**	**146 412**	**84 146**
Trades receivables	514	625	738
Other current assets	1 368	4 267	752
Cash and cash equivalenbt	2 204	1 509	2 112
Current assets	**4 086**	**6 402**	**3 602**
Total assets	**194 532**	**152 814**	**87 748**

Equity accounted companies *(in thousands of euros)*	**30/06/2017**	**31/12/2016**	**31/12/2014**
Shareholder equity	**125 861**	**96 663**	**46 744**
Equity	**125 861**	**96 663**	**46 744**
External borrowings and debt to associates	129	29 092	36 571
Ohter non current liabilities	15 230	2 012	1 917
Non current liabilities	**15 359**	**31 104**	**38 488**
Current liabilities	**53 310**	**25 047**	**2 516**
Liabilities and shareholders' equity	**194 531**	**152 814**	**87 748**
Gross rental income	**4 518**	**2 979**	**107**
Net rental income	**22 704**	**12 370**	**107**
Dividend distribution	**2 947**	**1 944**	**-**

Accounting policy

In accordance with IAS 39 - Financial Instruments: Recognition and Measurement, the principal financial assets are classified in one of the following four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity assets
- Available-for-sale assets

The classification of these assets determines their accounting treatment. Classification is determined by the Group on the date of initial recognition 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 non-current investments reflect the acquisition of a minority stake in a high-quality fast-food chain by Carmila France.

Loans and receivables are initially recognised at fair value and then measured at their amortised cost under the effective interest rate method. The fair value of short-term receivables without a stated rate of interest is deemed to be the same as the amount appearing on the original invoice. They are tested for impairment if there are indications of a loss in their value. An impairment loss is recognised if the carrying amount exceeds the estimated recoverable amount.

This category includes amounts due from investments, other loans and receivables, and trade receivables. They appear on the statement of financial position under other financial assets or trade receivables.
Cash equivalents are investments that are short-term (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 comprises units in money-market funds and cash deposits. It is measured at fair value through profit or loss.

8.4. Other non-current assets

(in thousands of euros)	31/12/2016	Acquisitions	Disposals	Change in scope of consolidations	Reclassification	30/06/2017
Non consolidated equity investments	21	-	-	-	-	21
Other long term investments	80	9	-	-	-	89
Loans to associates or non consolidated investments	1	3	- 3	-	- 1	-
Security deposits	9 218	1 155	-	-	-	10 373
Other financial assets	78	104	-	230	-	11 307
Other non current assets	**9 398**	**1 271**	**- 3**	**230**	**- 1**	**10 895**
Impairment on other non current assets	**- 49**	**-**	**-**	**-**	**-**	**- 49**
Net Value - Other non current assets	**9 349**	**1 271**	**- 3**	**230**	**- 1**	**10 846**

8.5. Trade receivables

Accounting policy

Trade receivables primarily include rents receivable from lessees in shopping centres. Where appropriate, an impairment loss is recognised taking into account the debtor's capacity to repay its debt and the length of any arrears.

Trade receivables consist primarily of rents, front-end fees and consulting services billed at year-end. They have a maturity of less than one year, except for rent discounts and step rents, which are deferred over the non-cancellable lease term.

Furthermore, pursuant to IFRC 21 - Levies, all property taxes owed for the 2016 financial year were provided for from 1 January of that financial year. In parallel, a provision for the property taxes rebilled to the tenants was recorded as unbilled revenue in respect of their share.

Over the period, the gradual build-up in outstanding balances and the late payment of the current instalments, with Chapter 11 type protective measures taken by certain tenants in France account for the increase in the total balance of receivables. The adjustment of the bad debt provision is based on an analysis on a customer-by-customer basis.

(in thousands of euros)	30/06/2017	31/12/2016
Trades receivables and other receivables	122 426	113 044
Depreciation of trade receivables	- 15 567	- 14 880
Net value - Trade receivables and other receivables	**106 859**	**98 164**

Operating working capital requirements comprise the following items: trade receivables, trade payables, other receivables and other payables.

8.6. Other current assets

(in thousands of euros)	30/06/2017	31/12/2016
Cash from funds or co-owners (works, cross-charging)	13 169	17 603
Other receivables	18 595	15 948
VAT receivables	61 796	69 736
Current financial assets	15 720	14 644
Receivables - insurance	- 149	-
Suppliers receivables	-	1
Down payments on purchase orders	6	510
Employee related receivables and recoverable payroll tax	4	8
Prepaid expenses	348	378
Total other current assets	**109 489**	**118 828**
Depreciation of other current assets	- 3 749	- 2 482
Net other current assets	**105 740**	**116346**

8.7. Net cash and cash equivalents

(in thousands of euros)	30/06/2017	31/12/2016
Cash	101 843	69 053
Cash equivalents	147	2 190
Gross Cash and cash equivalents	**101 990**	**71 243**
Bank facilities	- 43 328	- 16 123
Net cash and cash equivalents	**58 662**	**55 120**

Cash equivalents consist entirely of units in money-market funds (marketable securities) and cash deposits with prime credit institutions.

8.8. Equity

At 30 June 2017, the share capital consisted of 108,868,229 ordinary shares of a single class, each with a nominal value of €6, fully subscribed and paid up.

On 12 June 2017, Extraordinary General Meetings of Cardety and Carmila voted to go ahead with the merger of Carmila with Cardety and the issue of 104,551,551 new Cardety shares in consideration for the net assets tendered.

A bonus share allotment plan was put in place in 2016, as presented in Note 13.3. Once converted into new shares with the exchange ratio determined at the time of the merger and adjusted to take into account departures, these bonus share plans will lead to the issuance of at most 141,811 shares.

8.8.1. Distributions of premiums and capital increases by Carmila

On 31 March 2017, the Board of Directors approved the exceptional distribution of share premiums totalling €62,731,000, i.e. €0.20 per share, in addition to the exceptional distribution having taken place in November 2016 of an identical amount, i.e. €0.20 per share, representing a total of €62,731,000. This payout of a €62,731,000 in share premiums (€0.20 per share) was made after the General Meeting of the Shareholders on 5 May 2017.
These distributions exceed the distribution obligations under the SIIC regime.

8.8.2. Treasury shares

Treasury shares are deducted from consolidated equity at its acquisition cost. Any income from the sale of treasury shares (together with the related tax effects) is charged directly to equity and is not included in net income for the financial year. At 30 June 2017, the company held 7,280 treasury shares.

8.8.3. Earnings per share

Earnings per share are calculated by dividing net income attributable to holders of the Company's ordinary shares by the weighted average number of ordinary shares outstanding during the period. Treasury shares are not considered outstanding shares and are therefore deducted from the number of shares used to calculate earnings per share.
Diluted earnings per share are determined by adjusting net income attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding for the effects of any potential ordinary dilutive instruments, which mainly include convertible bonds and stock options granted to employees. Stock options are considered potentially dilutive if they are "in the money" (the exercise price used includes the fair value of services provided in accordance with IFRS 2 Share-based Payments).

8.9. Provisions

Accounting policy

In accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, provisions are recorded when at the reporting date the Group has a present legal or constructive 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 embodying economic benefits. This obligation may be of a legal, regulatory or contractual nature, or it may be a constructive obligation. These provisions are estimated by their type based on the most likely assumptions. Amounts are discounted when the impact of the passage of time is significant.

in thousand of euros	31/12/2016	Income statement allowance	Reversal	OCI	Reclassification	30/06/2017
Total contingency provisions	**372**	**267**	**-4**			**669**
Provisions for pensions and retirements benefits	237	112	63	-7	139	576
Total provisions for charges	**237**	**112**	**63**	**-7**	**139**	**576**
Total non current provisions	**609**	**379**	**59**	**-7**	**139**	**1245**

Provisions for risk include all tenant-related disputes and litigation. These provisions underwent a review by both parties to better understand the facts and circumstances of these disputes (e.g. ongoing negotiations concerning possible lease renewal) and possible appeal procedures (right to reconsider). In the first half of 2017, the Group set aside €213,000 in provisions for two disputes. The Group continued to provide for a risk on the rebilling of expenses in Italy amounting to €34,000, lifting the aggregate provision to €217,000.
The accounting principles governing the provision for pensions and retirement benefits are presented in Note 13.3.1

8.10. AMOUNTS DUE ON NON-CURRENT ASSETS

Amounts due on non-current assets increased as a result of the impact of the growing number of extension projects in progress. There are seven currently in progress compared with two at the end of the first quarter of 2016. Amounts due in respect of the BAB2 extension (Anglet) housed by SCI des Pontots and delivered in April 2017 remained in this line item.

8.11. TRADE PAYABLES

(in thousands of euros)	30/06/2017	31/12/2016
Trade payable balances	448	4 473
Trade payables accrued	23 353	18 520
Total trade payables	**23 801**	**22 993**

8.12. Other current liabilities

(in thousands of euros)	30/06/2017	31/12/2016
Prepaid income	65 683	62 108
Tax liabilities (excl corporate tax)	37 284	27 472
Social security liabilities	5 704	8 712
Others miscalleneous liabilities	19 665	24 433
Other current liabilities	**128 336**	**122 725**

9. DETAILED ANALYSIS OF NET INCOME

9.1. Net rental income

Accounting policy

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 recognised by means of a reduction or increase in rental income deferred over time. The period of reference taken into account is the minimum lease term.
- Any temporary rent reduction granted to a lessee on an exceptional basis to support its business activity is expensed as incurred. Special sales or marketing promotions undertaken on a tenant's behalf are accounted for in the same way.

- Any works undertaken on the lessee's behalf may, under certain conditions, be deferred on a straight-line basis over the non-cancellable lease term or recognised in the cost of the asset.
- Where the lessor cancels a lease in force, it pays lease termination compensation to the sitting tenant. Where the conditions are met, the compensation is recognised as a non-current asset (see Note 6 Investment Property).
- 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 deferred over the non-cancellable lease term, or, if the building is being renovated, it may be included in the cost of the asset.
- Front-end fees collected by the lessor are accounted for as additional rent. The front-end fee forms part of the net amount exchanged by the lessor and the lessee under the lease. Accordingly, the accounting periods during which this net amount is recognised should not be affected by the form of the agreement and payment schedules. These fees are deferred over the first non-cancellable lease period.
- Cancellation fees are received from tenants when they cancel the lease ahead of its contractual term. Such fees are allocated to the terminated leases and are recognised in income for the year in respect of which they are charged.

Property expenses

- Real estate expenses:

These are fees paid (or amortisation of initial payments) when the land is covered by a construction lease or concession agreement.

- Unrecovered rental expenses:

These expenses are shown net of rebilling to tenants and primarily represent charges arising from vacant premises.

- Property expenses (landlord):

These consist of rental charges borne by the landlord, and charges related to works, litigation costs, allowances for bad debt, and property management costs.

Net rental income is calculated as the difference between rental income and these various expenses.

(in thousands of euros)	30/06/2017 6 months	30/06/2016 6 mois
Rents	145 949	134 417
Front-end fees and other indemnities	848	557
Gross rental income	**146 797**	**134 974**
Property tax	- 17 102	- 15 288
Recharging to tenants	13 626	11 764
Real estate expenses	**- 3 476**	**- 3 524**
Rental charges	- 27 087	- 21 873
Rebilling to tenants	23 608	17 667
Unrecovered rental expenses	**- 3 479**	**- 4 206**
Management fees	- 170	- 100
Rebilling to tenants	-	-
Losses and depreciation of receivables	- 4 285	- 3 403
Other expenses	- 1 395	- 1 975
Property expenses (landlord)	**- 5 850**	**- 5 478**
Net rental income	**133 992**	**121 766**

9.2. Operating expenses

(in thousands of euros)	30/06/2017 6 months	30/06/2016 6 months
Personnal cost	- 9 978	- 9 885
Other income from services provided	2 594	2 651
Other external charges	- 18 459	- 12 691
Income from management, administration and other activities	1 016	1 323
Operating expenses on overheads	**- 24 827**	**- 18 602**

9.2.1. Personnel expense

Personnel expense amounted to €9,978,000 during the first half of 2017. The increase in the headcount on a full-time equivalent basis was 28 employees compared with at 31 December 2016. This increase was largely attributable to the in-sourcing of the centre management, letting and marketing departments in Italy. This reorganisation, which aimed to equip Italy with the requisite resources to manage and develop its business, resulted in an increase in the headcount of 10 employees.

9.2.2. Other income from services provided

Other income from services provided reflects the rebilling of operating expenses, chiefly to the Carrefour Group (a proportionate share of the personnel expense of shopping centre management teams is rebilled).

9.2.3. Other external expenses

Other external expenses include operating expenses. The main components are marketing expenses, chiefly relating to the increased use of digital applications, and fees, including those paid to the Carrefour Group for the activities defined in the service agreement (accounting, human resources, general services, etc.), appraisal fees for the property portfolio, financial communications and advertising fees, travel expenses and directors' fees.

At 30 June 2017, this item includes an exceptional charge of €6,324,000 corresponding to the merger costs primarily comprising professional fees, royalties and expenses linked to the award of the consent by lenders, including bondholders (see § 6.2.2 above).

9.2.4. Income from management, administration and other activities

These revenues mainly relate to the rebilling of marketing fees to the Carrefour Group and of marketing funds dedicated to the development and enhancement of the centres to retailers' associations.

9.3. Depreciation, amortisation, provisions and impairments

(in thousands of euros)	**30/06/2017 6 months**	**30/06/2016 6 months**
Depreciation allowance for fixed assets and amortization of intangible fixed	- 413	- 385
Depreciation reversal / (allowance) for losses and contingencies provisions	- 227	93
Allowances for depreciation of fixed assets, amortization of intangible assets and provisions	**- 640**	**- 292**

Lastly, the net change in provisions for risks and liabilities is attributable to movements in provisions for risks over the period (see Note 7.10 Provisions), mainly associated with property disputes with lessees.

9.4. Other recurring operating income and expense

The €1,084,000 in recurring operating expenses incurred in the first half of 2017 are expenses on capital transactions, accounted for as merger expenses, which were classified in the other external expenses component of operating expenses. These expenses are included in the €6,324,000 in merger costs.

10. INCOME TAX

Accounting policy

Group companies are subject to the tax legislation that applies in the countries where they are established. Income tax is calculated based on the local rules and tax rates.
In France, the Group qualifies for the benefit of the special tax regime for listed property investment

companies (SIIC). The Group's subsidiaries in Spain and Italy are subject to the standard tax regime in their respective jurisdictions.

French tax regime for listed property investment companies (SIIC)

On 1 June 2014, Carmila and its subsidiaries in France subject to corporate income tax opted to adopt SIIC status for tax purposes from that date.

<u>Characteristics of the SIIC regime</u>

The special corporate tax exemption regime for listed property investment companies (SIIC) is an option for companies listed on a regulated market in France with share capital of at least €15 million, having as their primary corporate object the acquisition or construction of properties for rental purposes or the direct or indirect holding of equity investments in legal entities with the same corporate object. This option cannot be revoked. Subsidiaries at least 95%-held and subject to corporate income tax may also opt for the regime.

In return for the exemption, these listed property investment companies are required to distribute 95% of their rental income, 60% of their disposal gains and 100% of the dividends received from their SIIC subsidiaries.

The option to adopt SIIC status entails the immediate payment of an exit tax at a rate of 19% on unrealised capital gains relating to properties and shares in partnerships not subject to corporate income tax. The exit tax is payable over a four-year period beginning when the relevant entity adopts SIIC status.

A 3% tax is payable on dividends paid to shareholders. It is deducted (I) from non-SIIC earnings and, on a residual basis, (ii) from SIIC earnings, to the extent that the amount distributed exceeds the minimum requisite annual distribution.

<u>Discounting of the exit tax liability</u>

The exit tax liability is discounted based on its payment schedule. The liability initially recognised on the statement of financial position is discounted, and interest expense is recognised at each reporting date in other financial expense, so as to reduce the liability to its net present value at the reporting date.

<u>Income tax for companies not subject to the SIIC tax regime</u>

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

Income tax payable by companies not subject to the SIIC regime and for foreign companies is calculated under the standard regime. French subsidiaries Financière Geric and SNC Geric have not opted for the SIIC regime to date. Carmila aims to be in a position to opt for the SIIC regime as swiftly as possible.

Standard corporate income tax regime and deferred taxes

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

The income tax payable and taxes due on future income are offset when they originate within the same tax group, are payable to the same tax authority, and there is a legal right to offset them.

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 deferred tax asset, after allocation to existing liabilities, is recognised if it is probable that the entity concerned will have future taxable profits to which such deferred tax assets may be charged.

Deferred tax assets and liabilities are measured using the liability method at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities should reflect the entity's expectations at the reporting date as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

10.1. Income tax expense

(in thousands of euros)	30/06/2017 6 months	30/06/2016 6 months
Deferred tax	- 11 861	- 5 937
Curent tax	- 67	- 2 297
Total income tax (expenses)	**- 11 928**	**- 8 234**

Deferred taxes are generated by the recognition of unrealised capital gains on investment properties in Spain and Italy. The income tax payable is determined in both these countries. In Spain, this represents a €1,346,000 tax credit almost offsetting the tax payable in Italy and the tax expense resulting from the withholding tax on the charging of interest on Carmila SA's loans to Italy.

10.2. Reconciliation of the theoretical tax expense and actual tax expense

Theoretical tax expense can be reconciled with actual income tax expense as follows:

in thousand of euros	30/06/2017	31/12/2016
	6 months	6 months
Net income from consolidated companies	235 675	15 236
Income tax charge	11 928	-2 826
Share of net income of equity accounted companies	-11 354	601
Pretax net income excluding equity accounted net income	**236 249**	**17 461**
Tax rate applicable to the Group mother company	*34,43%*	*34,43%*
Theoretical income tax (charge) / revenue	**-81 341**	**-6 012**
Tax exempt income resulting from SIIC status	58 460	12 399
Permanentes difference	6 296	-1 128
Effect of tax ratio differential	6 877	5
Use of tax loss carry forward		
Tax losses without deferred tax recognition	-2 221	-8 091
Effective tax revenue / (charge)	**-11 929**	**-2 827**
Effective tax rate	**5,05%**	**16,19%**

10.3. Current tax assets and liabilities

(in thousands of euros)	30/06/2017	30/06/2016
Tax credits	5 234	2 688
Total tax assets	**5 234**	**2 688**
Tax liabilities - non current	13 102	15 862
Tax liabilities - current	7 369	7 587
Liabilities resulting from tax consolidation	245	96
Total tax liabilities	**20 716**	**23 545**

At 30 June 2017, €3,769,000 in tax credits are held in Spain and €1,359,000 in Italy.

The French companies subject to corporate income tax opted for SIIC status on 1 June 2014. A total of €18,597,000 in exit tax continues to be recognised on the statement of financial position. This financial liability includes €320,000 in respect of the outstanding exit liability that arose in 2014 and €18,277,000 following Financière Geric's adoption of the SIIC regime on 1 January 2017. The exit tax liability is classified under non-current liabilities except for the portion payable on 15 December 2017. Accordingly, the amount reclassified under current liabilities stands at €4,889,000.

10.4. Deferred tax assets and liabilities

(in thousands of euros)	31/12/2016	Income statement	Change in scope of consolidation	Reserves	Reclassification	30/06/2017
Deferred tax assets	2 074	282	-		- 10	2 346
Deferred tax liabilities	65 970	12 143	-	- 3 772	- 10	74 331
Net balance of deferred tax	**- 63 896**	**- 11 861**	**-**	**3 772**	**-**	**- 71 985**
Breakdown of deferred tax by nature						
Properties	- 65 469	- 12 525	-	3 772	-	- 74 222
Tax losses	1 573	664	-		-	2 237
Financial instruments	-	-	-		-	-
Other items	-	-	-		-	-
Net balance of deferred tax	**- 63 896**	**- 11 861**	**-**	**3 772**	**-**	**- 71 985**

11. COMMITMENTS AND CONTINGENCIES

11.1. Commitments received

11.1.1. Obligations under commitments to sell

- On 29 January 2015, Carmila France acquired a shopping centre in Puget-sur-Argens under a construction lease.

Immobilière Carrefour is the beneficiary of a commitment to sell and a right of first refusal granted by the lessor covering the property complex where the centre is located under a construction lease entered into on 19 September 1989. In 1991, the property complex was converted to co-ownership status to facilitate the sale of the subdivided units within the shopping centre. However, the benefit of the commitment to sell and the right of first refusal was expressly reserved for Immobilière Carrefour.

In a letter dated 24 November 2014, Immobilière Carrefour undertook to exercise its purchase option at the end of the lease, where Carmila France was the lessee of the units in the shopping centre at this date. In this case, Immobilière Carrefour will offer the co-owners (including Carmila France) full ownership of the units at the same price per sq. m., in line with the co-ownership rules.

- On 31 December 2015, Carmila France acquired a shopping centre in Ormesson. On this date, Carmila France benefited as part of the agreement from an exclusivity period granted by Société Civile Immobilière de Pince Vent to acquire a cinema and retail complex. It entered into a promise on 4 July, which is set to be reiterated by the end of November 2017 to acquire this complex for €5,540,000 excl. VAT for €6,648,000 incl. VAT.

11.1.2. Indemnities

In connection with the acquisition of the Italian assets, Carmila Italia received a tax reassessment notice from the authorities. This tax risk is covered by an indemnity obligation granted by the sellers.

11.1.3. Bank guarantees

In addition to the security deposits paid, some leases may be backed up by bank guarantees from lessees (€12,226,000 in Italy).

11.2. Commitments given

11.2.1. Liquidity provision

The Carmila Shareholders' Agreement of 16 April 2014, which was entered into by the Company's shareholders, includes a liquidity provision stating that, unless the company is listed on the stock exchange within six years, the shareholders other than Carrefour may request cash payment for a percentage of their shares not exceeding 10% of the share capital per year. Following the merger between Cardety and Carmila on 12 June 2017 and the conversion of Carmila into a *société anonyme* [public limited company], the Shareholders' Agreement is no longer in force. Furthermore, this specific provision was rendered null and void by the fact that the company has been listed since the merger.

11.2.2. Financial guarantees granted

Prior to its acquisition by the Group, Financière Geric granted senior mortgages as part of its bank financing for an initial amount of €13,000,000, subsequently reduced to a residual balance of €6,528,000.

11.2.3. Commitments given to carry out works

As part of the extension of Nichelino, Carmila Italia Srl has been retained by the municipal authorities to carry out infrastructure works with a total budget of €19,272,000.

12. TRANSACTIONS WITH RELATED PARTIES

12.1. Reciprocal commitments

On 12 June 2017, the Carrefour Group and Carmila extended all the agreements entrusting functions or services performed by Carrefour to Carmila, including the agreement on the renovation and development of Carmila's assets. All the agreements were renewed for a period of 3 years, except for the renovation and development agreement, which was extended for 10 years.

Under this renovation and development agreement,

- In 2016, Immobilière Carrefour and Carmila France entered into:
    - a reciprocal commitment on 22 December 2015, under which Immobilière Carrefour undertook to sell and Carmila France to buy, subject to conditions precedent, the extension of the shopping centre at Bourges, for an estimated amount of €20.4 million. The new centre opened its doors to the public in October 2016 and the contractual price tag was paid. Additional consideration estimated at €2,850,000 may be payable to reflect the substance of the marketing efforts and investments carried out.
    - On 30 December 2016, Immobilière Carrefour and Carmila also entered into a reciprocal commitment, under which Immobilière Carrefour undertook to sell and Carmila France to buy, subject to conditions precedent, for a price of €69,200,000 excl. VAT, a new space that will contain a commercial shell at Evreux. On 28 June 2017, Carmila France agreed to an off-plan sale for this extension for a basic price of €83,041,000 incl. VAT (€69,200,000 excl. VAT). Carmila made an upfront payment of €19,100,000 upon signature of the agreement.
    - Likewise, Immobilière Carrefour and Carmila France entered into an off-plan sale on 23 June 2017 for an extension to the Crèches sur Saône shopping centre for a basic price of €19,200,000 incl. VAT, of which €6,912,000 was paid on 30 June.

13. EMPLOYEE REMUNERATION AND BENEFITS

13.1. Personnel expense

See Note 8.2.1

13.2. Headcount

At 30 June 2017, the Carmila group had 186 employees – 131 in France via its Almia Management subsidiary, 42 in Spain and 13 in Italy.

13.3. Employee benefits

The Group's employees are entitled to receive benefits during their period of employment (such as paid leave, sick leave, profit-sharing and long-service medals) and post-employment benefits with defined contributions and benefits (including retirement bonuses and benefits).

13.3.1. Retirement plans

Accounting policy

Defined-contribution plans

Defined-contribution plans provide for the company to make periodic contributions to external agencies handling their administration and managing their finances. Under these plans, the employer has no further obligations, with the agency taking responsibility for paying employees the amounts owed to them (basic social-security pension plans in France, supplemental pension plans and defined-contribution pension funds).
These contributions are expensed as they are incurred.

Defined-benefit plans and long-term benefits

Carmila provides various defined-benefit plans linked to individual employees' accumulated years of service at the Group.
The actuarial method adopted is a prospective method that projects career-end salaries and calculates pro-rata entitlements based on years of service, in line with the recommendations of IAS 19. The calculations are carried out 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 vis-à-vis each participant (present value of future benefits) are then calculated by multiplying the estimated benefit by an actuarial factor reflecting:

- assumptions concerning the employee's probability of either leaving the company or dying before the age of payment of the benefit.
- the present value of the benefit at the measurement date
- These total benefits are then allocated over each of the past and future financial years in which the participant accrued rights under the programme:
  - The portion of this total benefit allocated to financial years prior to the measurement date (actuarial liability or value of the obligations) corresponds to the company's obligations for past service. The actuarial liability corresponds to the total obligations on the statement of financial position.

- The portion of the total benefit allocated to financial years subsequent to the measurement date (service cost) represents the likely increase in obligations as a result of the additional year of service that the participant will have performed by the end of the financial year. Depending on their nature, charges related to the service cost are recognised either under operating income or under other financial expense in respect of the portion relating to interest expense.

In accordance with IAS 19, actuarial gains and losses resulting from a change in assumptions are recognised in "Other comprehensive income."
Under this method, the value of the obligations or the actuarial liabilities at the measurement date is calculated by allocating 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 rate of return at the reporting date on investment-grade (AA) euro-zone bonds with the same maturity as the obligation being measured (yield on iBoxx Euro Corporate bonds maturing in 10 years or more).

At 30 June 2017, the Group applied the principal actuarial assumptions shown below:

- Discount rates: 1.45% in 2017 (1.21% in 2016)
- Annual salary increase rate: 2.0% in 2017 (2.0% in 2016)
- Retirement age: between 166 and 172 quarters, depending on the generation.

With the hiring of new employees and increase in the discount rate, the provision rose by €175,000. At 30 June 2017, it stood at €437,000 in France, plus €139,000 in reclassified obligations in Italy, representing a total of €576,000 (see Note 8.9).

13.3.2. Share-based Payments

Accounting policy

The Group applies the provisions of IFRS 2 - Share-based Payment. The fair value of rights to share-based payments granted to employees is determined at their date of grant. It is recognised in personnel expense, with a corresponding increase in equity over the period when the rights vest definitively. The amount expensed is adjusted to reflect the number of rights in respect of which the service and non-market performance conditions are likely to be met. The amount ultimately expensed reflects the actual number of rights that fulfil the service conditions and non-market performance conditions at the vesting date. For rights to share-based payment subject to other conditions, the fair value measurement at the grant date reflects these conditions. The differences between the initial estimate and actual awards 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 grant date using an option pricing model. The Black & Scholes model was used to simulate the unit fair value of instruments.

During 2016, the Group established bonus share allotment plans for its senior managers and certain employees. The cost is deferred over the vesting period of the rights (period for which the employee must work before the options granted to him or her can be exercised).
Two types of share-based payment plan were in force at 30 June 2017 following their grant on 16 June 2016:

- the Attendance plan, the criteria for which relate solely to the continuing presence of employees in the Group at the vesting date (31 December 2017). The number of options granted is 171,810 (maximum).

- the Performance plan that incorporates, in addition to the presence criterion outlined above, the fulfilment of conditions relating to the Group's business performance. Of these performance plans:
  - 50% is linked to the fulfilment of conditions based on trends in the full rate of return in 2017 (on the basis of the triple-net asset value indicator as defined by EPRA) versus a sample of comparable property companies
  - 50% relates to the fulfilment of conditions based on the change in recurring earnings per share in 2017 compared with the original subscription price.

The number of options granted is 268,067 (maximum).
The assumptions adopted are a grant date of 30 June 2016, a share value at the measurement date of €7.71, a maturity that varies according to the plan and relevant persons covered by these plans, an estimated risk-free rate of zero, and assumptions concerning dividend rates, employee turnover rates and achievement of performance plan conditions (deemed to be non-market performance conditions). The fair value of the options for the various plans was calculated based on the measurement method and assumptions presented. The service and non-market performance conditions stated in the agreements were not taken into account in the fair value measurement.

The benefits granted were deferred over the allotment period and recognised in personnel expenses, with a corresponding increase in equity of €1,644,000 in 2016. The provision set aside in the first quarter of 2017 stood at €418,000 compared with €400,000 in the first half of 2016.

The exercise of plans for which the presence and performance criteria have been satisfied would have increased the number of Carmila shares by a maximum of 439,877 prior to the merger. After taking into account the merger ratio, the waiver of odd lots and the adjustment to the number of potential shares to reflect the departure of certain beneficiaries, the maximum number of Carmila SA shares resulting from the exercise in full of these plans stands at 141,811 shares.

14. ADDITIONAL INFORMATION

14.1. Subsequent events

The Board of Directors decided at its meeting on 23 June 2017 to make use of the delegations of authority granted to it under the thirty-seventh and forty-seventh resolutions adopted by shareholders at the Combined General Meeting of 12 June 2016 to carry out a placement of the Company's shares as announced at the time of the merger of Carmila SAS with and into the Company.
This placement took the form of: (i) an increase in the capital through a bonus allotment of share subscription warrants to all the Company's existing shareholders in accordance with the thirty-seventh resolution adopted by the General Meeting (the "Capital Increase"), and (i) a capital increase through the issue, without preferential subscription rights, of share subscription warrants reserved for the underwriters of the Capital Increase, in accordance with the forty-seventh resolution adopted by the General Meeting (the "Supplementary Capital Increase").

The issue was presented in a Information Memorandum approved by the Autorité des Marchés Financiers under no. 17-298 on 23 June 2017 consisting of Cardety's (since renamed Carmila) Registration Document, Appendix II to Document E and a securities note (including the summary Information Memorandum).

Pursuant to the Capital Increase, 23,123,818 new shares were subscribed for in full at a price of €24 per share, representing a nominal amount of the Capital Increase of €138,742,908, plus an aggregate issue premium of €416,228,724.

Pursuant to the Supplementary Capital Increase, 3,067,982 additional new shares were subscribed for in full at a price of €24 per share, representing a nominal amount of the Supplementary Capital

Increase of €18,407,892, plus an aggregate issue premium of €55,223,676.

In sum, Carmila raised a total of €628.6 million from this placement, and these funds will be used to finance its 2017-2020 business plan, including a programme of 37 extension projects, selective acquisitions and the roll-out of an innovative and unique marketing and digital strategy.

Upon completion of this transaction on 31 July 2017, Carmila's share capital stood at €810,360,174 and is made up of 135,060,029 shares, each with a par value of €6.

15. LIST OF CONSOLIDATED COMPANIES

	30/06/2017			31/12/2016			31/12/2015		
Companies	Interest rate	Controle rate	Consolidation method	Interest rate	Controle rate	Consolidation method	Interest rate	Controle rate	Consolidation method
NEW CARMILA	100,00 %	100,00 %	IG	-	-	NI	-	-	NI
CARMILA	-	-	NI	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
CARMILA France	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
ALMIA Management	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI du Centre Commercial de Lescar	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI de l'Arche	50,00 %	50,00 %	IG	50,00 %	50,00 %	IG	50,00 %	50,00 %	IG
Hyparmo sarl	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI des Pontots	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Bay1Bay2 SAS	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI Carmila Anglet	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI Carmila Coquelles	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI Carmila Labège	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SCI Carmila Orléans	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
SNC GERIC	-	-	NI	100,00 %	100,00 %	IG	-	-	NI
GIE GERIC (MEE)	-	-	NI	-	-	NI	35,03 %	53,84 %	EM
Financière GERIC	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	65,07 %	65,07 %	IG
SCI Dominique	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	50,00 %	50,00 %	IG
SCI Carmila Bourges	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	-	-	NI
SCI Carmila Evreux	-	-	NI	100,00 %	100,00 %	IG	-	-	NI
SCI Sothima	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	-	-	NI
SAS Louwifi	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	-	-	NI
SAS CARMILA EVREUX	100,00 %	100,00 %	IG	-	-	NI	-	-	NI
SAS CARMILA CRECHE S/SAONE	100,00 %	100,00 %	IG	-	-	NI	-	-	NI
CARMILA Espana SA	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Santiago SLU	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
AS Cancelas	50,00 %	50,00 %	EM	50,00 %	50,00 %	EM	50,00 %	50,00 %	EM
Carmila Talavera	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Huelva	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Mallorca	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	-	-	NI
CARMILA Italia Srl	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
CARMILA Holding Italia Srl	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Galleria Commerciale Nichelino Srl	50,00 %	50,00 %	EM	50,00 %	50,00 %	EM	100,00 %	100,00 %	IG
Carmila Assago SRL	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Grugliasco SRL	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Limbiate SRL	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Milano Nord SRL	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG	100,00 %	100,00 %	IG
Carmila Thiene SRL	50,10 %	50,10 %	EM	50,10 %	50,10 %	EM	100,00 %	100,00 %	IG

16. PRESENTATION OF THE EFFECTS OF THE CHANGE IN METHOD

Impact on the interim financial statements for the six-month period ended 30 June 2016

CONSOLIDATED INCOME STATEMENT

(in thousand of euros)	**30/06/2016 Amortized cost**	**Fair value adjutment**	**30/06/2016 Fair Value**
Gross Rental income	**134 974**	**-**	**134 974**
Real estate expenses	- 3 524	-	- 3 524
Unrecovered rental expenses	- 4 206	-	- 4 206
Property expenses (landlord)	- 5 478	-	- 5 478
Net rental income	**121 766**	**-**	**121 766**
Overheads	- 18 602		- 18 602
Other income from operations	974	-	974
impairment Test	- 1 962	*1 962*	
Allowances for depreciation/amortization of investment properties	- 58 069	*58 069*	-
Allowances for depreciation/amortization of other assets and provisions	- 292	-	- 292
Other current operating income and expenses	- 23	-	- 23
Income from sale of investment properties and equity investments	760	*- 16*	744
Net book value of investment property and equity investments disposed	- 610	*- 16*	- 626
Gains (losses) on sales of investment properties	150	*- 32*	118
Increase in the fair value of investment properties		- *82 846*	82 846
Decrease of the fair value of investment properties		*- 68 798*	- 68 798
Balance of fair value adjustments		*14 048*	14 048
Share of net income in equity accounted companies	601	3 855	4 456
Operating income	**44 543**	***- 44 543***	**122 445**
Income from cash and cash equivalents	164	-	164
Cost of gross financial debt	- 26 027	-	- 26 027
Cost of net financial debt	**- 25 863**	***25 863***	**- 25 863**
Other financial income and expenses	- 618	-	- 618
Financial income (expenses)	**- 26 481**	**-**	**- 26 481**
Income before taxes	**18 062**	***77 902***	**95 964**
Income tax	- 2 826	*- 5 408*	- 8 234
Consolidated net income	**15 236**	***72 494***	**87 730**
Group share	**15 153**	**72 372**	**87 524**
Non-controlling interests	**83**	**123**	**206**

ASSETS *(thousands of euros)*	**30/06/2016 Amortized cost**	**Fair value adjutment**	**30/06/2016 Fair Value**
Intangible fixed assets	5 195	-	5 195
Tangible fixed assets	859	-	859
Investment properties	4 087 619	*260 017*	4 347 636
Equity investments (Equity accounted)	32 540	*14 145*	46 685
Other non-current assets	23 840	-	23 840
Deferred tax assets	3 204	*- 500*	2 704
Non-current assets	**4 153 257**	**488 720**	**4 426 919**
Trade receivables	105 868	*- 1 285*	104 583
Tax receivables	2 688	-	2 688
Other current assets	68 002	*- 233*	67 769
Cash and cash equivalents	279 677	-	279 677
Current assets	**456 235**	**- 3 657**	**454 717**
Total assets	**4 609 492**	**272 144**	**4 881 635**

LIABILITIES & SHAREHOLDERS' EQUITY *(thousands of euros)*	**30/06/2016 Amortized cost**	**Fair value adjutment**	**30/06/2016 Fair Value**
Share capital	313 373	-	313 373
Additional paid-in capital	1 903 520	-	1 903 520
Other comprehensive income	- 47 566	-	- 47 566
Consolidated reserves	65 884	165 400	231 284
Consolidated income	15 153	72 372	87 524
Shareholders' equity – Group share	**2 250 364**	**237 771**	**2 488 135**
Non-controlling interests	4 056	3 408	7 464
Shareholders' equity	**2 254 421**	***241 178***	**2 495 599**
Non-current provisions	968	-	968
Non-current financial liabilities	2 055 587	-	2 055 587
Deposits and guarantees	62 461	-	62 461
Non-current tax liabilities	15 862	-	15 862
Deferred tax liabilities	15 880	*31 469*	47 348
Non-current liabilities	**2 150 758**	**31 469**	**2 182 226**
Suppliers of fixed assets	26 589	-	26 589
Trade payables	26 073	-	26 073
Current financial liabilities	29 080	-	29 080
Other current liabilities	114 888	- 503	114 385
Current tax liabilities	7 683	-	7 683
Current liabilities	**204 314**	**- 503**	**203 810**
Total liabilities and shareholders' equity	**4 609 491**	**272 144**	**4 881 635**

5. STATUTORY AUDITORS' REPORT ON THE HALF-YEAR FINANCIAL STATEMENTS

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

DELOITTE & ASSOCIES
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France

Carmila S.A.

Société Anonyme with a share capital of 653,209,374 euros

58, avenue Emile Zola
92100 Boulogne Billancourt

Statutory auditors' review report on the Half-yearly Financial Information

For the period from January 1st to June 30, 2017

This report contains 52 pages

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

DELOITTE & ASSOCIES
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France

Carmila S.A.
(formerly Cardety S.A.)

Société Anonyme with a share capital of €653,209,374

58, avenue Emile Zola
92100 Boulogne Billancourt

Statutory auditors' review report on the Half-yearly Financial Information

For the period from January 1st to June 30, 2017

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

- the review of the accompanying half-yearly consolidated financial statements of Carmila S.A., for the period from January 1st to June 30, 2017,
- the verification of the information presented in the half-yearly management report.

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

I. Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at June 30, 2017 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the European Union.

II. Specific verification

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

Paris La Défense and Neuilly-sur-Seine, September 4, 2017
The Statutory Auditors

KPMG S.A.	DELOITTE & ASSOCIES
French original signed by	French original signed by
Eric Ropert *Partner*	Stéphane Rimbeuf *Partner*