BUSINESS REVIEW

30 JUNE 2017

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1.1 INTRODUCTION

1.1.1 Altarea Cogedim, leading developer in French gateway cities

A multi-product offering

Altarea Cogedim is the only French real estate group with developer expertise covering all asset classes (including retail, residential, serviced residences, offices and hotels).

This positioning has enabled the Group to manage one of the largest portfolios of real estate projects in France, representing almost 3.5 million m² (all products combined), or €16.3 billion in market value.

Secured pipeline (by product)	Surface area (m²) [a]	Potential value (€m) [b]
Shopping centres	436,800	2,740
Convenience retail	148,500	428
Offices	851,800	4,629
Residential	2,032,300	8,494
Total	**3,469,400**	**16,290**

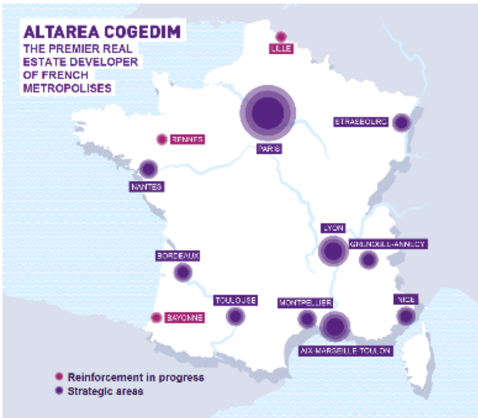
(a) Shopping centres and convenience stores surface area: in m² created.
Office floor area: floor surface area or usable surface area.
Surface area residential: property for sale + future offering.
(b) Market value as of delivery date.
Value of shopping centres: potential value as of delivery, incl. tax (net rental income capitalised at a market rate).
Value of convenience stores: sales revenue, excl. taxes.
Value of offices: 100% (excl. tax) of the amounts signed or estimated for off-plan/property development contracts, or share of capitalised fees for delegated project management, and market value (excl. tax) for AltaFund.

This project portfolio is almost exclusively managed in the form of options or sale agreements that the Group can activate according to commercial and financial criteria, which enables the management of the Group's pace of commitments.
In addition, the Group usually works with financial partners in order to share risks on large projects.

Partnering with French gateway cities [1]

The Group focuses its activities on approximately 12 gateway cities in France[2], which hold most of France's demographic[3] and economic growth[4], on less than 10% of its land[5] area. The Group has also set itself up in the Basque Country, in Bayonne. This regional targeting allows to take advantage of the dynamic of growing areas.

Secured pipeline (by metropolitan area)	Surface areas (m²)	Potential value (€m)
Grand Paris	1,827,400	9,985
Métropole Nice-Côte d'Azur	149,700	1,374
Marseille-Aix-Toulon	261,700	1,019
Toulouse Métropole	234,100	764
Grand Lyon	194,500	624
Grenoble-Annecy	116,600	432
Nantes Métropole	77,900	270
Bordeaux Métropole	242,700	745
Eurométropole de Strasbourg	89,800	318
Métropole Européenne de Lille	70,400	155
Montpellier Méditerranée Métropole	92,700	153
Métropole de Rennes	1,300	3
Italy	44,700	200
Spain	22,400	71
Other	43,500	177
Total	**3,469,400**	**16,290**



REIT/Developer model

The capital employed by the Group is mainly allocated to retail real estate development, which derives its growth from developping and implementing retail projects in order to hold them (100% owned or in partnership).

The other asset classes (such as offices and residential, etc.) are held for sale to third parties, generating significant profits on a relatively moderate balance sheet commitment given the scale of the Group.

Asset class	Capital employed	H1 2017 FFO contribution
Retail	80-85%	46%
Residential	10-15%	28%
Offices	0-15%	26%

[1] Main urban district concentrating the local population movements, activities and wealth of a regional urban area at the local level for a population of more than 300,000 inhabitants. On 7 August 2015, the law concerning the New Territorial Organisation of the Republic (NOTRe) entrusted new authority to the regions and redefined those granted to each local authority.
[2] Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Grand Lyon, Grenoble-Annecy, Nantes Métropole, Bordeaux Métropole, Eurométropole de Strasbourg, Métropole Européenne de Lille, Montpellier Méditerranée Métropole et Rennes Métropole.
[3] The population of the 12 French gateway cities where the Group's operations are concentrated has increased by over 780,000 inhabitants in the last five years (Source: Insee).
[4] Average household income by taxable household is 15% higher than the national average (Source: Insee).
[5] 9.5% of the country territories account for more than 71% of GDP (Source: Insee).

1.2 BUSINESS REVIEW

1.2.1 REIT

Altarea Cogedim REIT's activity is almost exclusively focused on shopping centres, mainly located in the most dynamic French metropolitan areas. A long-term carrying strategy may be implemented occasionally on some atypical assets (Rungis Market).

In terms of retail real estate, the Group's strength is in the size of its portfolio of projects developed on its own behalf and on behalf of third parties. The future growth in rents will be generated by the entry into operations of large secured projects whose size (in terms of rent) represents around 65% of the current portfolio: potential rents amounting to €142.5 million compared to a current portfolio generating €220.8 million[6] of rents today.

1.2.1.1 RETAIL REIT

	Assets in operation			Projects under development		
30 June 2017	**GLA (in m²)**	**Current gross rent (€m) (d)**	**Value assessed by specialist (€m) (e)**	**GLA (in m²)**	**Projected gross rent (€m)**	**Net investments (€m) (f)**
Controlled assets (fully consolidated) (a)	**720,800**	**192.6**	**4,231**	**378,400**	**134.9**	**1,790**
Group share	*564,100*	*136.7*	*2,878*	*353,300*	*110.2*	*1,503*
Share of minority interests	*156,700*	*55.8*	*1,352*	*25,100*	*24.7*	*286*
Equity assets (b)	**132,300**	**28.3**	**426**	**58,400**	**7.6**	**78**
Group share	*62,900*	*13.2*	*208*	*29,200*	*3.8*	*39*
Share of third parties	*69,400*	*15.1*	*218*	*29,200*	*3.8*	*39*
Total portfolio assets	**853,100**	**220.8**	**4,656**	**436,800**	**142.5**	**1,868**
Group share	*627,000*	*149.9*	*3,086*	*382,500*	*114.0*	*1,542*
Share of third parties	*226,100*	*70.9*	*1,570*	*54,300*	*28.5*	*325*
Management for third parties (c)	**167,700**	**34.8**	**611**	-	-	-
Total assets under management	**1,020,80**	**255.6**	**5,268**	**436,800**	**142.5**	**1,868**
Group share	*627,000*	*149.9*	*3,086*	*382,500*	*114.0*	*1,542*
Share of third parties	*393,800*	*105.7*	*2,181*	*54,300*	*28.5*	*325*

(a) Assets in which Altarea Cogedim holds shares and over which the Group exercises operational control. Fully consolidated in the consolidated financial statements.
(b) Assets in which Altarea Cogedim is not the majority shareholder, but for which Altarea Cogedim exercises joint operational control or a significant influence. Consolidated using the equity method in the consolidated financial statements.
(c) Assets held entirely by third parties who entrusted Altarea Cogedim with a management mandate for an initial period of three to five years, renewable.
(d) Rental value on signed leases at 1 July 2017.
(e) Appraisal value including transfer duties.
(f) Total budget including interest expenses and internal costs.

[6] *Figures at 100%.*

Economic environment

Despite the "wait and see" attitude that was prevalent at the beginning of the year, the first half of 2017 was marked by a slight business recovery over the last few months, with some encouraging indicators: a consumer confidence index at its highest point of the last 10 years[7], a slight reduction in unemployment, a household consumption index up by 1% in May, and a GDP growth forecast of +1.4% during the second half of 2017 (Banque de France).

Operational performance

Retailer sales[8]

Total shopping centres	Sales (incl. tax)
France	2.3%
International	1.4%
Total	**2.2%**
Benchmark France (CNCC)	*(1.6)%*

The increase in the revenue of tenants in France was particularly buoyed by the regional shopping centres.

Net consolidated rental income

Net rental income (IFRS) was €88.8 million at 30 June 2017, up 3.7%. The growth in rental income is primarily the result of a 4.1% increase, on a like-for-like basis, which reflects the work done to improve the collection of rents and a noteworthy performance in variable rents and Speciality Leasing.

	€millions	
Net rental income at 30 June 2016	**85.6**	
Acquisitions	0.9	
Shopping centres under redevelopment [(a)]	(0.5)	
Like-for-like change	2.7	***+4.1%***
Net rental income at 30 June 2017	**88.8**	***+3.7%***

(a) Massy

Centres opened

Cap 3000 (Saint-Laurent-du-Var)

The opening of the Biot central area in the Cap 3000 shopping centre in Saint-Laurent-du-Var marked the first phase of the expansion. The arrival of iconic brands such Michael Kors, Palais des Thés, Old River, Armani Exchange, Adidas, Benetton, Hema, Bocage and Alice Délice is helping to strengthen the retail offering.

The centre was classified as an international tourist zone in February 2016 and can now remain open during evening hours and on Sundays. The Galeries Lafayette have been taking advantage of this opportunity since 4 June 2017.

The new Cap 3000 attracted 24.9% more visitors during the first half of 2017 than during the first half of 2016 thanks to design enhancements and the strengthened commercial offering. The quality of the renovation was recognised through the Prix Versailles 2017 for Europe. This prize rewarded the architectural firm Groupe 6, the interior design by Jouin Manku and the work done by the Altarea Commerce teams.

The appeal of the centre was also reinforced by the new experience provided by the "Digital Wave" at the centre of the new central plaza. Its name is inspired by its form: just like a large wave, the screen on the ground extends vertically over more than five metres in height to completely immerse visitors within its poetic and advertising content. This concept was rewarded by the prize for Excellence in marketing (Silver Customer Experience award) bestowed by ADETEM, the largest network of marketing professionals in France.

Business activities of the centres

L'Avenue 83 (Toulon)

One year after its opening, the shopping and leisure centre L'Avenue 83 (Toulon-La Valette) has solidified its success: traffic of 6.9 million visitors over the last 12 months, an excellent performance by the Pathé cinema, among the top 20 most frequented cinemas on a weekly basis, as well as a customer base that is already very loyal.

The development of the region is continuing with the creation of residential properties, offices and a hotel by the urban district of Toulon. The centre's commercial offering will also be enhanced by the opening of eight new shops located at the foot of the residential buildings under construction.

Following the Janus du Commerce label obtained in 2016[9], L'Avenue 83 was recognised by the CNCC Prize for Shopping Centre Creation for 2016[10].

Bercy Village (Paris)

Bercy Village, the Group's iconic site due to its atypical architecture, is completing its transformation which began in 2016. Fully leased, with an authorisation to open on Sundays and upward trending performance indicators, the commercial offering is evolving to include high-end restaurants. La Maison Pradier, a famous Parisian pastry shop, will open within two spaces during the second half of the year: a snacking area and a traditional pastry shop, which won the prize for the best "éclair au chocolat" in Paris in 2015.

Carré de Soie (Vaulx-en-Velin)

For the last phase of the centre's repositioning, Carré de Soie will inaugurate a mid-sized food store, Carrefour, in the second half of 2017. Following the arrival of Nike Factory, MiniWorld, L'Appart Fitness and Jennyfer, the centre will also welcome the arrival of a restaurant with an Old Wild West theme and a JD Sports shop during the second half of 2017.

Since these recent openings, centre traffic has recorded strong growth with an additional 185,000 visitors since 1 January 2017.

The strengthening of the immediate catchment area continues with the arrival of numerous additional customers due to the

[7] INSEE consumer confidence index of June 2017.
[8] Changes in retailer sales with the same locations over the first five months of the year (i.e. +0.5% on a like-for-like basis). Excluding property being redeveloped.

[9] Awarded each year by the French Institute for Design, this label recognises companies that use design and innovation for the benefit of consumers.
[10] The Conseil National des Centres Commerciaux trophy rewards the most innovative projects and amounts to recognition by the entire profession.

creation of housing and offices (of which a large portion are for Cogedim operations).

Okabé (Kremlin Bicêtre)

Okabé continues its transformation with the recent opening of the Orchestra shop on level 1, following some heavy renovation work. The Orchestra brand, on the strength of its success in the suburbs and in retail parks, chose the Okabé centre for its initial location in the city centre with the deployment of a 1,300 m² shop in order to sell its entire range of products.

This autumn, the Action brand and a medical office will become part of the centre, thereby completing the redevelopment and increasing the services currently on offer.

Sant Cugat (Spain)

Following the acquisition of the latest co-ownership units that it did not own at year-end 2016, the Group now owns the entire shopping centre and continues the redevelopment operations on the site for the purpose of creating three shops and three mid-sized surface areas upstairs covering 22,400 m².

Le Due Torri (Stezzano - Italy)

Early in the year, Due Torri corroborated its environmental performance by becoming the first Italian shopping centre awarded an "Excellent" BREEAM In-Use International rating for Asset Performance and Building Management protocols.

Whilst awaiting the next phases of its expansion, Due Torri will be providing a new commercial offering with the upcoming arrival of Calliope and the expansion of Piazza Italia, combined with an overall improvement in the customer experience with a new space for relaxation and business, as well as a medical centre and a fitness room.

Gare de l'Est (Paris)

The Group has extended its partnership with the SNCF by signing, in early 2017, a rider to the temporary occupancy authorisation from the Gare de l'Est, allowing commercial space in the Saint-Martin hall to be expanded. The hall will therefore welcome the ready-to-wear chains Etam and Camaïeu during the second half of the year.

Leasing (leases signed)

At 100%	No. of leases	New rent	Change	
Pipeline (development)	40	€6.2m	€6.2m	n/a
Existing assets	47	€4.6m	€0.2m	4%
International	59	€6.0m	€1.6m	36%
Group total	**146**	**€16.7m**	**€7.9m**	
Management for third parties	26	€2.6m	€0.5m	25%
Total leasing activity	**172**	**€19.3m**	**€8.4m**	

The development of leisure activities is a major theme of the strategy on the appeal of shopping centres and retail parks.

Several flagship brands are supporting the Group in this transition: Miniworld and the UCPA at Carré de Soie; FeelSport, Feel Jump and Cap Pirates in Aubergenville; 2 Pathé/Gaumont cinemas (first in Rhône Alpes for Carré de Soie, first Imax venue in France in La Valette) and the UGC Bercy (third Parisian cinema in terms of visitor numbers), a bowling alley in Toulouse Gramont, as well as numerous fitness brands. The digital entertainment experience also continues with Qwartz and the new "Digital Wave" at Cap 3000.

Lease expiry schedule

Lease expiry date at 100%	In €m, at 100 %	% of total	3-year termination option	% of total
Past years	12.1	*5.5%*	11.6	*5.3%*
2017	11.7	*5.3%*	13.8	*6.2%*
2018	15.5	*7.0%*	48.2	*21.9%*
2019	9.7	*4.4%*	42.1	*19.1%*
2020	18.4	*8.3%*	42.2	*19.1%*
2021	16.8	*7.6%*	21.4	*9.7%*
2022	19.8	*9.0%*	11.4	*5.2%*
2023	24.1	*10.9%*	11.0	*5.0%*
2024	28.4	*12.9%*	3.9	*1.8%*
2025	27.8	*12.6%*	6.6	*3.0%*
2026	21.5	*9.7%*	3.1	*1.4%*
2027	9.0	*4.1%*	1.4	*0.6%*
>2027	6.2	*2.8%*	4.0	*1.8%*
Total	**220.8**	**100%**	**220.8**	**100%**

Combining portfolio assets and assets managed for third parties, Altarea Cogedim manages a total of approximately 1,800 leases in France and 300 in Italy and Spain.

Occupancy cost ratio[11], bad debt ratio[12] and financial vacancy rate[13]

	H1 2017	2016	2015
Occupancy cost ratio	9.9%	9.9%	9.9%
Bad debt ratio	2.0%	2.4%	1.9%
Financial vacancy	2.6%	2.7%	2.9%

The decrease in the bad debt ratio during the first half of 2017 reflects the improvement in the payment collection strategy and the good performance of the tenants, which recorded a 2.3% increase in their revenue[14] in France.

Inventory of standing assets

The Group owns 42 sites (39 in France and 3 internationally) with an average unit value of €111 million (+0.7% in comparison to 31 December 2016).

The portfolio is now virtually entirely focused on the most dynamic gateway cities, both in France and abroad.

The value of the portfolio assets[15] at 30 June 2017 was €4,656 million, i.e. a €144 million increase (+3.2%) over the half-year.

[11] Ratio of billed rents and expenses to tenants (including reductions) to sales revenue. Calculated including tax and at 100%, excluding property being redeveloped.
[12] Net amount of allocations to and reversals of provisions for bad debt plus any write-offs during the period as a percentage of total rent and expenses charged to tenants, at 100%. Excluding property being redeveloped.
[13] Estimated rental value (ERV) of vacant units as a percentage of total estimated rental value. Excluding property being redeveloped.
[14] Changes in retailer sales with the same locations over the first five months of the year. Excluding property being redeveloped.
[15] Consolidation and equity-method recognition.

This increase is primarily due to the opening of the Biot central area in Cap 3000, the re-leasing and lease renewals (particularly Bercy), and a compression of the capitalisation rate.

€millions	Value [(a)]	
TOTAL at 31 December 2016	**4,512**	
Centres opened	50	
Like-for-like change	**94**	*+2.1%*
o/w France	85	
o/w International	9	
Total change	**144**	*+3.2%*
TOTAL at 30 June 2017	**4,656**	
o/w Group share	*3,086*	
o/w share of third parties	*1,570*	

(a) Assets controlled (fully consolidated) and assets consolidated under the equity method (figures at 100%).

Breakdown by type (€m)	H1 2017		2016	
Regional shopping centres	3,031	*65%*	2,900	*64%*
Large retail parks (Family Village)	923	*20%*	910	*20%*
Local / downtown	702	*15%*	702	*16%*
TOTAL	**4,656**	*100%*	**4,512**	*100%*
o/w Group share	*3,086*		*3,018*	

Geographical breakdown (€m)	H1 2017		2016	
Paris Region	1,700	*37%*	1,638	*36%*
PACA/Rhône-Alpes/South	2,181	*47%*	2,095	*46%*
Other French regions	346	*7%*	358	*8%*
International (Lombardy & Barcelona)	430	*9%*	421	*9%*
TOTAL	**4,656**	*100%*	**4,512**	*100%*
o/w Group share	*3,086*		*3,018*	

Asset format		H1 2017	2016
France	Average value	€108m	€108m
	Number of assets	39	38
International	Average value	€143m	€140m
	Number of assets	3	3
TOTAL	**Average value**	**€111m**	**€110m**
	Number of assets	**42**	**41**

At 30 June 2017, the average capitalisation rate[16] is 5.05%[17].

Appraisal values

The valuation of the Group's assets is entrusted to Cushman & Wakefield and JLL. The appraisers use two methods:

• discounting projected cash flows (DCF method), with resale value at the end of the period;

• capitalisation of net rental income, based on a rate of return that includes the site's characteristics and rental income (also including variable rent and market rent of vacant premises, adjusted for all charges incumbent upon the owner).

These valuations are conducted in accordance with the criteria set out in the Red Book – Appraisal and Valuation Standards, published by the Royal Institution of Chartered Surveyors. The surveyors' assignments were all carried out in accordance with the recommendations of the COB/AMF "Barthes de Ruyter working group" and comply fully with the instructions of the Appraisal Charter of Real Estate Valuation (Charte de l'Expertise en Evaluation Immobilière) updated in 2012. Surveyors are paid lump-sum compensation based on the size and complexity of the appraised properties. Compensation is therefore totally independent of the results of the valuation assessment.

The value of the portfolio breaks down by appraiser as follows:

Appraiser	Portfolio	% of value, incl. transfer duties
Jones Lang LaSalle	France	39%
Cushman & Wakefield	France & International	61%

[16] *The capitalisation rate corresponds to net annual rent divided by the appraisal value excluding transfer taxes.*

[17] *France: 4.97%. International: 5.87%.*

Retail REIT: Portfolio composition at 30 June 2017

Centre	GLA in m²	Gross rent (€m)[e]	Net value (€m)[f]	o/w Group share: Share	o/w Group share: Net value (€m)[f]	o/w share of third parties: Share	o/w share of third parties: Net value (€m)[f]
Nice - CAP 3000	71,200			33%		67%	
Villeneuve la Garenne - Qwartz	43,300			100%		–	
Toulouse - Espace Gramont	56,700			51%		49%	
Paris - Bercy Village	23,500			51%		49%	
Thiais Village	22,800			100%		–	
Aix en Provence - Jas de Bouffan	4,500			100%		–	
Gare de l'Est	6,800			51%		49%	
Flins	9,800			100%		–	
Le Kremlin-Bicêtre – Okabé	15,000			65%		35%	
Lille - Les Tanneurs & Grand' Place	25,500			100%		–	
Strasbourg - L'Aubette & Aub. tourisme	8,500			65%		35%	
Strasbourg - La Vigie	18,200			100%		–	
Toulon - Ollioules	3,300			100%		–	
Mulhouse - Porte Jeune	15,600			65%		35%	
Toulon - La Valette - L'Avenue 83	53,500			51%		49%	
Massy - -X%	18,400			100%		–	
Toulon - Grand' Var	6,400			100%		–	
Tourcoing - Espace Saint Christophe	4,300			100%		–	
Gennevilliers (RP)	23,700			51%		49%	
Brest - Guipavas (RP)	28,600			100%		–	
Nîmes (RP)	28,800			100%		–	
Limoges (RP)	29,000			75%		25%	
Aubergenville - Marques Avenue	12,900			100%		–	
Family Village Aubergenville (RP)	27,800			100%		–	
Family Village Le Mans Ruaudin (RP)	30,500			100%		–	
Herblay - XIV Avenue	14,300			100%		–	
Villeparisis	20,300			100%		–	
Pierrelaye (RP)	10,000			100%		–	
Various shopping centres (4 assets)	14,800			100%		–	
Sub-total France	**648,000**	**168.3**	**3,801**		**2,448**		**1,352**
Barcelona - San Cugat	20,700			100%		–	
Le Due Torri	30,900			100%		–	
Bellinzago	21,200			100%		–	
Sub-total International	**72,800**	**24.3**	**430**		**430**		**–**
Controlled assets (fully consolidated) [a]	**720,800**	**192.6**	**4,231**		**2,878**		**1,352**
Aix en Provence - Jas de Bouffan [b]	51,000			50%		50%	
Lyon - Carré de Soie	5,300			50%		50%	
Paris - Le Parks	33,300			50%		50%	
Paris - Les Boutiques Gare du Nord	4,600			40%		60%	
Châlons - Hôtel de Ville	5,300			40%		60%	
Roubaix - Espace Grand' Rue	12,000			32%		68%	
Various shopping centres (2 assets)	20,800			49%		51%	
Equity assets [c]	**132,300**	**28.3**	**426**		**208**		**218**
Total portfolio assets	**853,100**	**220.8**	**4,656**		**3,086**		**1,570**
Assets managed for third parties [d]	**167,700**	**34.8**	**611**		**–**		**611**
Total assets under management	**1,020,800**	**255.6**	**5,268**		**3,086**		**2,182**

(a) Assets in which Altarea holds shares and over which Altarea exercises operational control. Fully consolidated in the consolidated financial statements.
(b) Aix en Provence shopping centre expansion (held at 50/50)
(c) Assets in which Altarea is not the majority shareholder, but for which it exercises joint operational control or a significant influence. Consolidated using the equity method in the consolidated financial statements.
(d) Assets held entirely by third parties who entrusted Altarea with a management mandate for an initial period of three to five years, renewable.
(e) Rental value on signed leases at 1 July 2017.
(f) Including transfer duties.

(RP) Retail Park

1.2.1.2 SHOPPING CENTRES UNDER DEVELOPMENT

Development pipeline

As a REIT, the Group is focused on initiatives to restructure and develop four product types:

- large regional shopping centres;
- on-the-spot retail sites (stations);
- Family Village® (large retail parks);
- stores in the Group's major mixed-use projects.

At 30 June 2017, these initiatives represented a development pipeline of nearly €1.9 billion in investments (at 100%).

Compared with standing assets in operation, this pipeline represents potential additional rental income of about 65% of the REIT's current rental income[18].

	GLA in m² (c)	Proj. gross rent	Net Invest. (€m) (d)	Proj. gross yield
Controlled projects (fully consolidated) (a)	**378,400**	**134.9**	**1,790**	**7.5%**
Group share	*353,300*	*110.2*	*1,503*	
Share of minority	*25,100*	*24.7*	*286*	
Equity projects (b)	**58,400**	**7.6**	**78**	**9.8%**
Group share	*29,200*	*3.8*	*39*	
Share of third parties	*29,200*	*3.8*	*39*	
Total	**436,800**	**142.5**	**1,868**	**7.6%**
Group share	***382,500***	***114.0***	***1,542***	***7.4%***

(a) Projects in which Altarea Cogedim holds shares and over which Altarea Cogedim exercises operational control. Fully consolidated in the consolidated financial statements.

(b) Projects for which Altarea Cogedim is not the majority shareholder. Consolidated using the equity method in the consolidated financial statements (application of IFRS 11).

(c) Total GLA (Gross Leasable Area) built and/or redeveloped, excluding off-plan developments for third parties.

(d) Total budget including interest expenses and internal costs.

Geographic breakdown

The pipeline[19] is exclusively located in Greater Paris and the fastest growing gateway cities in France and internationally.

	GLA (in m²)	Forecast gross rental income (€m)	Net invest. (€m)	%
Paris inner city	43,900	29.6	351	*19%*
Grand Paris	201,900	42.1	675	*36%*
Large French gateway cities	123,900	53.6	613	*33%*
Large international gateway cities	67,100	17.2	229	*12%*
Total	**436,800**	**142.5**	**1,868**	***100%***

Secured Pipeline

The Group reports only on projects that are secured or underway[20]. This pipeline does not include certain identified projects on which development teams are currently in talks or carrying out advanced studies.

€millions, net	At 100%	%	Group share
Committed	722	*39%*	396
o/w paid out	*289*	*15%*	*166*
Remaining to be paid out	*432*	*23%*	*230*
Secured not committed	1,146	*61%*	1,146
Total	1,868	*100%*	**1,542**

Given the Group's cautious criteria, the decision to start work is only made once a sufficient level of pre-letting has been reached. With respect to the progress achieved in the half-year from both an administrative and commercial point of view, most pipeline projects should be delivered between 2019 and 2023.

Achievements in the first half of 2017

Leases signed

Over the half-year, 40 leases were signed for the assets in the pipeline, for a total of nearly €6.2 million in rents. These leases mainly involved Cap 3000 (letting of different zones of the extension), projects recently delivered (L'Avenue 83 with staggered delivery of convenience operations in residences, Le Parks) or soon to be delivered (Promenade de Flandre).

Investments carried out for projects under development

Over the half-year, the Group invested[21] €55 million in its shopping centre project portfolio on a Group-share basis.

These investments mainly concerned:

- shopping centres under construction and/or redevelopment (largely Cap 3000 and Promenade de Flandre);
- and the projects under development on the Parisian rail stations.

Travel retail: The Paris-Montparnasse rail station

Following signature of the public space temporary occupancy agreement for the Paris Montparnasse station at the end of December 2016, launch of the works site will be conducted in several phases. The contracts are currently being signed.

This exceptional site has an actual footfall of 70 million travellers per year and will grow with the opening of the high speed Paris-Bordeaux train line. It offers a retail space with 90 boutiques and 30 restaurants, the delivery of which is planned as work proceeds, starting in 2018.

A leader in travel retail in stations, the Group has started commercialisation in the Montparnasse station and has already

[18] *Gross rental income of the pipeline: €142.5 million compared to €220.8 million on existing assets (figures at 100% excluding assets managed for third parties).*
[19] *At 100%.*

[20] *Projects underway: properties under construction. Secured projects: projects either fully or partly authorised, where the land has been acquired or for which contracts have been exchanged, but on which construction has not yet begun.*
[21] *Change in non-current assets net of changes in amounts payable to suppliers of non-current assets.*

received numerous expressions of interest in this project. The first leases are planned for the second half-year.

Cap 3000 (Saint-Laurent-du-Var)

At the end of 2016, the Group unveiled the new visual identity of Cap 3000 once the extension was delivered, with a design inspired by the exceptional landscape of the Var delta. Its wavy facades designed with beautifully curved windows, highlighted by their aluminium frames, will reflect the breathtaking decor.

The extension of the centre was done in three phases:

• opening of the Biot mall in April 2017 with 9 boutiques;

• a second delivery in the spring of 2018 with the new iconic entry and the west mall, reflecting the premium positioning of the centre;

• the last phase of work will be delivered on the 50th anniversary of the centre, in 2019, and will double the historic surface area with 300 stores.

On the extended surface area of the centre, the new Cap 3000 will be spread over three axes:

• the restaurant choices will be renewed in the malls and seaside terraces, in particular through the participation of great chefs and the introduction of international restaurants with original concepts;

• the creation of a premium mall in the west of the centre with high-end "mode and trend" international brands that are novel or have minimal presence in France, which will install their concept store;

• finally, services and digital innovations were designed to better serve the visitors and customers of the centre (concierge, personal shopper and geolocation).

Delivery planned in the second half of 2017

Next 18 October, the Group will open the new shopping centre "Promenade de Flandre" located in Roncq (59) in partnership with the Immochan group.

This site, with a surface area of about 60,000 m², will be 100% leased at opening.

In total, 45 tenants, including Zodio, Darty, Maisons du Monde, But, Cultura and Intersport, will over time create 650 jobs in the zone. This centre offers numerous leisure areas: in addition to traditional play and relaxation areas open to all, there will be a spectacular and enjoyable design play area that is almost a work of art and a labyrinth as well as a zipline for children.

RETAIL REIT: Centres under development at 30 June 2017

			At 100%				Group share		
Centre	**SC / RP**	**Creation/ Redevelopment/ Extension**	**m² GLA created (a)**	**Gross rent (€m)**	**Net invest. (€m) (b)**	**Return**	**m² GLA Created (a)**	**Gross rent (€m)**	**Net invest. (€m) (b)**
Cap 3000	SC	Redev./Extension	37,700				12,600		
Massy -X%	RP	Redev./Extension	30,000				30,000		
Issy Coeur de Ville	SC	Creation	16,700				16,700		
Chartres	RP	Creation	49,600				49,600		
Orgeval	RP	Redev./Extension	38,000				38,000		
Gare Montparnasse	SC	Creation	18,200				18,200		
Gare d'Austerlitz	SC	Creation	25,700				25,700		
Bobigny La Place	SC	Creation	13,100				13,100		
Other (5 operations)			82,300				82,300		
Developments - France			**311,300**	**117.7**	**1,561**	**7.5%**	**286,200**	**93.0**	**1,275**
Sant Cugat	SC	Redev./Extension	22,400				22,400		
Ponte Parodi (Genoa)	SC	Creation	36,700				36,700		
Le Due Torri (Lombardy)	SC	Redev./Extension	8,000				8,000		
Developments - International			**67,100**	**17.2**	**229**	**7.5%**	**67,100**	**17.2**	**229**
Controlled developments (fully consolidated)			**378,400**	**134.9**	**1,790**	**7.5%**	**353,300**	**110.2**	**1,503**
Roncq - Promenade de Flandre	RP	Creation	58,400				29,200		
Equity-method developments			**58,400**	**7.6**	**78**	**9.8%**	**29,200**	**3.8**	**39**
Total at 30 June 2017			**436,800**	**142.5**	**1,868**	**7.6%**	**382,500**	**114.0**	**1,542**
o/w redevelopments / extensions			*214,000*	*79.5*	*1,094*	*7.3%*	*25,100*	*24.7*	*286*
o/w asset creation			*222,800*	*63.0*	*774*	*8.1%*	*29,200*	*3.8*	*39*

(a) Total GLA (Gross Leasable Area) created, excluding off-plan developments for third parties. For renovation/extension projects, figures represent additional GLA created.
(b) Total budget including interest expenses and internal costs.
(SC) Shopping Centre / (RP) Retail Park

1.2.2 Property Development

Altarea Cogedim's Property Development business is operated under three trademarks, each having its own operational autonomy: Cogedim, Histoire & Patrimoine[22] and Pitch Promotion.

Cumulative new orders in the Property Development business (Residential and Office Property) represented €1,869 million in 2017, up 55% from the first half of 2016.

With revenue of €807.2 million (+32%) and an FFO operating income of €74.6 million (+59% compared with the first half of 2016), Property Development contributed to the significant increase in the Group's consolidated results in the first half of 2017.

1.2.2.1 RESIDENTIAL

Residential market in the first half of 2017 and outlook

The recovery of the national residential market, which began in 2015, was confirmed in the first half of 2017 with sales up +14%[23].

The residential market as a whole, including institutional investors, private investors and homeowners, enjoyed continued low interest rates and effective incentives in the Pinel programme and increased Zero Rate Loans (ZRLs).

This bright spell for the market was also seen in figures for construction permits (+16% for the last 12 months) and started constructions (+18%)[24].

Although interest rates had been increasing since December 2016, this increase has been negligible since May and has no effect on the solvency of demand. The rates were 1.57% in June 2017, which was a lower level than at the beginning of the summer 2016[25]. Moreover, adjustments to the Pinel Act are expected. However, these should not have a significant impact on the market conditions which remain favourable, given the extent of current needs.

Products policy

A broad, demand-sensitive range of products

With a presence in the 12 regional capitals[26] with the greatest growth, the Group targets high-demand areas where the demand for housing is the greatest.

With its three trademarks (Cogedim, Pitch Promotion and Histoire & Patrimoine), Altarea Cogedim has a broad product offering, enabling it to perfectly meet the needs of every market segment:

• high-end products[27]: these products are defined by high-end requirements in terms of location, architecture and quality. They repreent 18% of the new orders of the Group in the first half of 2017, with in particular three programs being marketed within Paris;

• entry-level and mid-range[28]: these programmes, which accounted for 77% of the Group's new orders, are specifically designed to:

- meet the need for affordable housing suited to the creditworthiness of our customers,

- fulfill individual investors' desires to take advantage of the new Pinel scheme,

- take advantage of local authorities' eagerness to develop affordable housing operations;

• Serviced Residences: the Group develops an extended line (student residences, business tourism residences, exclusive residences, etc.). In addition, under the Cogedim Club® brand, Altarea Cogedim designs serviced residences for active seniors, combining locations in the heart of the city with a broad range of *à la carte* services. During the first half of 2017, a Cogedim Club® was opened in Bordeaux Bassins à Flot area, bringing the number of residences in operation to eight;

• divided ownership sales: under the Cogedim Patrimoine brand, the Group develops programmes under a French government policy known as social rental usufruct. This additional offering, while meeting the need for low-cost housing in high-demand areas and thereby helping out local communities, provides an alternative investment product for private investors;

• renovation of historical sites: under the Histoire & Patrimoine brand, the Group has a range of products for Historical Monuments, Malraux Law properties and Real Estate Tax Losses.

In all of these ranges and its brands, the Group stands out by its signature, a guarantee of quality, innovation and environmental commitment:

• almost all the Group's operations are certified NF Habitat, a true benchmark of quality and performance of the housing, guaranteeing enhanced comfort and energy savings;

• the Group strives to stay ahead of its clients' expectations. An expert team of architects and interior designers analyse, model and anticipate tomorrow's habits. The plans offer adjustable build-outs, tailored to family structures and lifestyles;

• the Group strives to innovate and create new ways to live, such as in the 13th district of Paris where the Nudge programme encourages residents to adopt more virtuous behaviour with

[22] Company held at 56%.
[23] Source: Observatoire de l'Immobilier de la FPI Q1 2017.
[24] Source: Ministry of Sustainable Development. Housing construction – May 2017.
[25] Source: Observatoire Crédit Logement June 2017.
[26] Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Grand Lyon, Grenoble-Annecy, Nantes Métropole, Bordeaux Métropole, Eurométropole de Strasbourg, Métropole Européenne de Lille, Montpellier Méditerranée Métropole and Rennes Métropole. The Group is also present in the Basque Country, in Bayonne.
[27] Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions.
[28] Programmes under €5,000 per m² in the Paris Region and under €3,000 per m² in other regions, as well as exclusive programmes.

respect to ecoresponsability, socialisation with neighbours and daily creativity.

Reservations up +25%[29] in terms of value (+21% in terms of volume)

Reservations by volume and value

The Group's reservations for new housing came to €1,199 million[30] in the first half of 2017, or 4,822 units (+25% in terms of value and +21% in terms of volume).

	H1 2017	H1 2016	*Change*
Retail sales	€911m	€755m	*+21%*
Block sales	€289m	€205m	*+41%*
Total in value terms	**€1,199m**	**€961m**	**+25%**
Retail sales	3,402 units	2,830 units	*+20%*
Block sales	1,420 units	1,170 units	*+21%*
Total in units	**4,822 units**	**4,000 units**	**+21%**

The half-year reservations were driven by:

• retail sales, which rose 20% in volume compared to the first half of 2016, taking full advantage of the re-growth of solvency by households (low interest rates, ZRLs, the Pinel programme, etc.);

• block sales, which rose 21% in volume: the Group is a preferred partner of investors, both for social housing and intermediate or market-rate housing. The increase in block sales by 41% in value resulted in particular from a large number of sales in the immediate Paris Region.

Reservations by product range

Number of units	H1 2017	*%*	H1 2016	*%*	*Change*
Entry-level / mid-range	3,735	*77%*	2,797	*70%*	
High-end	872	*18%*	957	*24%*	
Total Res. Services	91	*2%*	120	*3%*	
Renovation	124	*3%*	126	*3%*	
Total	**4,822**		**4,000**		**+21%**

Notarised sales: +98%

€millions incl. tax	H1 2017	*%*	H1 2016	*%*	*Change*
Entry-level / mid-range	581	*54%*	339	*63%*	
High-end	430	*40%*	184	*34%*	
Total Res. Services	51	*5%*	6	*1%*	
Renovation	8	*1%*	12	*2%*	
Total	**1,070**		**540**		**+98%**

The change in notarised sales compared with the first half of 2016 reflects the growth in the Group's business activity since 2015.

Improvement in all performance indicators

Revenue: +27%[31]

€millions excl. tax	H1 2017	*%*	H1 2016	*%*	*Change*
Entry-level / mid-range	403	*63*	313	*62%*	
High-end	198	*31*	172	*34%*	
Serviced Residences	39	*6%*	20	*4%*	
Total	**640**		**506**		**+27%**

Outlook

All the operational indicators reflecting the Group's outlook (commercial launches, backlog and pipeline) were up significantly compared with the first half of 2016.

Commercial launches: +7%

Commercial launches	H1 2017	H1 2016	Change
As revenue incl. tax (€m)	**1,406**	**1,316**	**+7%**
Number of units	5,863	5,672	
Number of programmes	96	73	

Residential backlog: +11%[32]

€millions excl. tax	30/06/2017	31/12/2016	*Change*
Notarized revenues not recognised on a % of completion basis	1,499	1,307	
Revenues reserved but not notarized	1,430	1,333	
Backlog	**2,929**	**2,640**	**+11%**
Number of months	*26*	*24*	

Properties for sale[33] and future offering: 43 months of pipeline[34]

€millions incl. tax Potential revenue	30/06/2017	No. of months	31/12/2016	*Change*
Property for sale	1,526	*8*	*1,337*	
Future offering	6,968	*35*	*6,809*	
Total pipeline	**8,494**	**43**	**8,146**	**+4%**
In no. of units	*36,290*		*34,542*	*+5%*
In m²	*2,032,230*		*1,934,352*	*+5%*

[29] *Reservations net of cancellations, with Histoire & Patrimoine reservations accounted for in proportion to the Group share of ownership (56%) (in euro including taxes, when expressed in value).*
[30] *In euro including taxes.*
[31] *Revenues recognised according to the percentage-of-completion method in accordance with IAS 18. The percentage of completion is calculated according to the stage of construction not including land.*
[32] *Residential backlog consists of revenues (excluding tax) from notarised sales to be recognised on a percentage-of-completion basis and individual and block reservations to be notarised.*
[33] *Units available for sale (incl. taxes value, or number count).*
[34] *Future offering consisting of controlled projects (through an option on the land, almost exclusively in unilateral form) whose launch has not yet occurred. (value including taxes when stated in euros).*

Risk management

Breakdown of properties for sale at 30 June 2017 (€1,526 million incl. tax, or eight months of business), according to the stage of operational completion:

€millions	-	< Risk >	+	
	Project not yet started	Project under construction	In stock [(a)]	Total
Expenses [(b)]	175			
Cost price [(c)]		391	13	
Properties for sale [(d) (e)]	**882**	**556**	**16**	**1,455**
In %	*61%*	*38%*	*1%*	
Histoire & Patrimoine products				*63*
Measurement products				*8*
Properties for sale [(e)]				**1,526**
o/w to be delivered	*in 2017*	*27*		
	in 2018	*264*		
	in 2019 and after	*264*		

(a) Total value for sale on delivered programmes.
(b) Total amount already spent on operations in question, excl. tax.
(c) Cost price of properties for sale (excl. tax).
(d) Excl. Histoire et Patrimoine and Pitch Promotion' renovation programme.
(e) As revenue incl. tax.

Management of real estate commitments

61% of properties for sale (or €900 million) concerns programmes for which construction has not yet started (55% under preparation and 10% where the construction has not yet been launched) and for which the amounts committed essentially correspond to evaluation, advertising and land-sale fees (or guarantees) paid upon the signature of preliminary land acquisition agreements, and cost of property (if applicable).

38% of the offering (or €556 million) is currently under construction, including a limited share (€27 billion) representing units to be delivered between now and the end of 2017.

The stock amount of finished products is insignificant (1% of the total offer).

This breakdown of developments by stage of completion reflects the criteria implemented by the Group:

• the will to give priority to signature of unilateral preliminary sale agreements rather than bilateral sale and purchase agreements;

• requiring agreement from the Commitments Committee at all stages of the transaction: signature of the purchase agreement, marketing launch, land acquisition and launch of construction;

• requiring a high level of pre-marketing at the time the site is acquired, as well as at the start of construction work;

• withdrawing from or renegotiating transactions having generated inadequate take-up rates.

1.2.2.2 OFFICE PROPERTY

First-half economic conditions

Investment in office property[35]

Confirming the seasonality of the investment market, the first quarter of 2017 reached a standstill after the strong activity at the end of 2016, a year during which €26 billion were committed in office property. The French market is very attractive for investors, and strong activity is expected in the coming months in all the market segments, on the back of a rebound in the rental market, particularly in the Paris Region (Ile-de-France).

Investment in office property in the Paris Region[36]

With 664,000 m² ordered, the volumes in the first quarter of 2017 are excellent: +27% over the year and +25% with respect to the average of the first quarters of the past 10 years. Transaction of over 5,000 m², which account for half of the m² ordered, contributed significantly to this strong performance.

The vacancy rate in the Paris Region of 6.3% is stable for the Q1.

Group strategy

Investor, Property Developer, Service Provider

The Group has developed a unique model that enables it to operate on the office property market in a highly significant manner with a limited risk:

• as an medium-term investor directly or through AltaFund[37] as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redevelopped[38];

• as a property developer[39], with a particularly strong position on the market for turnkey projects intended for users. The Group is also systematically the developer of projetcs in which it acts as co-investor;

• as a service provider[40] for major institutional investors. The Group is also systematically the service provider for projects in which it acts as co-investor.

Altarea Cogedim is able to operate at each step of the value-creation chain with a diversified revenue mix (PDC margins, rent, capital gains, fees, etc.).

[35] Source CBRE: Marketview Investissement.
[36] Source CBRE: Marketview Bureaux.
[37] AltaFund is a discretionary investment fund, created in 2011, with €650 million in equity of which Altarea Cogedim is one of the contributors alongside leading institutional investors. In March 2015, the Group increased its AltaFund capital allocation from €100 million to €150 million, thereby increasing its interest in new programmes initiated by AltaFund since 2015 to 30% (previously 17%).
[38] Resold rented or not.
[39] In the form of off-plan sale agreements, off-plan lease and property development contracts. The Property development activity does not represent any commercialization risk for the Group, only a risk in terms of work.
[40] Through delegated project management contracts, letting, sales, asset and fund management.

Pending operations and pipeline

At 30 June 2017	Number of projects	Surface areas at 100%	Potential value at 100% excl. tax
Medium term investor [a]	8	262,600 m²	€3,118m
Property developer [b]	43	539,700 m²	€1,346m
Service provider (Delegated project management) [c]	3	49,500 m²	€165m
TOTAL	**54**	**851,800 m²**	**€4,629m**

(a) Directly or through AltaFund. Potential value: market value of assets (excl. tax).
(b) Potential value: value of the signed contracts (or estimate) (excl. tax).
(c) Potential value: capitalised fees for delegated projects.

The project portfolio includes 54 transactions that the Group is constructing or will construct, at various stages of completion, for the full value of €4,629 million.

Geographic breakdown

Secured pipeline	No. of projects	Surface areas at 100%
Paris inner city	9	130,100 m²
Grand Paris	20	384,700 m²
Grand Lyon	3	59,000 m²
Bordeaux Métropole	2	90,600 m²
Marseille-Aix-Toulon	7	54,600 m²
Other regional gateway cities	13	132,800 m²
TOTAL	**54**	**851,800 m²**

Secured commitments

At 30 June 2017	In Group share
Already invested	€146m
To be invested	€178m
Total commitments	**€324m**

A. Investment

The Group's medium-term investment projects (direct or through AltaFund) are part of an investment strategy in assets with high potential (prime locations) in view of their medium-term sale once redevelopped.

At 30 June 2017, the Group secured eight transactions, for a cost price of €1.9 billion at 100% (€580 million in Group share) and a potential value of more than €3 billion (estimated sales price).

The deliveries of these transactions will be staggered between 2018 and 2021.

Transaction	Group share	Surface areas	Estimated rental income [a]	Cost price [b]	Yield-on-cost	Estimated potential Value [c]	Progress [d]
KOSMO, Neuilly-sur-Seine	17%	27,000 m²					Under construction
RICHELIEU, Paris	58%	31,800 m²					Under construction
LANDSCAPE (exTours Pascal), La Défense	15%	70,500 m²					Secured
TOUR ERIA, La Défense	30%	26,600 m²					Secured
PONT D'ISSY, Issy-les-Moulineaux	25%	56,500 m²					Under construction
ISSY CDV - HUGO, Issy-les-M.	26%	26,300 m²					Secured
ISSY CDV - LECLERC & VERNET, Issy-les-M.	50%	14,900 m²					Secured
BOBIGNY La Place	100%	10,000 m²					Secured
TOTAL at 100%		**262,600 m²**	**€128.3m**	**€1,937m**	**6.6%**	**€3 118m**	
TOTAL Group share	**30% [e]**	**79,600 m²**	**€37.1m**	**€580m**	**6.4%**	**€924m**	

(a) Gross rent before supporting measures.
(b) Including acquisition of land.
(c) Potentiel value: market value (excl. tax) for direct investment or through AltaFund.
(d) Secured projects: projects either fully or partly authorised, where the land has been acquired or for which contracts have been exchanged, but on which construction has not yet begun.
(e) Weighted average of group share.

Major post-closing leasing events

The Group is in the process of finalising two major leasing transactions to host the head offices of two emblematic CAC 40 groups[41], in the buildings Pont d'Issy (56,500 m².in Issy-les-Moulineaux), and Kosmo (27,000 m². in Neuilly-sur-Seine).

Early July, Altarea Cogedim also decided to set up its future head office in a major section of the Richelieu building (in the 2nd arrondissement of Paris) in which the Group is also an investor (stake in the project is 58%). This building, which will bring together all the Group's subsidiaries, will also host a new co-working concept and a business centre operated by Altarea Cogedim. Perfect example of the Group's know-how when it comes to major restructuring, the project will be delivered in the 2nd half of 2019 and will reflect Altarea Cogedim's vision for offices of the future.

41 Including a subsidiary for one of the two groups.

Together, these three transactions represent 115,300 m², and headline rents of over €60 million. The value creation from these three transactions will fuel the Group's profits over the next few years[42].

B. Property Development

With respect to property development, the Group is involved in two types of projects:

• customer projects "100% external" (investor, users);

• projects for which the Group acts as a medium-term co-investor (directly or through AltaFund).

At 30 June 2017, the Group is working on 23 projects within the framework of off-plan sale and PDC contracts signed and on 28 secured projects being signed (pipeline).

Off-plan/property development contracts by client type

At 30 June 2017	No.	Surface area	Revenue (excl. tax) [(a)]
Contracts signed	20	202,500 m²	€532m
Pipeline	23	337,200 m²	€814m
100% external projects	**43**	**539,700 m²**	**€1,346m**
Contracts signed	3	115,300 m²	€462m
Pipeline	5	147,300 m²	€6456m
Projects for which the Group acts as a co-investor	**8**	**262,600 m²**	**€918m**
TOTAL at 100%	**51**	**802,300 m²**	**€2,264m**
o/w signed contracts	*23*	*317,800 m²*	*€994m*
o/w pipeline	*28*	*484,500 m²*	*€1,269m*

(a) Revenue (excl. tax) of off-plan sale contracts or PDC signed or being signed (estimate).

Projects started

During the half year the Group started work on six transactions, including the RICHELIEU and PONT D'ISSY buildings.

Deliveries

During the half-year, the Group delivered 11 transactions for a total of more than 110,800 m², including the FHIVE building in the 4th district of Paris (22,700 m² on behalf of an international investor) and a building in Lyon Gerland area (15,100 m² for Sanofi).

Supply

During the first half, the Group was selected for a new transaction of 24,500 m² in Rueil-Malmaison, as well as for two transactions in Regions.

42 The average share for the Group in these three transactions represents 32% (of cost price).

C. Services

With regard to services, the Group participates:

• in "100% external" projects, within the context of DPM contracts;

• in projecs for which the Group acts as medium-term co-investor, Altarea Cogedim earns fees through DPM contracts, leases, sales, or earns asset and fund management fees.

On-going DPM contracts on "100% external" projects

30 June 2016	Surface areas
52 CHAMPS ELYSÉES, Paris	24,000 m²
16 MATIGNON, Paris	13,000 m²
PARIS-LYON TOWER, Paris	12,500 m²
TOTAL	**49,500 m²**

In addition, at the beginning of July, the Group signed a DPM contract regarding renovation of the 42 VAUGIRAUD building into a turn-key user.

Operating income

New orders[43]: €669 million, +175%

These operational progress and commercial success translate into a strong level of new orders this half-year: €669 million.

The major new orders in the year involved signature of PDC contracts on three major deals: PONT D'ISSY in Issy-les-Moulineaux, RICHELIEU in Paris, and a building in Lyon (25 100 m², delivery at the end of 2019).

	30/06/2017	30/06/2016	*Change*
In value (as Group share)	€669m	€243m	*+175.3%*
In surface area (in m²)	160,500	130,200	*+23.3%*

Backlog[44] (Off-plan, Property Development contracts and delegated project management)

The Group had a backlog of €666 million, 6% higher than at year-end 2016.

€millions	30/06/2017	31/12/2016	*Change*
Backlog (Off-plan, Property Development contracts)	€664m	€626m	
Backlog of DPM fees	€2m	€4m	
TOTAL	**€666m**	**€630m**	*+6%*

1.2.2.3 CONVENIENCE RETAIL

Retail formats, in particular in the food sector, are evolving, and convenience stores are making a comeback with consumers. Seeking new market share, the large retail groups have decided to position themselves through multiple distribution channels (the multi-format), enlarging the range of points of sale, from hypermarket to convenience store.

In 2014, Altarea Cogedim launched Alta Proximité to provide the new neighbourhoods developed by the Group with a quality supply of everyday retail and services. The Alta Proximité initiative establishes partnerships with retail and convenience chains in order to industrialise supply, whether in the area of groceries, restaurants, health, childcare or leisure.

This initiative, born of the Group's retail know-how, is quite different from that of other, traditional housing developers, as demonstrated by the Group's recent successes in large urban projects.

The potential for this business represents approximately 20,000 m² of retail space per year and approximately €10 million in recurring operating income in the future, which will be added to the net operating income from Development.

As at 30 June 2017, the convenience retail portfolio is as follows:

	No.	Surface area (m²)	Revenue (€m)
Secured Transactions	**54**	**119,500**	**353**
< 3,000 m²	44	26,500	67
between 3,000 m² and 7,000 m²	5	22,400	73
> 7,000 m²	5	70,600	214
Transactions Under Development	**25**	**29,000**	**75**
< 3,000 m²	20	13,000	30
between 3,000 m² and 7,000 m²	2	6,000	14
> 7,000 m²	1	10,000	31
TOTAL Portfolio	**79**	**148,500**	**428**

The Group's strategy for these retail complexes is twofold:

• pure real estate development (Development, Valuation, Resale) for transactions under €50 million, which can be in some cases maintained under management;

• occasional retention for unusually attractive operations.

[43] *Value (incl. tax) of office orders (signed off-plan & Property Development contracts, capitalised fees for delegated projects, and AltaFund arbitrations) signed during a period.*

[44] *Backlog is composed of notarised sales, excl. tax, not yet recorded according to the percent of completion method, new orders excl. tax, not yet notarised (signed property development contracts), and fees to be received from third parties on signed contracts.*

1.3 CONSOLIDATED RESULTS

1.3.1 Results

1.3.1.1 +25.5% GROWTH IN FFO UP TO €115.4M (€7.58 PER SHARE, *I.E.* +9.0%)

Altarea Cogedim revenue was €912.3 million (+26.1%), and recurring net result (FFO) Group share rose significantly to €115.4 million (+25.5%).

FFO per share increased by 9.0% to €7.58 per share after taking into account the increase of the average number of shares by 2,004,840 compared to H1 2016. New shares issuance resulted from transactions implemented in 2016 and 2017, and contributed to strenghten Group's equity.

€millions	Retail	Residential	Offices	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**105.1**	**640.8**	**166.4**	**912.3**		**912.3**
Change vs 30/06/2016	*(0.8)%*	*+26.6%*	*x1.6*	***+26.1%***		
Net rental income	88.8	–	–	**88.8**		**88.8**
Net property income	0.7	61.9	33.0	**95.5**		**95.5**
External services	8.6	0.6	4.3	**13.6**		**13.6**
Net revenue	**98.1**	**62.5**	**37.3**	**197.8**		**197.8**
Change vs 30/06/2016	*(0.8)%*	*+48,8%*	*x2.5*	***+28.4%***		
Own work capitalised and production held in	2.6	61.6	10.6	**74.8**		**74.8**
Operating expenses	(27.5)	(86.7)	(18.4)	**(132.6)**		**(132.6)**
Net overhead expenses	**(24.9)**	**(25.1)**	**(7.7)**	**(57.7)**		**(57.7)**
Share of equity-method affiliates	10.6	4.2	3.4	**18.2**	5.8	**24.1**
Change in value - Retail				**–**	125.4	**125.4**
Change in value - Residential				**–**	(7.8)	**(7.8)**
Change in value - Offices				**–**	(2.4)	**(2.4)**
Other				**–**	(2.9)	**(2.9)**
OPERATING INCOME	**83.8**	**41.6**	**33.0**	**158.2**	**118.1**	**276.3**
Change vs 30/06/2016	*(3.7)%*	*+25.0%*	*x2.4*	***+17.8%***		
Net borrowing costs	(13.9)	(3.2)	(1.3)	**(18.4)**	(2.5)	**(20.9)**
Other financial results	4.0	–	–	**4.0**	4.7	**8.7**
Income/loss in the value of financial instruments	–	–	–	**–**	14.1	**14.1**
Other	0.0	0.0	–	**0.1**	(0.5)	**(0.4)**
Corporate Income Tax	(0.2)	(2.5)	(1.8)	**(4.5)**	(9.9)	**(14.4)**
NET INCOME	**73.5**	**35.9**	**29.9**	**139.3**	**124.0**	**263.3**
Non-controlling interests	(20.1)	(4.0)	0.2	**(23.9)**	(63.4)	**(87.3)**
NET INCOME, GROUP SHARE	**53.4**	**31.9**	**30.1**	**115.4**	**60.6**	**176.0**
Change vs 30/06/2016	*+1.6%*	*+22.9%*	*x2.5*	***+25.5%***		***x19.8***
Diluted average number of shares				*15,230,125*		*15,230,125*
NET PROFIT ATTRIBUTABLE TO GROUP SHAREHOLDERS				**7.58**		**11.56**
Change vs 30/06/2016				***+9.0%***		***x17.2***

1.3.1.2 FFO[45] GROUP SHARE: €115.4M (+25.5%)

FFO group share represents operating cash flow after net borrowing costs, corporate income tax and non-controlling interests.

By activity, FFO Group share is broken down as follows:

FFO Retail: €53.4 million, +1.6%

This includes, on the one hand, FFO Retail REIT, which measures the financial performance of the portfolio, Group share, and, on the other hand, (FFO) Services and Development. (FFO) Services and Development is composed of Altarea Retail costs that are not covered by fees and expenses related to projects under developpement, restructured or put in service, but that cannot be capitalised in the IFRS accounts.

€millions	H1 2017	H1 2016	Change
Rental income	94.5	92.7	
Rental costs/cost of land	(5.7)	(7.1)	
Net rental income	**88.8**	**85.6**	+3.7%
% of rental income	*93.9%*	*92.3%*	
Share of equity-method affiliates	10.6	8.1	
Net borrowing costs	(13.9)	(14.2)	
Other financial results	4.0		
Corporate income tax	(0.2)	–	
Non-controlling interests	(20.1)	(20.2)	
FFO Retail REIT	**69.2**	**59.3**	+16.6%
Services	8.6	13.2	
Net property income	0.7	–	
Own work capitalised and production held in inventory	2.6	6.4	
Operating expenses	(27.5)	(26.3)	
FFO Services and Development	**(15.8)**	**(6.7)**	
FFO Retail	**53.4**	**52.6**	+1.6%

FFO Retail REIT increased significantly by 16.6% to €69.2 million, primarily driven by the increase in net rental income (+3.7%). Net borrowing costs related to Retail decreased slightly with respect to the first half of 2016 in connection with the improvement of the Group's financing conditions. The other financial results relate to the positive outcome of a litigation concerning hedging instruments.

Services and Development FFO decreased by (9.1) million. This decrease reflects the operational calendar of Group’s current projects: a greater number are long term projects or their contribution to fees accounting has just started (e.g. Paris-Montparnasse Rail station).

FFO Residential: €31.9 million, +22.4%

€millions	H1 2017	H1 2016	
Revenue	640.2	505.6	
Cost of sales and other expenses	(578.3)	(464.1)	
Net property income	**61.9**	**41.6**	+48.8%
% of revenue	*9.7%*	*8.2%*	
Services	0.6	0.4	
Production held in inventory	61.6	45.6	
Operating expenses	(86.7)	(60.4)	
Share of equity method affiliates	4.2	6.3	
Operating income	**41.6**	**33.3**	+24.7%
% of revenue	*6.5%*	*6.6%*	
Net borrowing costs	(3.2)	(3.4)	
Corporate income tax	(2.5)	(2.2)	
Non-controlling interests	(4.0)	(1.7)	
FFO Residential	**31.9**	**26.0**	+22.4%

The margin rate (operating income/revenue) remains stable at 6.5%. In H1 2017, the Group recorded revenue primarily stemming from 2014-2015 reservations. The margin rate should significantly increase during the forthcoming semesters, whilst revenue and operating margins revert to a normalised level.

FFO Offices: €30.1 million, x2.5

€millions	H1 2017	H1 2016	
Revenue	162.1	103.5	
Cost of sales and other expenses	(141.4)	(91.1)	
Other income	12.3	–	
Net property income	**33.0**	**12.4**	x2.7
% of revenue	*20.3%*	*12.0%*	
Services	4.3	2.6	
Production held in inventory	10.6	6.9	
Operating expenses	(18.4)	(10.9)	
Contribution of EM associates	3.4	2.7	
Operating income	**33.0**	**13.7**	x2.4
% of revenue	*20.4%*	*13.2%*	
Net borrowing costs	(1.3)	(1.3)	
Non-controlling interests	0.2	(0.0)	
Corporate income tax	(1.8)	(0.1)	
FFO Offices	**30.1**	**12.3**	x2.5

FFO Offices rose significantly to €30.1 million (x2.5). Other income relates to the margin achieved on the VAUGIRARD transaction.

Overall, the net operating margin[46] of property development (Residential and Offices) strongly increased in H1 2017 up to 9.2% (vs 7.7% in H1 2016). The significant growth in revenues has offset investments in innovation, digitalization and human capital.

[45] *Funds from operations or operating cash flow from operations.*

[46] *Operating Income (FFO / revenue (including external services))*

FFO per share: €7.58, +9.0%

The average number of shares during the first half of 2017 was 15,230,125 compared with 13,225,285 in the first half of 2016 (+ 2,004,840 shares, *i.e*. +15,2%).

This increase results from the impact of the weighted average (over the period) of the Group's equity reinforcement transactions:

- in 2016:

• 2016 dividend payment in shares (821,762 shares issuance);

• capital increase in the market (1,503,028 shares issuance);

• reserved capital increase as part of the acquisition of Pitch Promotion (190,000 shares issuance),

- and in 2017:

• 2017 dividend payment in shares (1,021,555 shares issuance).

Despite this increase of the average number of shares, FFO per share was up by 9.0%, supported by Group’s results performance.

1.3.1.3 CHANGES IN VALUE AND CALCULATED CHARGES: €60.6M

Group share	€millions
Change in value Investment properties	128.8
Change in value - Financial instruments	14.1
Disposal of assets and transaction costs	(2.2)
Share of equity-method associates	5.8
Deferred tax	(9.9)
IFRS 2 stock grant plan charges	(9.5)
Other estimated expenses [(a)]	(3.2)
TOTAL	**124.0**
Non-controlling interests	(63.4)
TOTAL GROUP SHARE	**60.6**

(a) Allowances for depreciation and non-current provisions, pension provisions, staggering of debt issuance costs and other financial results.

1.3.3 Net asset value (NAV)

1.3.3.1 DILUTED GOING CONCERN NAV: €160.0 PER SHARE (+20.6% OVER THE YEAR)

The Diluted Going Concern NAV (in millions of euros) increased significantly over the year up to €2,567.8 million (+€574,6 million, i.e. +28.8%). On a per share basis, the Diluted Going Concern NAV was up 20.6% to €160.0/share after the impact of the shares issuance (see 1.3.1.1).

GROUP NAV	30/06/2017				30/06/2016 Published		31/12/2016 Published	
	€ millions	*Change*	€/share (d)	*Change /share*	€ millions	€/share(d)	€ millions	€/share (d)
Consolidated equity, Group share	**1,777.9**		**110.8**		**1,459.0**	**97.1**	**1,620.9**	**107.8**
Other unrealised capital gains	637.0				406.3		636.5	
Restatement of financial instruments	53.9				113.4		68.7	
Deferred tax on the balance sheet for non-SIIC assets(a)	26.8				20.1		23.9	
EPRA NAV	**2,495.6**	*+24.9%*	**155.5**	*16.9%*	**1,998.8**	**133.0**	**2,350.0**	**156.4**
Market value of financial instruments	(53.9)				(113.4)		(68.7)	
Fixed-rate market value of debt	(1.7)				(19.2)		(14.4)	
Effective tax for unrealised capital gains on non-SIIC assets(b)	(26.8)				(19.3)		(27.2)	
Optimisation of transfer duties(b)	93.7				65.3		90.8	
Partners' share(c)	(18.6)				(15.1)		(18.5)	
EPRA NNNAV (NAV liquidation)	**2,488.3**	*+31.2%*	**155.0**	*22.8%*	**1,897.1**	**126.2**	**2,312.1**	**153.8**
Estimated transfer duties and selling fees	80.1				96.9		86.7	
Partners' share(c)	(0.6)				(0.8)		(0.7)	
Diluted Going Concern NAV	**2,567.8**	*+28.8%*	**160.0**	*20.6%*	**1,993.2**	**132.6**	**2,398.1**	**159.6**

(a) International assets.
(b) Depending on the disposal's structuring (asset deal or share deal).
(c) Maximum dilution of 120,000 shares.
(d) Number of diluted shares: 16,051,842 (30/06/2017); 15,030,287 (30/06/2016); 15,030,287 (31/12/2016)

1.3.3.2 CALCULATION BASIS

Asset valuation

Property assets already appear at their appraisal value in the Group's IFRS statements (Investment properties). The unrealised capital gains on other assets consist of:

- two hotel business franchises (Hôtel Wagram and Résidence hôtelière de L'Aubette);
- the Rental Management and Retail Property Development division (Altarea France);
- the Group's interest in the Rungis Market (Semmaris);
- Property Development division (Cogedim, Histoire & Patrimoine and Pitch Promotion);
- the Office Property Investment division (AltaFund).

These assets are appraised at the end of each financial year by external experts: Jones Lang LaSalle (JLL) and Cushman & Wakefield for the hotel business franchises and Accuracy for Altarea France and Semmaris. The Property Development and Investments divisions were assessed by two appraisers this year, Accuracy and Eight Advisory.

The methods used by JLL, C&W and Accuracy use the discounted cash flow method (DCF) in conjunction with a terminal value based on normalised cash flow. JLL and C&W provide a single appraisal value, while Accuracy provides a range of values calculated using different scenarios. In addition to its DCF valuation, Accuracy also provides a valuation based on listed peer group comparables. Eight Advisory uses a multi-criteria DCF-based approach, an approach using multiples from listed peer group comparables and multiples from comparable transactions.

At 30 June 2017, the value of property development was kept at the same level as at 31 December 2016 (i.e. an absence of creation of NAV) although the outlook for this division has been favorably oriented since the last valuation.

Tax

Most of Altarea's Property Portfolio is not subject to capital gains tax under the SIIC regime. The exceptions are a limited number of assets which are not SIIC-eligible due to their ownership method, and assets owned outside France. For these assets, capital gains tax on disposals is deducted directly from the consolidated financial statements at the standard tax rate in the host country, based on the difference between the market value and tax value of the property assets.

Altarea Cogedim took into account the ownership methods of non-SIIC assets to determine Going Concern NAV after tax, since the tax reflects the tax that would effectively be paid if the shares of the company were sold or if the assets were sold building by building.

Transfer Taxes

Investment properties have been recognised in the IFRS consolidated financial statements at appraisal value excluding transfer taxes. To calculate Going Concern NAV, however, transfer duties were added back in the same amount. In Altarea Cogedim's NNNAV, duties are deducted either on the basis of a transfer of securities or building by building based on the legal status of the organisation holding the asset.

Partners' share

The partners' share represents the maximum dilution provided for under the Group's Articles of Association in the case of liquidation by a partner (where the General Partner would be granted 120,000 shares).

1.3.3.3 CHANGE IN GOING CONCERN NAV[47]

The Diluted Going Concern NAV per share at 30 June 2017 remained stable at €160.0 compared to December 2016 (at €159.6 per share), despite the 2016 dividend payment. The change breaks down as follows:

- €(11.5)/share related to the dividend;
- €(0.1)/share related to scrip dividend subscription[48] ;
- €(0.6)/share related to share buybacks in the context of bonus share plans:
- €(0.6)/share related to deferred tax;
- +€1.7/share related to the changes in value of financial instruments (increase of long rate during the first half of 2017);
- +€11.5/share through real estate value creation.

Diluted Going Concern NAV	€millions	€/share
At 31 December 2016	**2,398.1**	**159.6**
2016 dividend	**(173.9)**	**(11.5)**
Capital increase [(a)]	**157.1**	**(0.1)**
Share buyback [(b)]	**(9.5)**	**(0.6)**
Proforma Dividend and financial	**2,371.8**	**147.4**
Deferred tax	**(9.9)**	**(0.6)**
Change in value - Financial instruments [(c)]	**26.8**	**1.7**
H1 2017 FFO	115.4	7.6
Value creation – retail [(d)]	65.3	4.1
Other [(e)]	(1.6)	(0.1)
Creation of real estate value	**179.1**	**11.5**
At 30 June 2017	**2,567.8**	**160.0**

(a) 2016 dividend-paid-in-securities option at €153,84 below Dec. 31st, 2016
(b) Impact of the purchase of shares to prepare stock grant plans.
(c) Including fixed-rate market value of debt.
(d) Including change in value of Retail (€128.8 million) and non-recurring minority
(e) Estimated expenses, transaction costs, differed taxes on international assets, GP impact.

[47] *Equity market value assuming a continuation in business, taking into account the potential dilution related to the SCA status.*

[48] *The implicite value of issued shares was €153,84, below NAV as of Dec. 31st, 2016.*

1.4 FINANCIAL RESOURCES

1.4.1 Financial position

Reinforcement of equity: €157.1m raised

In H1 2017, Altarea Cogedim reinforced its equity by €157.1 million following the success of scrip dividend. The subscription rate was 91.69%, which resulted in issuance of 1,021,555 new shares.

Success of inaugural bond issue of €500 million

On 29 June 2017, the Group achieved a successful placement of its first inaugural 7-year bond of €500 million. Cash settlement occurred on July 5th, 2017.

This unrated bond, with a maturity of seven years, offers a fixed annual coupon of 2.25%.

Through this transaction, the Group achieve a new significant step on the credit market after having carried out €380 million in EuroPP since 2012.

This transaction, which is part of diversification and disintermediation policy for the Group's financing, illustrates investor confidence in Altarea Cogedim's original economic model, as both a REIT and developer, and in the quality of its credit profile.

In the long term, the Group is considering the possibility to obtain a financial rating from one or several rating agencies in order to facilitate a regular access to the bond market.

Consolidated net debt: €2,578 million

At 30 June 2017, the Altarea Cogedim Group's net financial debt stood at €2,578 million, up €153 million, compared to 31 December 2016.

€millions	30/06/2017	31/12/2016
Corporate and bank debt	590	490
Credit markets[(a)]	1,206	995
Mortgage debt	1,116	1,142
Property development debt	317	276
Total gross debt	**3,228**	**2,903**
Cash and cash equivalents	**(650)**	(478)
Total net debt	**2,578**	**2,425**

(a)Excluding bond issue as the cash settlement occurred after June 30th,2017. Including €673 million in treasury bills.

The following table shows the breakdown of net financial debt at 30 June 2017 between the Retail REIT and Property Development divisions:

€millions	Retail REIT	Property Development	Total
Corporate and bank debt	199	391	590
Credit markets[(a)]	963	243	1,206
Mortgage debt	1,116		1,116
Property development		317	317
Total gross debt	**2,278**	**951**	**3,228**
Cash and cash equivalents	(349)	(301)	(650)
Total net debt	**1,928**	**650**	**2,578**

(a) Excluding bond issue as the cash settlement occurred after June 30th,2017. Including €673 million in treasury bills.

€600 million in long-term financing secured

Since the beginning of the year, the Group has implemented new financing for a total amount of €600 million:

• €100 million in corporate credit with a five year and three month term;

• €500 million in bonds with a seven-year term.

Treasury bills

Altarea Cogedim has two treasury bill programmes (maturities from one month to one year) for which the maximum authorised amounts are €750 million for Altarea SCA and €600 million for Altareit SCA. At 30 June 2017, the outstanding amounts were €430 million and €243 million for Altarea SCA and Altareit SCA, respectively.

Available liquity

At 30 June 2017, available liquidity, to be drawn at any time and immediately, is composed of:

• €492 million in cash;

• €684 million in undrawn committed revolving credit facilities;

• €36 million in overdraft authorisations.

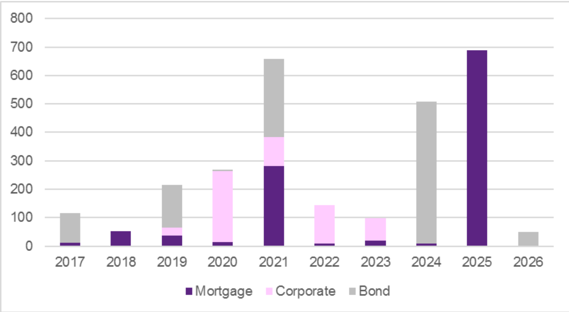
Available liquidity includes €673 million in treasury bills with an average term of four months at 30 June 2017.

This available liquidity does not include the net proceeds from the bond issue that was paid on 5 July 2017.

Debt maturity schedule[49]

The following graph shows the debt of the Group by maturity at 30 June 2017 including the bond issued on July 5th, 2017.

[49] Credit drawn at 30 June 2017 excluding development debt and treasury bills.



The bond related debt due in 2017 corresponds to the private placement of €100 million to be repaid in December 2017.

The mortgage debt due in 2021 corresponds to Cap 3000, the extension of which will have been completed the previous year.

The bond related-debt due in 2024 corresponds to the term of the bond issued in July 2017.

The 2025 maturity corresponds to mortgage financing implemented since 2015.

The duration of the Group's debt was five years and five months, compared to five years and four months at 31 December 2016.

1.4.2 Financing strategy

Hedging: nominal amount and average rate

The Group primarily borrows at a variable rate and sets a target hedge of 70% and 90% of the nominal value of its debt[50] with the balance exposed to the Euribor 3M.

Hedging instruments are processed at Group level. Most of them are not tied to specific financing agreements (including a significant portion of the mortgage financing). They are accounted at fair value in the consolidated financial statements.

The average hedge rate now stands between 0.30% and 1.03% up to 2025. With this strategy, the Group has a strong visibility over its medium-term hedged cost of debt.

Maturity	Swap (€m) (a)	Fixed-rate debt (€m) (a)	Cap strike 0% (€m) (a)	Total (€m) (a)	Average swap rate (b)
June-17	473	524	866	1,862	0.30%
2017	612	740	866	2,217	0.39%
2018	1,929	953	107	2,989	0.96%
2019	1,998	938	–	2,937	1.00%
2020	2,035	798	–	2,833	0.85%
2021	2,072	795	–	2,867	0.88%
2022	1,964	793	–	2,757	0.89%
2023	1,963	790	–	2,753	0.89%
2024	1,912	579	–	2,491	0.92%
2025	978	168	–	1,145	1.03%
2026	–	50	–	50	0.63%

(a) In share of consolidation (including €500m-bond issued in July 2017).
(b) Average rate of swaps and average swap rate (excluding spread) of the fixed rate debt (at the fixing date of each transaction).

[50] *Including fixed-rate bonds.*

In addition, the Group has optional shorter-term instruments out of the money.

Average cost of drawn debt: 1.77% (1.92% at year-end 2016)

The Group's optimised average cost of debt with long-term visibility is explained by combination of efficient hedging and significant recourse to mortgage financing. In H1 2017, the Group also benefited from the success of its treasury bill programme and the first effects of the renegotiations of its financing terms for its property development. Altarea Cogedim anticipates to keep an average cost of debt under 2.50% over the coming years thanks to the tight control of its liabilities and to its hedging strategy, regardless of changes in interest rates.

1.4.3 Financial ratios

Loan to Value (LTV)

At 30 June 2017, the LTV ratio, which corresponds to consolidated net debt/market value of assets, stands at 37,4% (compared to 37,2% as of 31 December 2016).

LTV calculation, at 30/06/2017	€millions
Gross debt	3,228
Cash and cash equivalents	(650)
Consolidated net debt	**2,578**
Shopping centres at value (a) (FC)	4,231
Shopping centres at value (EM affiliates' shares) and Other (b)	392
Investment properties valued at cost (c)	480
Offices Investments (d)	116
Enterprise value of Property Development (e)	1,677
Market value of assets	**6,897**
LTV Ratio	**37.4%**

(a) Market value (including transfer taxes) of shopping centres in operation recorded according to the fully consolidated method.
(b) Market value (including transfer taxes) of shares of equity-method affiliates carrying shopping centres and other retail assets.
(c) Net book value of investment properties in development valued at cost.
(d) Market value (including transfer taxes) of Share of equity-method affiliates concerning investments in offices and other offices assets.
(e) Value assessed by specialist of Property Development (Enterprise value).

The Group set an objective to keep a LTV within a range between 40 and 45%.

Interest Coverage Ratio (ICR)

The coverage ratio of net borrowing costs by operational income was 8.6x during the first half of 2017 (vs 7.4x in 2016).

Financial covenants

	Covenant	30/06/2017	31/12/2016	Delta
LTV(a)	≤ 60%	37.4%	37.2%	0.2 pts
ICR(b)	≥ 2,0x	8,6x	7,4x	1,2x

(a) LTV (Loan to Value) = Net debt/Restated value of assets including transfer duties.
(b) ICR = Operating income/Net borrowing costs. (Funds from operations column).

At 30 June 2017, the Group largely complied with all covenants.

Consolidated income statement at 30 June 2017

	30/06/2017			30/06/2016		
€millions	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total
Rental income	94.5	–	94.5	92.7	–	92.7
Other expenses	(5.7)	–	(5.7)	(7.1)	–	(7.1)
Net rental income	**88.8**	**–**	**88.8**	**85.6**	**–**	**85.6**
External services	8.4	–	8.4	13.2	–	13.2
Own work capitalised and production held in inventory	2.6	–	2.6	6.4	–	6.4
Operating expenses	(27.5)	(1.9)	(29.3)	(26.3)	(1.7)	(28.0)
Net overhead expenses	**(16.4)**	**(1.9)**	**(18.3)**	**(6.7)**	**(1.7)**	**(8.4)**
Share of equity-method affiliates	**10.6**	**2.5**	**13.1**	**8.1**	**(2.8)**	**5.4**
Net allowances for depreciation and impairment	**–**	**(0.7)**	**(0.7)**	**–**	**(0.7)**	**(0.7)**
Income/loss on sale of assets	**0.7**	**(0.7)**	**(0.1)**	**–**	**0.1**	**0.1**
Income/loss in the value of investment property	**–**	**128.8**	**128.8**	**–**	**69.2**	**69.2**
Transaction costs	**–**	**(0.1)**	**(0.1)**	**–**	**(1.2)**	**(1.2)**
NET RETAIL INCOME	**83.6**	**127.9**	**211.5**	**87.0**	**62.9**	**149.9**
Revenue	640.2	–	640.2	505.6	–	505.6
Cost of sales and other expenses	(578.3)	(1.4)	(579.7)	(464.1)	(1.0)	(465.0)
Net property income	**61.9**	**(1.4)**	**60.4**	**41.6**	**(1.0)**	**40.6**
External services	0.6	–	0.6	0.4	–	0.4
Production held in inventory	61.6	–	61.6	45.6	–	45.6
Operating expenses	(86.7)	(5.3)	(92.1)	(60.4)	(2.5)	(62.9)
Net overhead expenses	**(24.5)**	**(5.3)**	**(29.8)**	**(14.5)**	**(2.5)**	**(17.0)**
Share of equity-method affiliates	**4.2**	**1.1**	**5.3**	**6.3**	**0.2**	**6.4**
Net allowances for depreciation and impairment	**–**	**(0.7)**	**(0.7)**	**–**	**(1.4)**	**(1.4)**
Transaction costs	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**	**(0.3)**
NET RESIDENTIAL PROPERTY INCOME	**41.6**	**(6.7)**	**34.9**	**33.3**	**(4.9)**	**28.4**
Revenue	162.1	–	162.1	103.5	–	103.5
Cost of sales and other expenses	(141.4)	(1.3)	(142.7)	(91.1)	(0.9)	(92.0)
Other income	12.3	–	12.3	–	–	–
Net property income	**33.0**	**(1.3)**	**31.7**	**12.4**	**(0.9)**	**11.5**
External services	4.3	–	4.3	2.6	–	2.6
Production held in inventory	10.6	–	10.6	6.9	–	6.9
Operating expenses	(18.4)	(1.0)	(19.3)	(10.9)	(0.9)	(11.8)
Net overhead expenses	**(3.4)**	**(1.0)**	**(4.4)**	**(1.4)**	**(0.9)**	**(2.3)**
Share of equity-method affiliates	**3.4**	**2.2**	**5.7**	**2.7**	**(0.6)**	**2.1**
Net allowances for depreciation and impairment	**–**	**(0.1)**	**(0.1)**	**–**	**(0.5)**	**(0.5)**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**
NET OFFICE PROPERTY INCOME	**33.0**	**(0.2)**	**32.8**	**13.7**	**(2.9)**	**10.8**
Other (Corporate)	**0.0**	**(2.9)**	**(2.9)**	**1.2**	**(1.1)**	**0.1**
OPERATING INCOME	**158.2**	**118.1**	**276.3**	**135.2**	**54.0**	**189.2**
Net borrowing costs	**(18.4)**	**(2.5)**	**(21.0)**	**(19.1)**	**(2.8)**	**(21.9)**
Other financial results	**4.0**	**4.7**	**8.8**	**–**	**–**	**–**
Discounting of debt and receivables	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**	**(0.1)**
Change in value and income from disposal of financial instruments	**–**	**14.1**	**14.1**	**–**	**(103.4)**	**(103.4)**
Proceeds from the disposal of investments	**–**	**(0.4)**	**(0.4)**	**–**	**(0.1)**	**(0.1)**
Dividend	**0.1**	**–**	**0.1**	**0.1**	**–**	**0.1**
PROFIT BEFORE TAX	**143.9**	**133.9**	**277.8**	**116.2**	**(52.3)**	**63.9**
Corporate income tax	**(4.5)**	**(9.9)**	**(14.4)**	**(2.3)**	**(9.4)**	**(11.7)**
NET INCOME FROM CONTINUING OPERATIONS	**139.3**	**124.0**	**263.4**	**113.9**	**(61.7)**	**52.2**
Minority shares in continued operations	**(23.9)**	**(63.4)**	**(87.3)**	**(21.9)**	**(23.6)**	**(45.6)**
NET INCOME FROM CONTINUING OPERATIONS. GROUP SHARE	**115.4**	**60.6**	**176.0**	**92.0**	**(85.4)**	**6.6**
Net income (loss) from discontinued operations	**–**	**–**	**–**	**–**	**2.3**	**2.3**
NET INCOME	**139.3**	**124.0**	**263.4**	**113.9**	**(59.5)**	**54.4**
Non-controlling interests	**(23.9)**	**(63.4)**	**(87.3)**	**(21.9)**	**(23.6)**	**(45.6)**
NET INCOME. GROUP SHARE	**115.4**	**60.6**	**176.0**	**92.0**	**(83.1)**	**8.9**
Diluted average number of shares	*15,230,125*	*15,230,125*	*15,230,125*	*13,225,285*	*13,225,285*	*13,225,285*
NET INCOME PER SHARE (€/share). GROUP SHARE	**7.58**	**3.98**	**11.56**	**6.96**	**(6.29)**	**0.67**

Balance sheet at 30 June 2017

€millions	30/06/2017	31/12/2016
NON-CURRENT ASSETS	**5.163.3**	**5.034.9**
Intangible assets	258.7	257.9
o/w goodwill	*155.3*	*155.3*
o/w brands	*89.9*	*89.9*
o/w client relations	*2.8*	*5.5*
o/w other intangible assets	*10.7*	*7.2*
Property. plant and equipment	16.5	14.2
Investment properties	4.355.4	4.256.0
o/w investment properties in operation at fair value	*3.875.5*	*3.797.0*
o/w investment properties under development and under construction at cost	*479.9*	*459.0*
Securities and investments in equity affiliates and unconsolidated interests	447.3	412.0
Loans and receivables (non-current)	9.0	9.1
Deferred tax assets	76.4	85.7
CURRENT ASSETS	**2.460.8**	**2.046.6**
Net inventories and work in progress	1.102.4	978.1
Trade and other receivables	579.8	524.0
Income tax credit	3.3	9.4
Loans and receivables (current)	43.4	46.4
Derivative financial instruments	2.0	10.2
Cash and cash equivalents	649.9	478.4
Assets held for sale	80.0	–
TOTAL ASSETS	**7.624.1**	**7.081.4**

EQUITY	**2.979.4**	**2.758.3**
Equity attributable to Altarea SCA shareholders	**1.777.9**	**1.620.9**
Capital	245.3	229.7
Other paid-in capital	563.2	588.3
Reserves	793.4	635.1
Income associated with Altarea SCA shareholders	176.0	167.8
Equity attributable to minority shareholders of subsidiaries	**1.201.5**	**1.137.4**
Reserves associated with minority shareholders of subsidiaries	919.1	840.5
Other equity components. subordinated perpetual notes	195.1	195.1
Income associated with minority shareholders of subsidiaries	87.3	101.8
NON-CURRENT LIABILITIES	**2.436.4**	**2.337.6**
Non-current borrowings and financial liabilities	2.378.0	2.280.7
o/w participating loans and advances from associates	*82.6*	*82.3*
o/w bond issues	*428.3*	*428.0*
o/w borrowings from lending establishments	*1.867.1*	*1.770.3*
Long-term provisions	19.7	20.0
Deposits and security interests received	32.2	31.7
Deferred tax liability	6.5	5.3
CURRENT LIABILITIES	**2.208.3**	**1.985.5**
Current borrowings and financial liabilities	1.006.7	799.9
o/w bond issues	*104.8*	*104.4*
o/w borrowings from lending establishments	*148.5*	*240.0*
o/w treasury notes	*672.7*	*358.6*
o/w bank overdrafts	*6.8*	*2.5*
o/w advances from Group shareholders and partners	*73.9*	*94.3*
Derivative financial instruments	54.9	75.3
Accounts payable and other operating liabilities	1.141.6	1.109.9
Tax due	0.9	0.4
Amount due to shareholders of Altarea SCA and to minority shareholders of subsidiaries	4.2	0.0
TOTAL LIABILITIES	**7.624.1**	**7.081.4**