Strong FFO growth: +7.6% (€124 million)

Leading property developer in France

- Consolidated pipeline: Potential value of €17.8 billion (+4%)
- Large mixed-use projects: 10 projects underway (over 860,000 m²)
  2 bids won (Joia Meridia in Nice, Quartier des Gassets in Val-d'Europe)

Residential

- New orders: 5,207 units (+8%) worth €1.3 billion incl. tax (+7%)
- Revenue[1]: €798.5 million (+25%)

Business property

- New orders: €332 million incl. tax
- AltaFund[2]: Sale of the future headquarters of Parfums Christian Dior to Sogecap for €466 million
- Revenue[1]: €191.8 million (+15%)

Retail

- Net rental income: €84.2 million (+0.9% like-for-like)
- Development: Paris-Montparnasse rail station: success of the 1st tranche letting
- Portfolio: €4.7 billion (€3.1 billion in Group share)

Results

- Revenue: €1,095.6 million (+20.1%)
- FFO[3]: €124.2 million (+7.6%) i.e. €7.77/share[4] (+2.6%)
- Diluted Going Concern NAV[5]: €171.2/share (+7,0% vs. 30/06/2017)
- LTV[6]: 38.5% (+240bps)

Rating

- S&P Global assigned to the Altarea Cogedim Group a BBB rating (outlook stable), including its Altareit subsidiary (property development branch) which issued its 1st public bond for €350 million with a 7-year maturity

Paris, 26 July 2018, 5.45 p.m. Following review by the Supervisory Board, the Management approved the consolidated financial statements for the 1st half of 2018. Limited review procedures were carried out. The Statutory Auditors' report on the half-yearly financial information was issued without reservation.

1 Revenue by % of completion and external services.
2 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. Within this fund, Altarea Cogedim held a 17% share in the Kosmo project (future headquarters of Parfums Christian Dior).
3 Funds From Operations (FFO): net profit excluding changes in value, calculated expenses, transaction fees and changes in differed tax. Group share.
4 After taking into account the creation of 743,437 new shares, compared with end June 2016, resulting from the full-year impact of the payment of a scrip dividend in 2017.
5 Equity market value assuming a continuation in business, taking into account the potential dilution related to the SCA status. Representing a 1.6% decrease in Diluted Going Concern NAV vs 31/12/2017 (at €174.0 per share), and a 6.0% increase, excluding dividend paid in H1 2018.
6 Indebtness ratio. Consolidated net debt/Restated value of assets including transfer duties.

“During the first half of this year, not only have we built up strong positions in each of our businesses, but we have barely seen so many potential opportunities.

With a pipeline of a potential value nearly reaching €18 billion, Altarea Cogedim has cemented its place as France’s leading property developer. Our success derives from the solid positions established in France’s major gateway cities, as reflected in each of our businesses. Our apartment sales have continued to grow, despite the slight dip in the market. We have bolstered our leadership in large mixed-use and office developments, while simultaneously rolling out our retail strategy. Credit rating agencies highlighted our robust model and have given the entire Altarea Cogedim group a BBB rating with stable outlook. On the back of this, Altareit, our property development branch, became the first French property developer to issue a public bond.

We have continued to grow our market share in sectors where we are already present. At the same time, we have also laid the foundations for our future growth by penetrating new markets. These include logistics, where we have been implementing the development-investment mix that proved so successful for our office model. These also includes urban regeneration, where we finalised the takeover of Histoire & Patrimoine, the market leader in the redevelopment of historical monuments in France. As a result, our business model is gradually shifting toward a “multi-brand” approach of gateway cities. This enables Altarea Cogedim to expand its growth opportunities, while offering all its brands the benefits of shared business tools and the prestige that comes from being part of a leading Group.”

Alain Taravella, Chairman and Founder of Altarea Cogedim

1. Altarea Cogedim, leading property developer in France

A pipeline of €17.8 billion[7]

Altarea Cogedim is the only urban player with developer know-how in all real-estate asset classes. At 30 June 2018, the Group was managing[8] the largest secured property pipeline in France, representing more than 4.1 million m² all products combined, i.e. €17.8 billion in potential market value.

Secured pipeline (by product)	Surface area[9]	Potential value (€m)[7]
Retail	595,100 m²	3,337 M€
Residential	2,250,100 m²	9,898 M€
Business property	1,270,300 m²	4,553 M€
TOTAL	**4,115,500 m²**	**17,788 M€**
Change 31/12/2017	*+ 13%*	*+4%*

This pipeline is focused on the most dynamic French gateway cities, and is essentially secured in the form of options[8], enabling the Group to control the level and pace of its commitments according to context. At 30 June 2018, consolidated commitments[10] from this pipeline amounted to €1.5 billion in Group share, of which €1.0 billion has already been paid out and €0.5 billion is still to be paid out.

Leader in large mixed-use projects

This segment of the property market is buoyed by very strong momentum driven by territorial metropolisation. Communities once located on the outskirts of the main city are being transformed into real urban centres with multiple needs for property infrastructures. Thanks to its unique combination of know-how, Altarea Cogedim is positioned as an Urban entrepreneur. As such, in just a few years the Group has become the undisputed leader in large mixed-use projects and a long-term partner for local authorities when designing their new town centres.

Over the 1st half of 2018, the Group has been awarded two new major projects, taking the number of ongoing projects to 10 for an aggregate surface area of over 860,000 m² (all products combined at 100%):

- in January, the Joia Méridia project in Nice. This new quarter of 73,500 m² will offer 800 housing units, 8,000 m² of hotels and resort accommodation, 4,700 m² of retail and local services, 2,900 m² of tertiary space and a car-park with over 1,200 places;
- in June, a project of over 100,000 m² with a main retail component in the district of Les Gassets (Val d'Europe) in Marne-la-Vallée, awarded by Real Estate Development by Euro Disney.

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7 Estimated market value at delivery date. Retail: potential market value, including transfer duties, up for delivery (net rental income capitalised at market rates) at 100% and revenue (excluding taxes) for retail development operations. Residential: properties for sale and portfolio incl. taxes. Business property: potential market value excluding transfer duties on the date of disposal for investment projects (at 100%), amount excluding tax of off-plan sale agreements/property development agreements signed or estimated for other development programmes (at 100%, or Group share for jointly owned projects), and capitalised fees. At 30 June 2018, the large mixed-use retail-focused project in Les Gassets district of Val d'Europe/Marne-la-Vallée, awarded to the Group in early June 2018, had not yet been added to the pipeline development portfolio.

8 This portfolio is almost exclusively secured in the form of options or sale agreements that the Group may activate according to commercial and financial criteria and so smoothly manage the pace of commitments.

9 Retail: retail area created in m² including convenience stores. Residential: surface area (properties for sale and portfolio). Business property: floor area or useful area.

10 Commitments relate only to pipeline projects. These correspond to costs already spent or yet to be spent under the contract and not covered by sales.

2. RESIDENTIAL

After an all-time high in 2017 (with nearly 130,000 units reserved), a slight dip in the new housing market is expected for 2018, which should nonetheless stay high at around 120,000 units.

The Group is pursuing its development strategy based on:
- the dynamic regional gateway cities and high-demand areas where the need for housing is greatest,
- a multi-product offer to meet the needs of different type of users and investors (individuals and institutional investors),
- and multi-brand offer with its national brand Cogedim, strengthened in gateway cities by Pitch Promotion and supplemented in terms of products by Histoire & Patrimoine (Historic building and urban renovation). On 17 July 2018, the Group acquired the remaining 45% stake into Histoire & Patrimoine, having already acquired the first 55% in June 2014.

New orders	30/06/2018	30/06/2017	*Change*
Individuals - Residential Buyers	1,489 units	1,169 units	*+27%*
Individuals - Investment	1,998 units	2,233 units	*(11)%*
Institutional investors	1,719 units	1,420 units	*+21%*
Total in units	**5,207 units**	**4,822 units**	***+8%***
Individuals - Residential Buyers	€463m	€395m	*+17%*
Individuals - Investment	€469m	€516m	*(9)%*
Institutional investors	€351m	€289m	*+21%*
Total in value (incl. tax)	**€1,282m**	**€1,199m**	***+7%***

The average residential selling price has remained steady at €246K incl. tax (versus €249K in 2017).

Results	30/06/2018[11]	30/06/2017	*Change*
Revenue	€798.5m	€640.8m	*+25%*
Operating income	€50.9m	€41.6m	*+22%*
Operating margin[12]	*6.4%*	*6.5%*	*(0.1) pt*

Outlook	30/06/2018[12]	31/12/2017	*Change*
Backlog (excl. tax)	€2,831m	€3,273m	*(13)%*
Pipeline (incl. tax).[13]	€9,898m	€9,205m	*+8%*
Number of units	*40,181 units*	*38,985 units*	*3%*

The Residential backlog[14] was negatively impacted by the change in accounting standard IFRS 15. It now represents 20 months of revenue.

The Residential pipeline represents four years of sales with almost 40,200 units, of which 99% are in high-demand areas eligible for the Pinel tax scheme.

11 Data at 30 June 2018 takes account of the application of IFRS 15 as from the 1st January 2018. The changes compare data at 30 June 2018 under the new standard with data published on 30 June 2017 under the previous standard.
12 Operating income (FFO)/revenue by % of completion.
13 Potential revenue in €m (incl. tax) (properties for sale and future offering).
14 Backlog related to reserved or notarised revenue that has not yet been recognised. The application of IFRS 15 has resulted in a decrease in the Residential backlog, with the corresponding margin recognised in opening equity.

3. BUSINESS PROPERTY

Altarea Cogedim has designed a unique model through which it is able to operate very prominently on the business property market with only limited risk. This model is based on two complementary activities:

- medium-term investment in assets to be redeveloped pending sale (directly or via AltaFund[15]);
- property development[16] on behalf of external clients (investors and users) as well as on behalf of its own investment projects, under VEFA (off-plan sale)/BEFA (off-plan lease)/CPI (property development agreement) and more marginally as a service provider (MOD - delegated project management).

With the creation of a Logistics Investment fund at the end of 2017, operated by Pitch Promotion, the Group replicated this investor-developer model in a new line of business properties: logistics platforms.

At 30 June 2018, Business property represents an aggregate portfolio of 55 projects.

Figures at 100%	# projects	Surface area	Potential value[17]
Medium-term investment	7	231,700 m²	€2,653m
Property development[18] (PDA/Off-Plan Sales/Off-Plan Lease)	44	959,900 m²	€1,687m
o/w Logistics	*11*	*580,800 m²*	*€403m*
Delegated mandate contracts (MOD)	4	78,700 m²	€213m
Business property pipeline	**55**	**1,270,300 m²**	**€4,553m**

During the half-year, the Group took on 6 new projects, including the redevelopment project for the CB3 Tower at La Défense (PDA for 48,500 m²). 3 projects concern logistics platforms, of which a project located in Bollène (260,000 m², North of Avignon), and 2 projects are being developed through FLF1 (the Logistics fund, launched at the end of 2017).

Sale of Kosmo in Neuilly-sur-Seine

The Group sold to Sogecap the Kosmo building in Neuilly-sur-Seine (future headquarters of Parfums Christian Dior) for an amount of €466m. The Group recorded during the period the capital gain related to this project, in which it held a 17% stake via AltaFund.

New orders

The Group took new orders of €332m incl. tax, including the property development agreement (CPI) for the redevelopment of the CB3 Tower and an off-plan project (VEFA) for Bassins à Flot in Bordeaux (37,100 m²).

Deliveries

The Group delivered two projects (for 10,000 m²) during the period. At 30 June 2018, 24 projects were under construction, of which 3 iconic parisians programmes to be delivered in the 2nd half of 2018: Kosmo (26,200 m²), Vaugirard (DPM for 29,000 m²), and 52 Champs Elysées (DPM for 24,200 m²). The Group has signed a lease off-plan contract with Danone for the Convergence building in Rueil Malmaison, which will become Danone Group’s largest headquarters worldwide (25,300 m²).

15 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.
16 The Group's Property Development business does not carry any commercial risk: Altarea Cogedim only carries a measured risk in terms of work.
17 Potential value: potential market value excluding transfer duties on the date of disposal for investment projects (at 100%), amount (excl. tax) of VEFA/CPI contracts signed or estimated for the other development programmes (at 100%, or Group share for jointly owned projects), and capitalised delegated project management fees.
18 Projets intended for "100% external" clients only: aside from the property development contract either signed or quoted, projects for which the Group acts as a medium-term co-investor (directly or through AltaFund), representing total revenue of €852 million (excl. tax).

Results and backlog

Business property	30/06/2018[19]	30/06/2017	*Change*
Revenue	€191.8m	€166.4m	*+15.2%*
Operating income	€42.5m	€33.0m	*+28.8%*
Operating margin[20]	*22.1%*	*20.4%*	*+1.7pt*
Outlook	**30/06/2018[20]**	**31/12/2017**	***Change***
Backlog	€791m	€908m	*(13)%*

4. RETAIL

Altarea Cogedim focuses on four retail formats: large leading regional shopping centres, large retail parks, travel retail at train stations, and convenience stores.

Retail REIT

	30/06/2018	*Change*	*CNCC*
Tenants' revenue[21]	+1.3%		*(1.8)%*
Footfall[22]	+1.3%		*(1.1%)*
Net rental income	€84.2m		
Like-for-like change	*+€0.7m*	*+0.9%*	
Bad debt ratio	1.1%	*(0.1) pt*	
Financial vacancy[23]	1.4%	*(1.0) pt*	

During the period, the Group sold several small shopping galleries. At 30 June 2018, portfolio value was steady at €4.7 billion (€3.1 billion in Group share) over 36 assets.

Pipeline Development

The Group has designed a mixed model combining proprietary development (with a view to long-term ownership, alone or with partners) and third-party property development (with a view to a future sale to outside investors, particularly in the convenience retail sector).

The Group's Retail pipeline at 30 June 2018 represents a potential value[24] of €3.3 billion.

Pipeline Retail	GLA (in m²)	Potential value
Large regional shopping centers	253,200 m²	€1,894m
Large retail parks	147,400 m²	€473m
Travel retail	40,900 m²	€463m
Convenience retail	153,600 m²	€507m
TOTAL	**595,100 m²**	**€3,337m**

During the half-year, three major development projects have significantly moved forward:

- success of the 1st tranche letting of the Paris-Montparnasse rail station, which will host innovative new brands, major restaurant chains and unique concept stores with a partial opening scheduled by the end of 2018;
- opening of the Western mall at Cap 3000 regional centre in Nice, and the food court at the Paris-Est rail station.

19 Data at 30 June 2018 takes account of the application of IFRS 15 as from the 1st January 2018. The changes compare data at 30 June 2018 under the new standard with data published on 30 June 2017 under the previous standard.
20 Operating income (FFO): revenue by % of completion + external services.
21 Change in retailers' revenue (incl. tax) on a same-store basis over the first 5 months of the year. Excluding property being redeveloped. CNCC data at end May 2018.
22 Like-for-like year-on changes at sites in France. Excluding property being redeveloped. CNCC data at end June 2018.
23 Estimated rental value (ERV) of vacant units as a percentage of total estimated rental value. France and International. Excluding sites being redeveloped.
24 Potential market value, duties included, of fully delivered projects (net rents capitalised at a market rate) and revenue, excl. tax, for local retail development programmes. At 30 June 2018, the large mixed-use retail-focused project in the Les Gassets district of Val d'Europe/Marne-la-Vallée, awarded to the Group in early June 2018, had not been added to the pipeline development portfolio.

5. FINANCIAL INCOME AND FINANCIAL STRUCTURE

Impacts of IFRS 15[25]

Since 1st January 2018, Altarea Cogedim has recorded its revenue according to IFRS 15 (Revenue from Contracts with Customers). IFRS 15 impacts the percentage of completion used to recognise revenue from development operations. This percentage now includes the cost of land in its calculation, which accelerates the pace of revenue recognition.

At 30 June 2018, this change had a very limited impact on consolidated revenue (-€6.6 million) and on FFO[26], Group share (-€1.6 million). The impact on opening equity was an increase of €51.0 million (of which €45.7 million in Group share). From a business viewpoint, this impact corresponds to €630 million in revenue.

Very high growth both in revenue (+20.1%) and FFOGroup share (+7.6%)

In €m	Retail	Residential	Business property	Other Corporate	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**105.1**	**798.5**	**191.8**	**0.2**	**1,095.6**	**-**	**1,095.6**
Change vs 30/06/2017	*+0.1%*	*+24.6%*	*+15.2%*	*N/A*	*+20.1%*		*+20.1%*
Net rental income	84.2	-	-	-	84.2	-	84.2
Net property income	0.8	79.8	8.4	-	89.1	-	89.1
External services	8.5	0.7	22.3	0.2	31.7	-	31.7
Net revenue	**93.5**	**80.6**	**30.7**	**0.2**	**205.0**	**-**	**205.0**
Change vs 30/06/2017	*+4.7%*	*+28.9%*	*(17.5)%*	*N/A*	*+3.6%*		*+3.6%*
Capitalised expenses	3.0	60.5	9.4	-	72.9	-	72.9
Operating expenses	(23.9)	(94.5)	(19.1)	1.9	(135.5)	-	(135.5)
Net overhead expenses	**(20.9)**	**(33.9)**	**(9.8)**	**1.9**	**(62.7)**	**-**	**(62.7)**
Share of equity-method affiliates	8.5	4.2	21.5	-	34.2	(7.8)	26.4
Changes in value, calculated expenses and Retail transaction costs						(1.2)	(1.2)
Calculated expenses and Residential transaction costs						(8.9)	(8.9)
Calculated expenses and Business Property transaction						(1.4)	(1.4)
Others						(2.8)	(2.8)
Operating income	**81.1**	**50.9**	**42.5**	**2.1**	**176.6**	**(22.1)**	**154.5**
Change vs 30/06/2017	*(3.2)%*	*+22.3%*	*+28.8%*	*N/A*	*+11.6%*		*(44.1)%*
Net borrowing costs	(15.7)	(2.9)	(1.1)	-	(19.6)	(2.9)	(22.5)
Gains/losses in the value of financial	-	-	-	-	-	(16.8)	(16.8)
Others	-	0.1	-	-	0.1	(1.8)	(1.8)
Corporate Income Tax	(0.4)	(2.2)	(1.9)	-	(4.5)	(21.0)	(25.4)
Net income	**65.1**	**45.8**	**39.5**	**2.1**	**152.5**	**(64.6)**	**87.9**
Non-controlling interests	(20.1)	(8.3)	(0.0)	-	(28.4)	12.8	(15.6)
Net income, Group share	**45.0**	**37.6**	**39.5**	**2.1**	**124.2**	**(51.8)**	**72.3**
Change vs 30/06/2017	*(15.7)%*	*+17.7%*	*+31.0%*	*N/A*	*+7.6%*		
Diluted average number of shares					*15,973,562*		
Net income, Group share per share					**7.77**		
Change vs 30/06/2017					*+2.6%*		

NB: Data at 30 June 2018 takes account of the application of IFRS 15 as from the 1st January 2018. The changes compare data at 30 June 2018 under the new standard with data published on 30 June 2017 under the previous standard.

25 The Group has chosen to apply IFRS 15 using the cumulative catch-up method in its release.
26 Funds from operations or operating cash flow from operations: net result excluding changes in value, calculated expenses, transaction fees and changes in deferred tax.

Altarea Cogedim revenue amounted to €1,095.6 million (+20.1%) and the FFO Group share rose to €124.2 million (+7.6%). This strong growth was primarily driven by the strong contribution from Residential and Business Property.

FFO per share rose by 2.6% to €7.77, taking into account the increase in the average number of shares[27] (impact of the scrip dividend in 2017).

Diluted Going Concern NAV[28]: €171.2/share

Going Concern NAV amounted to €171.2 per share at 30 June 2018, down 1.6% compared to 31 December 2017, and up by 6.0% excluding the 2017 dividend paid in May 2018. Compared to 30 June 2017 (at €160.0/share), Going Concern NAV rose by 7.0%.

The impact of IFRS 15 on opening equity amounted to €45.7 million in Group share.

Diluted Going Concern NAV	In €m	€/share
At 30 June 2017	**2,567.8**	**160.0**
At 31 December 2017	**2,793.3**	**174.0**
Dividend H1 2018	**(200.8)**	**(12.5)**
At 31 December 2017 (excl. dividend)	**2,592.5**	**161.5**
Deferred tax	**(20.3)**	**(1.3)**
Change in value of fin. instruments (a)	**(27.5)**	**(1.7)**
H1 2018 FFO	124.2	7.8
Value creation - Retail	12.4	0.8
Value creation - Office Investment	40.9	2.6
Development margin (IFRS 15)	45.7	2.8
Others (b)	(20.6)	(1.3)
Creation of real estate value	**202.6**	**12.6**
At 30 June 2018	**2,747.3**	**171.2**

(a) Including fixed-rate market value of debt.
(b) Including allowances for depreciation and amortisation, partners' share and impact of the share buyback intended for the bonus share plans.

First credit rating BBB (Outlook stable)

In June, the S&P Global rating agency assigned to Altarea Cogedim a BBB rating (Outlook stable). S&P Global underlined the Group's business model, as both a developer and property owner in retail and leading position in France as the third largest developer. S&P Global also underlines the Group's low cost of debt and a moderate leverage ratio.

The stable rating outlook reflects S&P Global expectation that the Group will keep generating robust revenue over the next 24 months, thanks to its high-quality assets and growing backlog of new development projects, in a well-oriented French housing market.

S&P Global also assigned the BBB Outlook Stable rating to Altareit, the Group's Property Development branch.

Following this rating, Altareit announced on 25 June the issue of its €350 million inaugural public bond, with a maturity of 7 years and a fixed coupon of 2.875% (settlement-delivery took place after the end of the period).

27 *The average number of shares at 30 June 2018 was 15,973,562, compared to 15,230,125 at 30 June 2017 (an increase of 743,437 shares).*
28 Equity market value assuming a continuation in business, taking into account the potential dilution related to the SCA status.

Altareit therefore became the first French real estate developer to issue a public bond. This will enable the company to finance its general needs and, notably, to refinance existing credit facilities while extending the average duration of its debt.

Financial position

At 30 June 2018, the rise in the Group's net financial debt (+€275 million) stemmed essentially from the 2017 dividend, which was entirely paid in cash last May (€200 million).

	30/06/2018	31/12/2017	*Change*
Net financial debt	€2,801m	€2,526m	*+€275m*
Net duration	4 years 9 months	5 years 4 months	*-7 months*
Average cost[29]	1.77%	1.75%	*+2 bps*
LTV[30]	38.5%	36.1%	*+240 bps*
ICR	9.0x	9.3x	*-0.3x*

6. POST-CLOSING EVENT

The acquisition of the remaining 45% stake into Histoire & Patrimoine, an expert in urban renovation

On 17 July 2018, the Group acquired the remaining capital of Histoire & Patrimoine, a specialist in urban building renovation and redevelopment, having already acquired 55% of its capital in June 2014. From the 2nd half of 2018, Histoire & Patrimoine will be fully consolidated (previously accounted for by the equity method) and its sales performance will be incorporated into the residential property development division.

Financial calendar

Q3 2018 revenue: 16 October (after market closing)

A presentation will be available for download on the Finance page of Altarea Cogedim's site, in both French and English versions.

ABOUT ALTAREA COGEDIM - FR0000033219 - ALTA

Altarea Cogedim is the leading owner developer in French regions. As both a developer and investor, the Group is established in the three principal real estate markets (Retail, Residential and Business property), and as such is now the top name in large mixed-use projects for urban renewal in France. In each business sector, the Group has the full know-how required to design, develop, commercialise and manage made-to-measure property products. In Retail, Altarea Cogedim manages a portfolio worth €4.7 billion. Listed on compartment A of Euronext Paris, Altarea had a market capitalisation of €3.3 billion at 30 June 2018.

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29 Average total cost including related fees (commitment fees, CNU, etc.).
30 Loan-to-Value (LTV): debt ratio. Consolidated net debt / Consolidated market value of Group assets.

BUSINESS REVIEW

30 JUNE 2018

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1.1 Introduction

1.1.1 Altarea Cogedim, leading property developer in France

A comprehensive offer

Altarea Cogedim is the only urban player with developer know-how in all real-estate asset classes. The Group focuses its activity on the 12 major French gateway cities, contributing to their territorial development in terms of employment and economic growth.

This means that the Group manages the biggest secured property pipeline[31] in France, representing 4.1 million m² (all products combined), or €17.8 billion in potential market value as at 30 June 2018.

Secured pipeline (by product)	Surface area	Potential value (€m) (b)
Retail	595,100	3,337
Residential	2,250,100	9,898
Business property	1,270,300	4,553
Total	**4,115,500**	**17,788**
Change 31/12/2017	*+13%*	*+4%*

(a) Retail surface area: in m² created, including convenience stores. Residential surface area: living surface area (properties for sale and future offering). Business surface area: floor surface area or usable surface area.

(b) Market value as of delivery date.
Retail value: potential market value including transfer duties for projects at delivery (net rental income capitalised at market rates) at 100% and revenue excl. tax for the retail property development programme. Residential value: property for sale + future offering incl. tax. Business property value: potential market value excluding transfer duties on the date of disposal for investment projects (at 100%), amount excluding tax of off-plan sale agreements/property development agreements signed or estimated for other development programmes (at 100%, or Group share for jointly owned projects), and capitalised delegated project management fees.

This pipeline is almost exclusively secured in the form of options or sale agreements that the Group may activate according to commercial and financial criteria and so smoothly manage the pace of commitments.

The largest projects are also often set up as partnerships in order to share the risk. Therefore, of this €17.8 billion pipeline, only €1.5 billion corresponds to amounts committed[32] (in Group share), of which remaining €0.5 billion still to be paid out.

A unique business model

Altarea Cogedim has developed a unique model that combines the operational know-how of a multi-product developer with the financial strength of a REIT.

With €17.8 billion in projects secured, the Group is the leading property developer in France in all product categories. Most of this pipeline is completed using a "developer" type of business model (development for sale). This model applies to all asset classes, including retail.

Most of the Group's invested capital is, however, allocated to investor activity. The Group acts as a REIT for targeted retail formats (with assets of €4.7 billion including transfer duties at 30 June 2017, or €3.1 billion as Group share) and as a medium-term investor for some significant office sites. This “REIT-investor” model thus provides the Group with a high recurrence of income from its rents and capital gains derived from its arbitrages.

Overall, Altarea Cogedim is both the property investor with the highest capacity for asset creation and the most financially agile developer, thanks to its REIT background.

Leader in large mixed-use projects

This segment of the property market is buoyed by very strong momentum driven by territorial metropolisation. Communities once located on the outskirts of the main city are being transformed into real urban centres with multiple needs for property infrastructures.

As such, in just a few years the Group has become the undisputed leader in large mixed-use projects and a long-term partner for local authorities when designing their new town centres.

This leading position is due to the combination of several factors:

• the multi-product know-how that allows the Group to be the single point of contact for local authorities;

• the retail/leisure expertise that is often a distinguishing factor for a project;

• the power of the Group, both operationally and financially.

1.1.2 Highlights during the first half

Two new major mixed-use projects won

Over the 1st half of 2018, the Group confirmed its position as the French leader in urban renewal projects, being awarded two new major projects:

• in January 2018, the Joia Méridia project in Nice. This new quarter of 73,500 m² will offer 800 housing units, 8,000 m² of hotels and resort accommodation, 4,700 m² of retail and local services, 2,900 m² of tertiary space and a car-park with over 1,200 places;

• in June 2018, a project of more than 100,000 m² with a main retail component in the district of Les Gassets (Val d'Europe) in Marne-la-Vallée, awarded by Real Estate Development by Euro Disney.

At 30 June 2018, Altarea Cogedim thus managed 10 large mixed-use projects representing a surface area of over 860,000 m², all products combined (at 100%).

31 At 30 June 2018, the large mixed-use retail-focused project in the Gassets area (Val d’Europe) in Marne-la-Vallée, awarded to the Group in early June, had not yet been added to the pipeline development portfolio (more than 100,000 m²).

32 Commitments relate only to pipeline projects. These correspond to costs already spent or yet to be spent under the contract and not covered by sales.

Large projects (at 100%)	Residential (units)	Retail (m²)	Office (m²)	Total (m²) [a]
Belvédère (Bordeaux)	1,230	11,200	53,500	141,100
La Place (Bobigny)	1,450	13,600	9,500	107,000
Cœur de Ville (Issy les M.)	630	17,000	40,850	100,000
Quartier Guillaumet (Toulouse)	1,200	5,800	7,500	101,000
Aerospace (Toulouse)	640	11,800	19,400	75,000
Joia Meridia (Nice)	800	4,700	2,900	73,500
Coeur de Ville (Bezons)	730	18,300		66,900
Gif sur Yvette	820	5,800		52,500
Fischer (Strasbourg)	580	3,300		41,400
Gassets (Val d'Europe) [b]	n/a	n/a	n/a	>100,000
Total	**8,080**	**91,500**	**133,650**	**>860,000**

[a] Floor area.
[b] Detailed planning under way.

Solid performance of all business lines

Residential: 5,207 units sold (+8%)

In the first half, the Group posted a good performance. With 5,207 units sold, new orders increased by 8% year-on-year, the total value was nearly €1.3 billion (+7% year-on-year).

In terms of development, the Residential pipeline (offering and land portfolio) amounted to €9.9 billion (+8% compared with 31 December 2017). The renewal of the Pinel Act in 2018 for a four-year period and its stricter confinement to high-demand areas[33] confirms the Group's territorial strategy, with more than 99% of the pipeline being located in eligible areas.

Retail: Focus on 4 core retail formats

With a pipeline worth €3.3 billion[34] at 30 June 2018, three major development projects have significantly moved forward over periode :

• success of the 1rst tranche letting of Paris-Montparnasse rail station, which is now partially included in the portfolio. As expected, various retailers will move into the site (Hema, Nespresso, Sephora, The Kooples, etc.), together with major restaurant chains and unique concept stores (Pierre Hermé, YO!Sushi, Bubbleology, etc.);

• opening of the Western mall of Cap 3000 with the arrival of new retailers (Segafredo, Promovacances, Sostrene Grene). The penultimate stage of the extension will be completed in 2019 with the opening of the South mall;

• redevelopment of the 5,000 m² food court at Paris-Est rail station.

The Group is pursuing its portfolio concentration strategy by focusing on core assets. To that end, it has sold five of its smaller shopping centres. At 30 June 2018, the Group had a €4.7 billion portfolio, including transfer duties, or a €3.1 billion proportional share, comprising 36 assets.

Business property: major leases signed in a buoyant market

Thanks to its mixed developer/medium-term investor model in Business property, the Group manages 55 projects including some of the most iconic schemes in Grand Paris, reinforcing the Group's leadership status in this market. There are potential projects worth €4.6 billion in the pipeline.

During the first half of 2018, the Group finalised:

• the sale to Sogecap (Société Générale Insurance) of Kosmo in Neuilly-sur-Seine (future global headquarters of Parfums Christian Dior, 26,200 m²). Altarea Cogedim held a 17% stake in this project via AltaFund;

• a new PDA (CPI) for the redevelopment of the CB3 Tower in La Défense (48,500 m²);

• an off-plan lease (BEFA) with Danone for the Convergence building in Rueil-Malmaison, which in 2020 will become the Group's largest headquarters worldwide (25,300 m²).

First S&P Global credit rating: BBB

In June, the S&P Global rating agency assigned to the Altarea Cogedim Group a BBB rating with a stable outlook.

S&P Global underlined the Group's business model, as both a developer and property owner in retail and leading position in France as the third largest developer. S&P Global also underlines the Group's low cost of debt and a moderate leverage ratio.

The stable rating outlook reflects S&P Global expectation that the Group will keep generating robust revenue over the next 24 months, thanks to its high-quality assets and growing backlog of new development projects, in a well-oriented French housing market.

S&P Global also assigned the BBB Outlook Stable rating to Altareit, the Group's Property Development branch.

S&P Global highlights Altareit's strong positioning35, as a property developer in both residential and office segments (the company namely owns Cogedim), in a market where fundamentals and trends are credit supportive. The rating agency also underlines the company's prudent financial discipline in terms of commitments.

Inaugural bond issue for Altareit

Following this rating, Altareit announced on 25 June the issue of its €350 million inaugural public bond, with a maturity of 7 years and a fixed coupon of 2.875% (settlement-delivery took place after the end of the period).

Altareit therefore became the first French real estate developer to issue a public bond. This will enable the company to finance its general needs and, notably, to refinance existing credit facilities while extending the average duration of its debt.

[33] The "high-demand areas" correspond to areas A bis, A and B1. At 30 June 2018, only 320 units (i.e. 0.8% of the Residential pipeline) are located in area B2, and half of those are in French Genevois, which has strong appeal.

[34] In potential market value at 100%
[35] Altareit is a subsidiary 99.85% held by Altarea Cogedim and listed on Euronext Paris (AREIT). It mainly looks after the Group's Residential and Business Property Development activities.

Recognition of the quality of customer relationships and CSR commitment

The Group is rated first among property brands and eight across all sectors combined in France in the rankings established by Les Echos/HCG/Evertest for Customer Service and Experience[36].

At the same time, Cogedim became the first property developer to be awarded "Customer Service of the Year in 2018"[37] reward for standars of service and quality of customer relations.

Lastly, ranked as a leading commercial property company by GRESB for the past two years, Altarea Cogedim confirmed the excellence of its CSR approach by becoming the world's No. 1 listed property company (all products combined)[38]. Moreover, with a score of 96/100, the Group ranked second in the world, all categories combined (listed and unlisted companies).

1.1.3 Post-closing event

Acquisition of 100% of Histoire & Patrimoine

On 17 July 2018, the Group acquired the remaining capital of Histoire & Patrimoine, a specialist in urban building renovation and redevelopment, having already acquired 55% of its capital in June 2014.

From the 2nd half of 2018, Histoire & Patrimoine will be fully consolidated (previously accounted for by the equity method) and its sales performance will be incorporated into the residential property development division.

1.2 Impact of new IFRS

1.2.1 Impact of IFRS 15

Since 1st January 2018, Altarea Cogedim has recorded its revenue according to IFRS 15 (Revenue from Contracts with Customers).

IFRS 15 impacts the percentage of completion used to recognise revenue from development operations. This percentage now includes the cost of land in its calculation, which accelerates the pace of revenue recognition.

At 30 June 2018, this change had a very limited impact on consolidated revenue (-€6.6 million) and on FFO[39], Group share (-€1.6 million). The impact on opening equity was an increase of €51.0 million (of which €45.7 million in Group share). From a business viewpoint, this impact corresponds to €630 million in revenue.

1.2.2 Other changes in accounting standards

IFRS 9 (Financial Instruments) applicable since 1 January 2018, has no impact on the Group's financial statements.

IFRS 16 (Leases) will be applied from 1 January 2019.

[36] Ranking by The Human Consulting Group and Evertest for les Echos, published on 29 January 2018. The survey test the customer services of the 200 biggest companies in France to assess the overall quality of their customer approach. Each company received ten phone calls, a letter, three e-mails, a message via the website and five messages via social media.

[37] The "Elu service client de l'année" (Customer Service of the Year) award, which was created in 2007 by Viséo Customer Insight, uses mystery shoppers to annually test the customer service quality of French companies in 42 different economic sectors. It is the benchmark ranking for customer relationships in France. Property developers were included for the first time this year.

[38] GRESB (Global Real Estate Sustainability Benchmark), a leading international ranking, annually assesses the CSR performance of real estate companies around the world. In 2017 it assessed 823 companies and funds, of which 194 were listed companies.

[39] Funds from operations or operating cash flow from operations: net result excluding changes in value, calculated expenses, transaction fees and changes in deferred tax.

1.3 Business

1.3.1 Retail

The Group's unique strength lies in the size of the pipeline of projects developed, whether for the purpose of ownership by the property company (100% or in partnership) or development for third parties (development, commercialisation, sale).

In a mature market disrupted by diverse consumption patterns and urban trends, Altarea Cogedim has chosen to focus on four high-potential formats with a “prime” positioning and offering in dynamic gateway cities:

• **large regional shopping centres** which have high levels of footfall and potential for development (land reserves for an extension programme) or redevelopment. As shopping destinations, these assets are resilient and dominant in their catchment area. They have established more of a living area by integrating leisure, restaurants and amenities dimensions to provide an ever richer and more diversified customer experience;

• **large retail parks**, whose price/product match makes them one of the most successful asset classes. This model developed by the Group has proven itself year after year with record footfall and revenue. Many brands that have historically been present in shopping centres are changing their formats to be present in retail parks. Many leisure activities are being developed successfully in these open-air centres;

• **travel retail**. As a forerunner in the establishment of international retailers at rail stations and with firm awareness of the new lifestyles and consumption practices outside of places normally reserved for that purpose, Altarea Cogedim has been designing retail solutions for transit areas for more than 10 years. In the first half of 2018, the Group redeveloped the food court at Paris-Est rail station, finalized Tranche 1 letting of Paris-Montparnasse rail station, and continued work on the redevelopment of Paris-Austerlitz rail station;

• **convenience retail**. With changes in lifestyles and consumption, this format is once again popular with consumers. Since 2014, the Group has sought to offer a first-class selection of shops and amenities at all of its development operations in city centres. As a result, the Group is forming partnerships with local retailers to industrialise the offering in the worlds of health, food/gastronomy, childcare and leisure. The Group has also developed special know-how to attract local merchants and professionals such as doctors, bakers and restaurant owners.

In response to new consumer expectations, the Group is expanding its “Culture, Sport & Leisure” offering, which is a major pull factor for centres and popular among customers, by attracting leading brands in each segment:

• Culture: Universcience and a branch of the Pompidou Centre in the expanding centre of Ferney Voltaire;

• Sport: UCPA, fitness centres;

• Leisure: Cinemas (UGC, Pathé Gaumont); animations (Miniworld, Virtual Racing, Escape Game), Children (Cap Pirate in Aubergenville, Pirates Aventures at Avenue 83).

1.3.1.1 PIPELINE

The Group communicates on a pipeline of projects that are underway or secured[40], which does not include identified projects for which development teams are in the negotiation or advanced study phase.

The Retail pipeline includes the programmes that are designed to be owned (100% or in partnership) by the property company, as well as property development programmes for external investors (local retail programmes included in large mixed-use projects). This pipeline is almost exclusively located in French gateway cities.

At 30 June 2018, the Retail pipeline represents a potential value of €3.3 billion (100% owned). It does not yet take into account the large, mixed-use, project with a main retail component for Euro Disney, located in Les Gassets area (Val d’Europe).

	GLA (in m²)	%	Potential value (€m) (a)	%
Large regional SCs	253,200	42%	1,894	57%
Large retail parks	147,400	25%	473	14%
Travel retail	40,900	7%	463	14%
Convenience retail	153,600	26%	507	15%
Total	**595,100**	**100%**	**3,337**	**100%**

Potential market value, duties included, of fully delivered projects (net rents capitalised at a market rate) and revenue excl. tax, for local retail development programmes).

Given the Group’s cautious criteria, the decision to start work is only made once a sufficient level of pre-letting has been reached. Considering the progress achieved from both an administrative and commercial point of view, most pipeline projects should be delivered between 2019 and 2024.

€ millions	At 100%	%	In Group share
Committed	862	37%	567
o/w paid out	*526*	*69%*	*365*
o/w to be paid out	*336*	*31%*	*202*
Secured not committed	1,460	63%	1,399
Total	**2,322**		**1,966**

Pipeline/property investments

Bid won

Les Gassets (Marne-la-Vallée, Val d’Europe)

In June 2018, Altarea Cogedim won the tender launched by Euro Disney for an open-air development in Les Gassets, at the entrance to Val d’Europe and near the RER A train line.

[40] 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.

Ideally situated and well-served by transport networks, Marne-la-Vallée is the leading European tourist destination on account of Disneyland® Paris. At the same time, it is a fast-growing economic hub and home to a significant population of permanent residents.

Altarea Cogedim has harnessed the wonderful surroundings to design an innovative, development of more than 100,000 m², with a main retail component. The project schedule will be defined in the coming months.

Progress of projects

Travel retail: The Paris-Montparnasse rail station

At this fantastic site, the Altarea Cogedim project will eventually comprise a commercial offering of 130 shops, restaurants and amenities, creating a new community hub in the town for visitors and residents alike.

The site will benefit from a natural footfall of 90 million travellers per year by 2030, compared with 70 million currently, largely due to increased use of the high-speed Paris-Bordeaux and Paris-Rennes train lines which opened in 2017.

The works, which began in late 2017, will take place in three successive one-year phases and on all three levels of the station simultaneously, to minimise the impact on travellers.

In the first half of 2018, the Group successfully completed the 1rst tranche letting, which will offer travellers and local residents:

• a wide range of fashion, beauty, interior design and leisure retailers, with Levi's, Sephora, Lush, The Kooples and Sweet Pants;

• a unique dual-concept with Marks & Spencer Food and Fnac;

• a unique concept store dedicated to travel retail with Nespresso;

• the largest Hema store in France.

The Group has also awarded SSP the first lot of 22 shells for restaurants, which will mainly accommodate:

• renowned chefs such as Pierre Hermé, Gontran Cherrier, Christophe Adam and Yann Couvreur;

• original restaurant concepts such as YO!Sushi, Bubbleology, Papa Boun, Pegast, Mardi Crêpes, Clasico Argentino and Noglu.

The stores will be delivered as and when work is completed. This will consist of three phases, with delivery of the first (currently under construction) by late 2018, the second by late 2019, and the third by late 2020.

Due to the high number of lettings already agreed and its imminent delivery, the first phase of 8,500 m² is now included in the Group's portfolio.

Cap 3000 (Saint-Laurent-du-Var, Nice)

This unique centre is still being extended. After nine stores opened in the new "Biot" mall in 2017, in April 2018 the Group unveiled the ground floor of the West mall. This includes the new iconic entrance of the centre and around 20 new retailers such as Sostrene Grene, Levi's and Mont Blanc, and many internationally renowned retail brands.

The transformation of the centre will be completed in 2019, its 50th anniversary year, with the delivery of the South mall.

The new Cap 3000, which will have doubled in size to accommodate 300 shops (135 000 m²), will be based around three areas:

• a premium area (West mall) on the city side for high-end international "fashion and lifestyle" brands that are new or rare in France, which will set up their French concept store in the centre;

• new restaurant options in the central malls and along the seafront terraces (South mall), featuring renowned chefs and introducing international restaurant chains with original concepts;

• technology and amenities designed to improve the customer experience (concierge, personal shoppers, geolocation, etc.).

Leasing (leases signed)

In the first half of 2018, 43 leases were signed on pipeline assets, representing a total of €10.8 million in rent with retailers such as Sostrene Grene, Vapiano, Sweet Pants, The Kooples and Moleskine.

Pipeline/Property development

Convenience stores

The Group has begun work on its Oxygen 92 project, at the entrance to the Paris-La Défense quarter, which will help to transform the business district into a residential area. The project features an original mix of restaurants, social areas and co-working space, with 2,000 m² of retail space and more than 1,000 m² of private terraces.

A customisable event venue, a restaurant, a cocktail bar in association with two-star chef Michel Rostang and two fast-food chains (Bioburger and Prairie) will open this fall.

RETAIL PIPELINE at 30 June 2018 (investment and development)

Projects by type (at 100%)		Group share	GLA (in m²)	Gross rent (€m)	Net investment (€m) (b)	Yield	Potential value (€m)	Current status
Cap 3000 (Nice)	Redev./ Expansion	33%	34,400					Under construction
Sant Cugat (Barcelona)	Redev./ Expansion	100%	10,000					Under construction
Le Due Torri (Lombardy)	Redev./ Expansion	100%	8,000					Under construction
Orgeval	Creation	100%	70,000					Secured
Ferney-Voltaire (Geneva area)	Creation	100%	46,400					Secured
Ponte Parodi (Genoa)	Creation	100%	36,700					Secured
Other (2 operations – France)			47,700					
Shopping centre subtotal (8 projects)			**253,200**	**106.4**	**1,521**	**7.0%**	**1,894**	
L'Illiade (Chartres)	Creation	100%	49,600					Secured
PACA region	Creation	100%	43,500					Secured
Massy -X%	Redev./ Expansion	100%	35,000					Secured
Aubergenville 2	Redev./ Expansion	100%	9,400					Secured
La Vigie (Strasbourg)	Redev./ Expansion	100%	9,900					Secured
Retail parks subtotal (5 projects)			**147,400**	**25.1**	**384**	**6.5%**	**473**	
Paris-Montparnasse rail station (Ph. 2 & 3)	Creation	100%	9,700					Under construction
Paris-Austerlitz rail station	Creation	100%	26,200					Secured
Paris-Est rail station	Redev./ Expansion	51%	5,000					Secured
Travel retail subtotal (3 projects)			**40,900**	**24.4**	**312**	**7.8%**	**463**	
Cœur de Ville (Issy-les-M.)	Creation	100%	17,900					Secured
La Place (Bobigny)	Creation	100%	12,600					Secured
Convenience retail subtotal (2 projects)			**30,500**	**6.7**	**105**	**6.4%**	**122**	
Total Investment (18 projects)			**472,000**	**162.6**	**2,322**	**7.0%**	**2,952**	
Group share			*439,400*	*140.2*	*1,966*	*7.2%*	*2,454*	
Convenience retail development (36 projects)			**123,100**	**28.1**	**361**	**7.8%**	**385**	
Total at 30 June 2018 (54 projects)			**595,100**	**190.7**	**2,683**	**7.1%**		

(a) Total m² GLA created, including property development. For renovation/extension projects, figures represent additional GLA created.
(b) Total budget including interest expenses and internal costs.
(c) Potential market value including transfer duties for projects for delivery (net rental income capitalised at market rates) and revenue excl. VAT for the convenience store property development programme.

1.3.1.2 PORTFOLIO

Figures at 100%	No.	GLA (in m²)	Current gross rent (€m) [d]	Value assessed by specialist (€m) [e]
Controlled assets [a]	30	687,600	198.2	4,273
Equity assets [b]	6	102,500	27.8	414
Total portfolio assets	**36**	**790,100**	**226.0**	**4,687**
o/w Group share	*n/a*	597,180	*156.7*	*3,122*
Management for third parties [c]	7	150,700	30.7	
Total assets under management	**43**	**940,800**	**256.7**	

[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 1st July 2018.

[e] Appraisal value including transfer duties.

Portfolio value

The portfolio value remains virtually unchanged at €4,687 million (vs €4,686 million at 31 December 2017). The impact of disposals[41] is offset by the addition of the first phase of Paris-Montparnasse rail station stores, and changes in value on a like-for-like basis.

Property exit rate[42]

Average capitalisation rate at 100%	30/06/2018	31/12/2017
France	4.80%	4.72%
International	5.95%	5.88%
Total portfolio	4.91%	4.83%

Qwartz (Villeneuve-la-Garenne)

Less than a year after the departure of Marks & Spencer, the Group has re-let the 5,000 m² of vacated surface area to two brands (including one signed in late July). Hence, Kiabi, France's leading ready-to-wear brand, encouraged by its success at the site since it first opened, has decided to base its flagship store there, selling its entire range in one store with a surface area of 2,000 m².

Tenants' revenue[45] and footfall[46]

	Sales (incl. tax)	Footfall
France	+1.3%	+1.3%
Benchmark France (CNCC)	*(1.8)%*	*(1.1)%*

Operational performance

Economic environment

The economic indicators for the first half of 2018 are more mixed than in 2017. Unemployment is expected to come under 8.9%[43], and French GDP growth forecast for 2018 remains solid at +1.9%[44]. In contrast, the consumer confidence index reached to its lowest level since 2016, falling below its long-term average.

Business activities of the centres

Bercy Village (Paris)

An iconic site for the Group with its unique architecture and atmosphere, in June Bercy Village was joined by Danish design label Sostrene Grene, bringing the site's occupancy rate to 100%.

Net consolidated rental income

	In €m	*Change*
Net rental income at 30 June 2017	**88.8**	
Redevelopment	(3.5)	
Deliveries	0.6	
Sale	(2.4)	
Like-for-like change	**0.7**	***+0.9%***
Net rental income at 30 June 2018	**84.2**	

The decrease compared with 30 June 2017 is mainly due to the impact of disposals in 2017 and 2018 and the refurbishments currently under way, including the vacancy caused by the departure of Marks & Spencer from Qwartz (the entire vacated space was refurbished and re-let at the end of July 2018).

[41] Including one asset sold in March (Satory) and four other assets subject to a preliminary sale agreement (Les Tanneurs in Lille, Porte Jeune in Mulhouse, Espace Saint Christophe in Tourcoing and Espace Grand'Rue in Roubaix).
[42] The exit rate (or "capitalisation rate") is used by appraisers to capitalise rents in the terminal period of their DCF models. It reflects the fundamental medium- to long-term quality of assets.
[43] INSEE Index – Metropolitan France – May 2018
[44] Source: OECD – March 2018.
[45] Change in retailers' revenue on a same-store basis in the first five months of 2018 in France. Excluding property being redeveloped.
[46] Change in the number of visitors, measured by Quantaflow at shopping centres equipped with this technology, or by counting cars at retail parks (excluding travel retail), combined with CNCC data from the end of June.

Occupancy cost ratio[47], bad debt ratio[48] and financial vacancy rates[49]

	30/06/2018	31/12/2017	31/12/2016
Occupancy cost ratio	11.1%	10.8%	10.3%
Bad debt ratio	1.1%	1.2%	2.3%
Financial vacancy	1.4%	2.4%	2.7%

The improvement in the Group's collection strategy and solid retail performance has resulted in a very low bad debt ratio.

The financial vacancy rate stands at 1.4%, reflecting the quality of assets in the portfolio and the success of the letting and re-letting campaigns.

Leasing (leases signed)

At 100%	Number of leases	New rent	*Change*
France	107	€9.1m	*(€0.1m)*
International	54	€3.7m	*€0.3m*
Total	**161**	**€12.8m**	***€0.2m***

In the first half of 2018, the Group signed 161 leases on assets in the portfolio, including Sostrene Grene at Bercy Village and Vapiano at Avenue 83. It also re-let space vacated by Marks & Spencer at Qwartz, while renewing various leases at retail parks.

Taking into account the leases signed on pipeline projects (see above), the teams worked on a total volume of 204 leases, representing aggregate rental income of €23.5 million.

47 Ratio of billed rents and expenses to tenants (including reductions) to sales revenue. Including tax and at 100%. France and International.
48 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 %. France and International

49 Estimated rental value (ERV) of vacant units as a percentage of total estimated rental value. France and International. Excluding property being redeveloped.

PORTFOLIO at 30 June 2018

Asset and type		GLA (in m²)	Gross rent (€m) [(d)]	Value (€m)	Group share	Group share (€m)
Cap 3000 (Nice)	SC	71,200			33%	
Espace Gramont (Toulouse)	SC	56,700			51%	
Avenue 83 (Toulon-La Valette)	SC	53,500			51%	
Qwartz (Villeneuve-la-Garenne)	SC	43,300			100%	
Bercy Village (Paris)	SC	23,500			51%	
Massy -X%	SC	18,400			100%	
La Vigie (Strasbourg)	SC	18,200			100%	
Grand Place (Lille)	SC	8,300			100%	
Family Village (Le Mans-Ruaudin)	RP	30,500			100%	
Family Village (Limoges)	RP	29,000			75%	
Family Village (Nîmes)	RP	28,800			100%	
Les Portes de Brest Guipavas	RP	28,600			100%	
Family Village (Aubergenville)	RP	27,800			100%	
Espace Chanteraines (Gennevilliers)	RP	23,700			51%	
Les Portes d'Ambresis (Villeparisis)	RP	20,300			100%	
XIV Avenue (Herblay)	RP	14,300			100%	
Marques Avenue A13 (Aubergenville)	RP	12,900			100%	
Pierrelaye	RP	10,000			100%	
Paris-Montparnasse rail station – Phase 1	TR	8,500			100%	
Paris-Est rail station	TR	6,800			51%	
Thiais Village (Thiais)	CG	22,800			100%	
Okabé (Le Kremlin-Bicêtre)	CG	15,000			65%	
C.C. de Flins	CG	9,800			100%	
Jas de Bouffan (Aix-en-Provence)	CG	4,500			100%	
Miscellaneous (3 assets)	CG	16,100			100%	
Sub-total France		**602,500**	**173.9**	**3,845**		**2,488**
Sant Cugat (Barcelona)	SC	33,000			100%	
Le Due Torri (Bergame-Stezzano)	SC	30,900			100%	
Corte Lombarda (Bellinzago)	CG	21,200			100%	
Sub-total International		**85,100**	**24.3**	**428**		**428**
Controlled assets [(a)] (30 assets)		**687,600**	**198.2**	**4,273**		**2,916**
Carré de Soie (Lyon)	SC	51,000			50%	
Le Parks (Paris)	SC	33,300			50%	
Les Boutiques Gare du Nord (Paris)	TR	4,600			40%	
Jas de Bouffan (Aix-en-Provence)	CG	5,300			50%	
Hôtel de Ville (Châlons)	CG	5,300			40%	
Miscellaneous (2 assets)	CG	3,000			49%	
Equity assets[(b)] (6 assets)		**102,500**	**27.8**	**414**		**205**
Total portfolio assets (36 assets)		**790,100**	**226.0**	**4,687**		**3,122**
Assets managed for third parties[(c)] (7 assets)		**150,700**	**30.7**			
Total managed assets (43 assets)		**940,800**	**256.7**			

[(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 is not the majority shareholder, but on which it exercises joint operational control or 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 1st July 2018.

(SC) Shopping centre – (RP) Retail park – (TR) Travel retail – (CG) Commercial gallery (mall)

1.3.2 Residential

A winning strategy

With a market share of 8.6%[50] at the end of 2017 (11,189 reserved units) and continued growth in the first half of 2018 (new orders up +8% to 5,207 units), the Group remains one of the top 3 French developers.

This performance was the result of a targeted, multi-brand and multi-product geographic development strategy, based above all on attention to satisfying customer wants and needs.

Customers are at the core of the process

The Group is uniquely attuned to its customers' expectations. To develop appropriate and suitable products, the Group has focused its efforts on three main areas.

Comprehensive customer support

The Group adopts an approach to customer support, backed up by:

• customisation of the offer: four collections featuring turnkey packs ("ready to live", "ready to rent", "connected", "security"), in addition to a catalogue of 200 technical and decorative options. Customers can personally select their own options at Cogedim Stores, where they can wander through show apartments, browse the choice of materials and enjoy an immersive digital experience. The Group opened its first store at Bercy Village in 2016, with another store in Toulouse in 2017. These were followed by a further three stores in Bordeaux, Lyon and Marseille in the first half of 2018;

• the launch in 2017 of "mon-cogedim.com". This platform allows buyers to receive personalised support throughout their home-buying experience, with a single customer relationship manager and dedicated follow-up to ensure that they receive a first-class service;

• advice on financing options and rental management assistance for retail investors.

These actions undertaken by the Group for the satisfaction of its customers have been rewarded: for instance, Cogedim became the first property developer to win "Customer Service of the Year" award for the level of service and quality of its customer relations in 2018. The Group also made its entry into the Top 10 French companies in the nationwide Les Echos/HCG ranking of customer reception (8th place), ranking 1st among French property developers.

A signature, a pledge of quality

Almost all the Group's operations are certified NF Habitat, a true benchmark of quality and performance, guaranteeing enhanced comfort and energy savings.

Expert teams of architects and interior designers analyse, model and anticipate tomorrow's uses. The plans offer adjustable build-outs, tailored to family structures and lifestyles.

Programmes rooted in their city

The Group strives to develop projects that fit seamlessly into their environment and match the end-needs of customers as closely as possible: close to shops, public transport and schools.

Well-judged regional targeting focused on gateway cities

The housing market in France is extremely fragmented, both in terms of actors and local situations. For example, while areas classified as B2 and C are experiencing a slowdown accentuated by the geographical reorientation of the Pinel tax scheme, cities are continuing to benefit from metropolisation and a growing demand for housing.

In this context, the Group is pursuing a geographic development strategy aimed at maintaining a strong position in France's most dynamic regional gateway cities[51] by targeting high-demand areas where the need for housing is greatest.

The extension in 2017 of the Pinel tax scheme for a further four years and its focus on these high-demand areas came as welcome news for the Group and its regional strategy, since more than 99% of its pipeline (current offering and land portfolio) is located in eligible areas[52].

A multi-brand and multi-product strategy

The Group operates across France, mainly offering multi-dwelling products[53] through its national brand Cogedim, strengthened in gateway cities by Pitch Promotion and supplemented in terms of products by Histoire & Patrimoine (Historical buildings and urban renovation).

On 17 July 2018, the Group acquired the remaining capital of Histoire & Patrimoine, having already acquired 55% of its capital in June 2014.

The Group thus provides a well-judged response in all market segments for all customer types:

• High-end[54]: products defined by demanding requirements in terms of location, architecture and quality. In the first half of 2018, these represented 19% of the Group's new orders by number of units;

• Entry level/mid-range[55]: these programmes, which accounted for 75% of the Group's new orders, are specifically designed to address:

- the need for housing suitable both for first-time buyers (controlled prices) and private investment (Pinel tax scheme),

- and meet the challenges faced by social housing providers, with which the Group is developing genuine partnerships to

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[50] 129,817 units reserved in France in 2017 (+2.1% vs. 2016) – Source: Ministry of Territorial Cohesion.
[51] 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, Rennes Métropole.
[52] The "high-demand areas" correspond to areas A bis, A and B1. At 30 June 2018, only 320 units (i.e. 0.8%of the Residential pipeline) are located in area B2, with a significant proportion being in French Genevois, which has strong appeal.
[53] Detached houses account for 2% of new orders at 30 June 2018.
[54] Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions.
[55] Programmes under €5,000 per m² in the Paris Region and under €3,600 per m² in other regions, as well as exclusive programmes.

help them increase their rental stock and upgrade some ageing assets;

• Serviced Residences (4%): the Group offers an extended range (student residences, business tourism residences, exclusive residences, etc.). Under the Cogedim Club® brand, it also designs serviced residences for active seniors, combining locations in the heart of the city with a broad range of bespoke services. In the first half of 2018, the Group opened a Cogedim Club® residence in Arras (62), bringing the number of residences in operation to 11, and began work on two construction projects in Salon de Provence (13) and Marseille (13);

• Sales in divided ownership: under the "Cogedim Investissement" 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.

A buoyant market with a favourable outlook

For 2018, the Group forecasts a slight dip in the new housing market in France, given the all-time high of 130,000 units sold in 2017. However, strong sales are expected to continue with forecasts of around 120,000 units.

Metropolisation, the end of urban sprawl and the refocusing of the Pinel scheme on high-demand areas mainly affect individual houses and units situated in areas B2 and C, where the Group tends not to operate[56].

In the first-time buyer market, the decrease in interest rates and increased competition over mortgage insurance rates are positive factors for the market. In terms of investment, developers are seeing a change in the profile of retail investors, with a rise in the number of young people, who, for more flexibility, tend to consider rental investments instead of buying their main residence.

New orders[57]: 5,207 units (+8%) and €1.3 billion (+7%)

New orders	H1 2018		H1 2017		Change
Individuals – First-time	463	€m	395	€m	+17%
Individuals – Investors	469	€m	516	€m	(9)%
Institutional investors	351	€m	289	€m	+21%
Total in value (incl. tax)	**1,282**	**€m**	**1,199**	**€m**	**+7%**
o/w equity-method (Group	*143*	*€m*	*140*	*€m*	*+2%*
Individuals – First-time	1,489	units	1,169	units	+27%
Individuals – Investors	1,998	units	2,233	units	(11)%
Institutional investors	1,719	units	1,420	units	+21%
Total in units	**5,207**	**units**	**4,822**	**units**	**+8%**

The Group saw a sharp increase in the number of new orders from first-time buyers (+27%) and institutional investors (+21%).

In the buy-to-let sector, new orders surged to almost 2,000 units (38% of total new orders). The decrease compared with the first half of 2017 is due to a negative base effect linked to the 2017 pre-election period in France (acceleration of transactions to qualify for the Pinel tax scheme) and renewal of the scheme, causing investors to hold off before committing to new projects.

New orders by product range

Number of units	H1 2018	%	H1 2017	%	Change
Entry-level / mid-range	3,900	75%	3,735	77%	
High-end	1,005	19%	872	18%	
Serviced Residences	225	4%	91	2%	
Renovation/Rehabilitation	77	1%	124	3%	
Total	**5,207**		**4,822**		**+8%**

Notarised sales

€millions incl. tax	H1 2018	%	H1 2017	%	Change
Entry-level / mid-range	662	72%	581	54%	
High-end	228	25%	430	40%	
Serviced Residences	23	3%	51	5%	
Renovation/Rehabilitation	5	1%	8	1%	
Total	**917**		**1,070**		**(14)%**

Revenue by % of completion: +25%

€millions excl. tax	H1 2018 (a)	%	H1 2017 (b)	%	Change
Entry-level / mid-range	563	71%	403	63%	
High-end	209	26%	198	31%	
Serviced Residences	25	3%	39	6%	
Total	**798**		**640**		**+25%**

(a) Recognised according to the percentage of completion method in accordance with IFRS 15 (by including land in the measurement of technical progress).

(b) Recognised according to the percentage of completion method in accordance with IAS 18 (excluding land).

Based on IFRS 15, revenue in the first half of 2018 amounted to €798 million, an increase of +25% compared with reported revenue for the first half of 2017.

The increase would have been +31% on a like-for-like basis under the previous standards, with revenue of €837 million at 30 June 2018.

[56] At 30 June 2018, only 320 units (i.e. less than 0.8%of the Residential pipeline) are located in area B2, with a significant proportion being in French Genevois, which has strong appeal.

[57] New orders net of withdrawals, in euros including tax when expressed in value. New orders at 100%, with the exception of projects under joint control (Group share of placements). Histoire & Patrimoine accounted for in proportion to the Group share (55%) at that date.

Outlook

Supply[58]

Supply	H1 2018	H1 2017	*Change*
€ millions (incl. tax)	1,990	2,036	*(2)%*
Number of units	8,074	9,136	*(12)%*

Commercial launches

Launches	H1 2018	H1 2017	*Change*
Number of units	5,316	5,863	*(9)%*
Number of transactions	96	96	-
Revenue incl. tax (€m)	**1,296**	**1,406**	***(8)%***

Residential backlog[59]

€millions excl. tax	30/06/2018	31/12/2017	*Change*
Notarised revenues not recognised on a % of completion basis	1,226	1,956	
Revenues reserved but not notarised	1,606	1,317	
Backlog	**2,831**	**3,273**	**(13)%**
o/w equity-method (Group share)	*226*	*281*	*(20)%*
Number of months	*20*	*28*	

Following the negative impact of IFRS 15, the Residential backlog[60] remains high.

Project under construction

215 projects were under construction at 30 June 2018, compared with 210 at the end of 2017.

Properties for sale[61] and future offering[62]: 46 months of pipeline

In €m incl. tax of potential revenue	30/06/2018	No. of month	31/12/2017	*Change*
Properties for sale	1,889	*9*	*1,581*	
Future offering	8,009	*37*	*7,624*	
Pipeline	**9,898**	**46**	**9,205**	**8%**
In no. of units	*40,181*		*38,985*	*3%*
In m²	*2,250,100*		*2,183,100*	*3%*

The Residential pipeline represents four years of business with almost 40,200 units, of which 99% are in high-demand areas eligible for the Pinel tax scheme.

Risk management

Breakdown of the Group's properties for sale at the end of June 2018 (€1.9 billion incl. tax, or nine months of business), according to the stage of completion of the programmes:

In €m	from lowest to highest risk			
	Project not yet started	Project under construc -tion	In stock (a)	Total
Cost price excl. tax	**161**	**472**	**18**	**651**
O/w paid out (a)	*161*	*276*	*18*	*455*
Properties for sale (b)	**1,086**	**723**	**26**	**1,835**
In %	*59%*	*39%*	*1%*	
o/w to be delivered	*in 2018*	*61*		
	in 2019	*337*		
	≥ 2020	*325*		
Histoire & Patrimoine products				47
Measurement products				7
Properties for sale (b)				**1,889**

(a) Total amount already spent on operations in question, excluding tax.
(b) As revenue, including tax.

Management of real estate commitments

59% of properties for sale (or €1,086 million) concerns programmes for which construction has not yet started (53% under preparation and 6% 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).

39% of the offering is currently under construction, including a limited share (€61 million or 3% of total properties for sale) representing units to be delivered by the end of 2018.

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 choice to prioritise the signing of unilateral preliminary sale agreements rather than bilateral sale and purchase agreements;

• requiring the consent of the commitments committee at all stages of the transaction: signing of the purchase agreement, marketing, land acquisition and launch of construction;

• strong pre-commercialisation required when acquiring land;

• abandonment or renegotiation of projects having generated inadequate take-up rates.

[58] Sale agreements for land signed and valued as potential residential orders (incl. taxes).
[59] The Residential backlog consists of revenues (excluding tax) from notarised sales, to be recognised on a percentage-of-completion basis, and individual and block new orders to be notarised (retail and institutional investors). It also includes projects on which the Group exercises joint control (consolidated by the equity method). The corresponding revenue is therefore not included in the consolidated revenue of the Group's Residential business line.
[60] The application of IFRS 15 has resulted in a decrease in the Residential backlog, with the corresponding margin recognised in opening equity.
[61] Units available for sale (incl. taxes value, or number count).
[62] Future offering consisting of secured projects (through an option on the land, mostly in unilateral form) whose launch has not yet occurred (value including taxes of potential revenue when expressed in euros).

1.3.3 Business property

An investor developer model

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

• as a property developer[63] in the form of off-plan sales, off-plan leases and property development contracts, with a particularly strong position on the turnkey users market, or as a service provider under delegated project management contracts;

• as an investor directly or through AltaFund[64] as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redeveloped[65].

The Group is systematically the developer of projects in which it acts as co-investor and manager[66].

Altarea Cogedim can operate throughout the value chain, with a diversified revenue model: PDC margins, rent, capital gains, fees, etc.

With the creation of the Logistics Investment fund at the end of 2017, managed by Pitch Promotion, the Group replicated its investor-developer model to a new line of Business property products: logistics platforms.

An attractive market

The French office property market remains very attractive for investors. In the Paris Region, total investment in the first half of 2018 reached €9.1 billion (up 69% year-on-year)[67] of which €6.1 billion in the second quarter. The market remains particularly positive for surface areas over 5,000 m².

The dynamism of the rental market in the Paris Region was also confirmed at the end of June 2018, boosted by the recovery in employment. New orders increased by 15% year-on-year and were at their highest level since 2008, at approximately 1.3 million m²[68].

Available office space in the Paris Region at 30 June 2018 was 3,055,000 m², down by 12% compared to a year earlier.

The scarcity of quality supply in the most sought-after business areas (Paris CBD[69], Paris-La Défense and the Western Crescent) is beginning to have an significant impact on headline rents (+6% over year-on-year for new and redeveloped properties)[70] and on supporting measures (decreasing).

Solid new orders: €332 million

New orders are an indicator of commercial activity, combining numbers for two types of events:

• the signing of property development and off-plan sales contracts in the development business[71];

• the sale of assets in the investment business.

Business	Amount of placement	Recognition in accounts
Property development	Amount (incl. tax) of the property development or off-plan sale contract	Revenue (excl. tax) by % of completion
Investment	Sale price, net of property development or off-plan sales contracts already signed (if applicable)	Capital gain recognised in profit[a]

(a) As the Group generally holds a minority stake in investment projects, the associated capital gain is recognised in equity-accounted income.

In the first half of 2018, the Group recorded a solid level of new orders in the amount of €332 million, including taxes.

Note that in the first half of 2017, the record level of new orders (€669 million, including taxes) was primarily the result of recognising two major investment projects in the total amount of €450 million (Bridge, the future global headquarters of Orange, and Richelieu, the future Altarea Cogedim headquarters).

€millions incl. tax	30/06/2018	30/06/2017
Signing of property development or off-plan sales contracts	260	669
o/w equity-method (Group share)	*–*	*68*
Asset sales	72	-
Total	**332**	**669**

The main new orders consisted of the signature of a property development agreement (CPI) for the redevelopment of the CB3 Tower at La Défense, and of an off-plan contract (VEFA) for the Bassins à Flot project in Bordeaux.

The impact of these orders on revenue will be seen in the coming years.

Sale of Kosmo to Sogecap (Société Générale Insurance)

The Group sold to Sogecap the Kosmo building in Neuilly-sur-Seine (future headquarters of Parfums Christian Dior) for an amount of €466m. The Group recorded during the period the capital gain related to this project, in which it held a 17% stake via AltaFund.

The sale generated a significant gain for the Group, the share of which was accounted for using the equity method in the financial statements at 30 June 2018.

The Group continues to be involved in the transaction as the developer with delivery planned for the end of 2018.

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[63] The Property development activity does not represent any commercialisation risk for the Group, only a risk in terms of work.
[64] 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.
[65] Resold rented or not.
[66] Through marketing, sale, asset and fund management contracts.
[67] Source: Immostat – July 2018.
[68] Source: Cushman & Wakefield France - Flash Bureaux Ile-de-France - July 2018.
[69] Central Business District.
[70] Source: Immostat – July 2018.
[71] New orders including tax at 100%, with the exception of projects under joint control (equity-accounted) for which placements are in Group share.

Pipeline: 55 projects under way

At 30 June 2018, the project portfolio comprised 55 developments, of which seven are part of the Group's medium-term investment strategy and four are delegated project management contracts.

The potential value at 100% of these projects under construction or secured is €4.6 billion.

At 30/06/2018	No.	Surface areas at 100% (m²)	Potential value at 100% (€m excl. tax)
Investments[(a)]	7	231,700	2,653
Property developer (property development agreements or off-plan sales)[(b)]	44	959,900	1,687
o/w Office	*33*	*379,100*	*1,284*
o/w Logistics	*11*	*580,800*	*403*
Delegated project management [(c)]	4	78,700	213
Total	**55**	**1,270,300**	**4,553**

(a) Potential value: market value excluding project rights at the date of sale, held directly or via AltaFund.
(b) Projects intended for "100% external" customers only. Potential value: revenue (excl. tax) from signed or estimated property development or off-plan sale contracts, at 100%.
(c) Potential value: capitalised fees for delegated projects.

Commitments at 30 June 2018

In €m, Group share	Investment	Property development	Total
Already invested	189	8	197
To be invested	109	–	109
Total commitments	**298**	**8**	**306**

For new developments, commitments are limited to the amount of studies for projects being arranged. For projects under construction, financial commitments are covered by calls for funds (except "blank" transactions).

On investment transactions, the Group's commitments correspond to the obligations of equity contributions in operations. With respect to AltaFund transactions, the Group contributed its complete equity share in 2017.

At 30 June 2018, the Group had, accordingly, committed a total of €306 million in Group share.

1.3.3.1 INVESTMENT

Seven investment projects under way

The Group is developing seven medium-term investment projects, for which it shares management with leading institutional investors.

These projects covered the development or restructuring of office buildings in exceptional locations (Paris and inner suburbs), offering high potential once delivered.

The cost price of these transactions is €1.7 billion at 100% (€551 million in Group share) for a potential value of close to €2.7 billion (estimated sales price), i.e. an expected gain in excess of €300 million in Group share. Delivery of these transactions will be staggered from 2019 to 2021.

Group investment projects at 30 June 2018

Project	Group share	Surface area (m²)	Estimated rental income (€m)[(a)]	Cost price (€m)[(b)]	Potential value at 100% (€m excl. tax)[(c)]	Progress [(d)]
Richelieu (Paris)	58%	31,800				Under construction/leased
Bridge (Issy-les-Moulineaux)	25%	56,800				Under construction/leased
Landscape (La Défense)	15%	67,400				Under construction
Tour Eria (La Défense)	30%	25,000				Under construction
ISSY CDV – HUGO (Issy-les-Moulineaux)	26%	26,100				Secured
Issy CDV – Leclerc & Vernet (Issy-les- Moulineaux)	50%	15,100				Secured
La Place (Bobigny)	100%	9,500				Secured
TOTAL at 100%	**30% [(e)]**	**231,700**	**113.1**	**1,723**	**2,653**	
o/w Group share			*34.9*	*551*	*864*	

(a) Gross rent before supporting measures.
(b) Including acquisition of land.
(c) Potential market value excluding project rights at the date of sale, held directly or via 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 on cost price.

1.3.3.3 PROPERTY DEVELOPMENT

Portfolio

In Business property development, the Group operates under off-plan and property development contracts, for two types of projects:

• projects in which the Group also acts as a medium-term investor (directly or via AltaFund), already presented above;

• 100% external" customer projects (investors, users).

Altarea Cogedim is also acting as a delegated project manager on 4 developments, some of which are among the most iconic in progress in the French capital city.

Property development agreement/off-plan sales/delegated project management	No.	Surface area (m²)	Revenue excluding tax (€m) (a)
Group investments	7	231,700	852
100% external projects	44	959,900	1,687
o/w Office	*33*	*379,100*	*1,284*
o/w Logistics	*11*	*580,800*	*403*
Delegated project management	4	78,700	213
Portfolio 30/06/2018	**55**	**1,270,300**	**2,752**
o/w under construction	*24*	*374,050*	*996*
o/w secured projects	*31*	*896,250*	*1,756*

(a) Revenue (excl. tax) from signed or estimated property development, off-plan sale or delegated project management contracts, at 100%.

Highlights in the first half of 2018

Supply

Altarea Cogedim took on six new projects for a total of over 447,000 m², including the CB3 Tower redevelopment project at La Défense. Three projects for logistics platforms (390,000 m²), of which a project located in Bollène (260,000 m², North of Avignon) and two projects developed under the FLF1 (the Logistics fund launched at the end of 2017).

Deliveries

Altarea Cogedim delivered two projects for a total of 10,000 m², including a building constructed near Toulouse for ERDF.

Projects started

The Group launched three projects in the first half of the year for over 28,300 m², including the Convergence building in Rueil Malmaison (25,300 m²) for which an off-plan lease contract was signed with Danone in June (for its largest headquarters worldwide).

Backlog[72] (off-plan, property development contracts and delegated project management)

The decrease in Backlog compared to 31 December 2017 is primarily due to IFRS 15[73].

In €m	30/06/2018	31/12/2017	*Change*
Off-plan, property development contracts	789	906	
o/w equity-method (Group share)	*78*	*8*	
Fees (delegated project management)	2	3	
Total	**791**	**908**	***(13)%***

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

[73] The Business property backlog would be €849 million using a method comparable to the end of 2017.

PROPERTY DEVELOPMENT portfolio at 30 June 2018

	Type	Surface area (m²)	Revenue excluding tax(€m) [(a)]	Completion [(b)]
Group investment projects (7 developments)		**231,700**	**852**	
Kosmo (Neuilly-sur-Seine)	PDA	26,200		Under construction
Convergence (Rueil Malmaison)	Off-plan sales	25,300		Under construction
Orange (Lyon)	PDA	25,900		Under construction
Belvédère (Bordeaux)	Off-plan sales	50,000		Secured
CB3 Tower (La Défense)	PDA	48,500		Secured
Bassins à Flot (Bordeaux)	Off-plan sales	37,100		Secured
Other Office projects (27 transactions)	PDA/Off-plan sales	166,100		
Other Logistics projects (11 transactions)	PDA/Off-plan sales	580,800		
Other "100% external" projects (44 developments)		**959,900**	**1,687**	
Total off-plan, property development contracts		**1,191,600**	**2,539**	
42 Vaugirard (Paris)	DPM	29,000		Under construction
52 Champs-Elysées (Paris)	DPM	24,200		Under construction
16 Matignon (Paris)	DPM	13,000		Under construction
Tour Paris-Lyon (Paris)	DPM	12,500		Under construction
Delegated project management portfolio (4 developments)		**78,700**	**213**	
Total development portfolio (55 projects)		**1,270,300**	**2,752**	

(a) Property development agreements (PDA)/off-plan: amount excl. tax from signed or estimated contracts, at 100%. Capitalised delegated project management (DPM) fees.

(b) 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.

1.4 Consolidated results

1.4.1 Impacts of the application of IFRS 15[74]

Since 1st January 2018, Altarea Cogedim has recorded its revenue according to IFRS 15 (Revenue from Contracts with Customers). IFRS 15 impacts the percentage of completion used to recognise revenue from development operations. This percentage now includes the cost of land in its calculation, which accelerates the pace of revenue recognition.

At 30 June 2018, this change had a very limited impact on consolidated revenue (-€6.6 million) and on FFO, Group share (- €1.6 million). The impact on opening equity was an increase of €51.0 million (of which €45.7 million in Group share). From a business viewpoint, this impact corresponds to €630 million in revenue.

1.4.2 Results

Altarea Cogedim revenue at 30 June 2018 amounted to €1,095.6 million, up by +20.1% (and +20.8% on a comparable basis). The FFO, Group share rose to €124.2 million (+7.6%). This strong growth was primarily driven by the strong contribution from Residential and Business Property.

FFO per share rose by 2.6% to €7.77, taking into account the increase in the average number of shares[75] (impact of the scrip dividend in 2017).

In €m	Retail	Residential	Business property	Other Corporate	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**105.1**	**798.5**	**191.8**	**0.2**	**1,095.6**	**–**	**1,095.6**
Change vs 30/06/2017	*+0.1%*	*+24.6%*	*+15.2%*	*N/A*	*+20.1%*		*+20.1%*
Net rental income	84.2	–	–	–	84.2	–	84.2
Net property income	0.8	79.8	8.4	–	89.1	–	89.1
External services	8.5	0.7	22.3	0.2	31.7	–	31.7
Net revenue	**93.5**	**80.6**	**30.7**	**0.2**	**205.0**	**–**	**205.0**
Change vs 30/06/2017	*+4.7%*	*+28.9%*	*(17.5)%*	*N/A*	*+3.6%*		*+3.6%*
Capitalised expenses	3.0	60.5	9.4	–	72.9	–	72.9
Operating expenses	(23.9)	(94.5)	(19.1)	1.9	(135.5)	–	(135.5)
Net overhead expenses	**(20.9)**	**(33.9)**	**(9.8)**	**1.9**	**(62.7)**	**–**	**(62.7)**
Share of equity-method affiliates	8.5	4.2	21.5	–	34.2	(7.8)	26.4
Changes in value, calculated expenses and Retail transaction costs						(1.2)	(1.2)
Calculated expenses and Residential transaction costs						(8.9)	(8.9)
Calculated expenses and Business Property transaction fees						(1.4)	(1.4)
Others						(2.8)	(2.8)
Operating income	**81.1**	**50.9**	**42.5**	**2.1**	**176.6**	**(22.1)**	**154.5**
Change vs 30/06/2017	*(3.2)%*	*+22.3%*	*+28.8%*	*N/A*	*+11.6%*		*(44.1)%*
Net borrowing costs	(15.7)	(2.9)	(1.1)	–	(19.6)	(2.9)	(22.5)
Gains/losses in the value of financial instruments	–	–	–	–	–	(16.8)	(16.8)
Others	–	0.1	–	–	0.1	(1.8)	(1.8)
Corporate Income Tax	(0.4)	(2.2)	(1.9)	–	(4.5)	(21.0)	(25.4)
Net income	**65.1**	**45.8**	**39.5**	**2.1**	**152.5**	**(64.6)**	**87.9**
Non-controlling interests	(20.1)	(8.3)	(0.0)	–	(28.4)	12.8	(15.6)
Net income, Group share	**45.0**	**37.6**	**39.5**	**2.1**	**124.2**	**(51.8)**	**72.3**
Change vs 30/06/2017	*(15.7)%*	*+17.7%*	*+31.0%*	*N/A*	*+7.6%*		
Diluted average number of shares					*15,973,562*		
Net income, Group share per share					**7.77**		
Change vs 30/06/2017					*+2.6%*		

[74] *The Group has chosen to apply the IFRS 15 standard using the cumulative catch-up method in its communication.*
[75] *The average number of shares at 30 June 2018 was 15,973,562, compared to 15,230,125 at 30 June 2017 (an increase of 743,437 shares).*

1.4.2.1 FFO[76] GROUP SHARE: €124.2 MILLION (+7.6%)

FFO Group share represents operating income after net borrowing costs, corporate income tax and non-controlling interests, for all group activities.

FFO Retail: €45.0 million, (-15.7%)

FFO Retail illustrates the developer-investor model investor developed by Group. It is made up of:

• FFO Retail REIT which measures the financial performance of assets in Group share;

• FFO Property Development and Retail Services which includes the retail assets development activity, and Altarea Commerce expenses not covered by fees and those linked to projects launched, redeveloped or commissioned but which cannot be capitalised in IFRS accounts.

In €m	H1 2018	H1 2017	
Rental income	93.6	94.5	(1.0)%
Rental costs/cost of land	(9.4)	(5.7)	
Net rental income	**84.2**	**88.8**	(5.2)%
% of rental income	*90.0%*	*93.9%*	(3.9) pt
Contribution of EM associates	8.5	10.6	
Net borrowing costs	(15.7)	(13.9)	
Other financial results	–	4.0	
Corporate income tax	(0.4)	(0.2)	
Non-controlling interests	(20.1)	(20.1)	
FFO Retail REIT	**56.6**	**69.2**	(18.2)%
External services	8.5	8.4	
Net property income	0.8	0.7	
Own work capitalised and production	3.0	2.6	
Operating expenses	(23.9)	(27.5)	
FFO Property Development and Retail Services	**(11.6)**	**(15.8)**	
FFO Retail	**45.0**	**53.4**	(15.7)%

The drop in FFO Retail REIT is primarily due to the decline in net rental income as a result of the disposals completed in 2017 and 2018 and the redevelopment under way, including the vacancy due to the departure of Marks & Spencer from Qwartz (fully redeveloped and released by the end of July 2018).

In addition, the FFO for H1 2017 included income from hedging instruments of €4 million resulting from the resolution of a dispute.

FFO Residential: €37.6 million, +17.7%

In €m	H1 2018	H1 2017	
Revenue by % of completion	797.8	640.2	+24.6%
Cost of sales and other expenses	(717.9)	(578.3)	
Net property income	**79.8**	**61.9**	+29.0%
% of revenue	*10.0%*	*9.7%*	
External services	0.7	0.6	
Production held in inventory	60.5	61.6	
Operating expenses	(94.5)	(86.7)	
Contribution of EM associates	4.2	4.2	
Operating income	**50.9**	**41.6**	+22.3%
% of revenue	*6.4%*	*6.5%*	(0.1) pt
Net borrowing costs	(2.9)	(3.2)	
Others	0.1	–	
Corporate income tax	(2.2)	(2.5)	
Non-controlling interests	(8.3)	(4.0)	
FFO Residential	**37.6**	**31.9**	+17.7%

Residential revenue recognised according to percentage of completion increased by 24.6% in the first half (compared to 30.7% on a comparable basis using the previous standards). It stems from the progress of operations marketed primarily in 2016 and 2017.

The significant growth in revenue (and in the associated margin) reflects the strong growth in new orders recorded in these years.

FFO Business property: €39.5 million, up 31%

In €m	H1 2018	H1 2017	
Revenue by % of completion	169.5	162.1	
Cost of sales and other expenses	(161.1)	(141.4)	
Other income	–	12.3	
Net property income	**8.4**	**33.0**	(74.4)%
% of revenue	*5.0%*	*20.3%*	
External services	22.3	4.3	
Production held in inventory	9.4	10.6	
Operating expenses	(19.1)	(18.4)	
Contribution of EM associates	21.5	3.4	
Operating income	**42.5**	**33.0**	+28.7%
% of (revenue + ext. serv.)	*22.1%*	*20.4%*	+1.7 pt
Net borrowing costs	(1.1)	(1.3)	
Corporate income tax	(1.9)	(1.8)	
Non-controlling interests	(0.0)	0.2	
FFO Business Property	**39.5**	**30.1**	+31.0%

FFO Business Property took into account the gain on the disposal of the Kosmo building (Group share, equity method). This result also includes a share of the outperformance premium related to the first AltaFund fund recognised in external services.

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

FFO per share: €7.77

The average number of shares at 30 June 2018 was 15,973,562, compared to 15,230,125 at 30 June 2017 (an increase of 743,437 shares). The increase was the result of the payment of the scrip dividend in 2017. As a result, the FFO per share was €7.77, up by 2.6%.

1.4.2.2 CHANGES IN VALUE AND CALCULATED CHARGES: (€51.8 MILLION)

Group share.	In €m
Change in value Investment properties	2.8
Change in value - Financial instruments	(16.8)
Disposal of assets and transaction costs	(4.6)
Share of equity-method associates	(7.8)
Deferred tax	(21.0)
IFRS 2 stock grant plan charges	(8.7)
Other estimated expenses [(a)]	(8.6)
Total	**(64.6)**
Non-controlling interests	12.8
Total	**(51.8)**

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

1.4.3 Net asset value (NAV)

1.4.3.1 DILUTED GOING CONCERN NAV: €171.2/SHARE

GROUP NAV	30/06/2018				30/06/2017		31/12/2017	
	In €m	*Change*	€/share	*Change /share*	In €m	€/share	In €m	€/share
Consolidated equity, Group share	**1,822.4**		**113.5**		**1,777.9**	**110.8**	**1,904.8**	**118.7**
Other unrealised capital gains	763.2				637.0		722.1	
Restatement of financial instruments	43.0				53.9		26.2	
Deferred tax on the balance sheet for non-SIIC[(a)]	29.1				26.8		30.2	
EPRA NAV	**2,657.8**	***+6.5%***	**165.6**	***+6.5%***	**2,495.6**	**155.5**	**2,683.3**	**167.2**
Market value of financial instruments	(43.0)				(59.3)		(26.2)	
Fixed-rate market value of debt	0.1				(1.7)		9.1	
Effective tax for unrealised capital gains on non-SIIC assets[(b)]	(30.0)				(26.8)		(29.5)	
Optimisation of transfer duties[(b)]	90.0				93.7		84.6	
Partners' share[(c)]	(19.8)				(18.6)		(20.2)	
EPRA NNNAV	**2,655.2**	***+6.7%***	**165.4**	***+6.7%***	**2,488.3**	**155.0**	**2,701.2**	**168.3**
Estimated transfer duties and selling fees	92.9				80.1		92.8	
Partners' share [(c)]	(0.7)				(0.6)		(0.7)	
Diluted Going Concern NAV	**2,747.3**	***+7.0%***	**171.2**	***+7.0%***	**2,567.8**	**160.0**	**2,793.3**	**174.0**
Number of diluted shares:	*16,051,84*				*16,051,842*		*16,051,842*	

(a) International assets.
(b) Depending on the disposal's structuring (assets or shares).
(c) Maximum dilution of 120,000 shares.

1.4.3.2 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:

• the Rental Management and Retail Property Development division (Altarea France);

• the Residential and Business Property development division (Cogedim, Histoire & Patrimoine and Pitch Promotion);

• the Office Property Investment division (AltaFund and Richelieu);

• a hotel going concern (Wagram hotel);

• the Group's interest in the Rungis Market (Semmaris).

These assets are valued once a year within the framework of the annual closing by external appraisers.

The valuations for Altarea France and Semmaris are entrusted to Accuracy.

The Development division (Residential and Business Property) and the Office Property Investment division are valued by two experts, Accuracy and 8 Advisory.

For retail and the hotel going concern, the valuation is entrusted to Cushman & Wakefield and Jones Lang LaSalle. 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	36%
Cushman & Wakefield	France & International	64%

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. 8 Advisory uses a multi-criteria DCF-based approach, an approach using multiples from listed peer group and multiples from comparable transactions.

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).

1.4.3.3 CHANGE IN GOING CONCERN NAV[77]

Going Concern NAV amounted to €171.2 per share at 30 June 2018, down 1.6% compared to 31 December 2017, but up 6.0% excluding dividend paid during H1 2018.

Compared to 30 June 2017 (at €160.0/share), Going Concern NAV rose by 7.0%.

The impact of IFRS 15 on equity was €45.7 million in Group share.

Diluted Going Concern NAV	In €m	€/share
At 30 June 2017	**2,567.8**	**160.0**
At 31 December 2017	**2,793.3**	**174.0**
Dividend H1 2018	**(200.8)**	**(12.5)**
At 31 December 2017 (excl. dividend)	**2,592.5**	**161.5**
Deferred tax	**(20.3)**	**(1.3)**
Change in value of fin. instruments [(a)]	**(27.5)**	**(1.7)**
H1 2018 FFO	124.2	7.8
Value creation - Retail	12.4	0.8
Value creation - Office Investment	40.9	2.6
Development margin (IFRS 15)	45.7	2.8
Others [(b)]	(20.6)	(1.3)
Creation of real estate value	**202.6**	**12.6**
At 30 June 2018	**2,747.3**	**171.2**

(a) Including fixed-rate market value of debt.

(b) Including allowances for depreciation and amortisation, partners' share and impact of the share buyback intended for the bonus share plans.

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

1.5 Financial resources

1.5.1 Financial position

First credit rating: BBB, outlook stable.

In June, the S&P Global rating agency assigned to Altarea Cogedim BBB rating with a stable outlook.

S&P Global underlined the Group's business model, both as a developer and investor in retail and the third largest real estate developer in France. It also underlined its low cost of debt and a moderate leverage. The stable outlook of the rating reflects the solid revenue generation expected over the coming 24 months, thanks to the excellent quality of its assets and a growing backlog of new development projects in a well-oriented French housing market.

S&P Global also assigned to Altareit, the listed subsidiary 99.85% held and controlled by the Altarea Cogedim Group, a BBB rating, with a stable outlook.

The agency underscored the strength of Altareit's[78] positions, which combine the Group's residential and commercial development activities in a market in which the fundamentals and trends reinforce the company's credit quality. The rating obtained also reflects Altareit's financial discipline in its commitments.

€350 million bond issue by Altareit

Altarea Cogedim completed a first non-rated bond issue of €500 million in July 2017.

On 25 June 2018, Altareit announced the issue of an inaugural rated bond of €350 million with a maturity of seven years and a fixed coupon of 2.875%, and for which settlement-delivery took place after the end of the period.

Altareit therefore became the first French real estate developer to complete a public bond issue, thereby confirming the interest and support of institutional investors in the Group's overall model as both developer (via Altareit) and retail REIT.

The issue will enable the refinancing of existing lines of credit while extending the average duration of debt.

Net Group debt: €2,801 million

At 30 June 2018, the Group's net financial debt was €2,801 million. It increased by €275 million compared to 31 December 2017, notably following the 2017 dividend, which was entirely paid in cash last May, in the amount of €200 million.

Average duration was four years and nine months (excluding treasury notes and property development debt).

In €m	30/06/2018	31/12/2017
Corporate and bank debt	541	541
Credit markets [(a)]	1,848	1,769
Mortgage debt	1,065	1,071
Property development debt	281	316
Total gross debt	**3,735**	**3,696**
Cash and cash equivalents	(934)	(1,169)
Total net debt	**2,801**	**2,526**

(a) This amount includes €912 million in treasury notes

In €m	REIT division	Property Development division	Total
Corporate and bank debt	199	343	541
Credit markets [(a)]	1,318	530	1,848
Mortgage debt	1,065	–	1,065
Property development debt	–	281	281
Total gross debt	**2,582**	**1,153**	**3,735**
Cash and cash	(442)	(492)	**(934)**
Total net debt	**2,140**	**661**	**2,801**

(a) This amount includes €912 million in treasury bills.

€75 million in new long-term financing

During H1 2018, the Group set up a revolving credit of €75 million for a period of five years.

Treasury bills

Altarea Cogedim has two treasury bill programmes (maturities from one month to one year) for which the maximum amounts are €750 million for Altarea and €600 million for Altareit. At 30 June 2018, the outstanding amounts were €382.7 million and €529.5 million for Altarea and Altareit, respectively.

Available liquidity

At 30 June 2018, available liquidity, to be drawn at any time and immediately, consisted of:

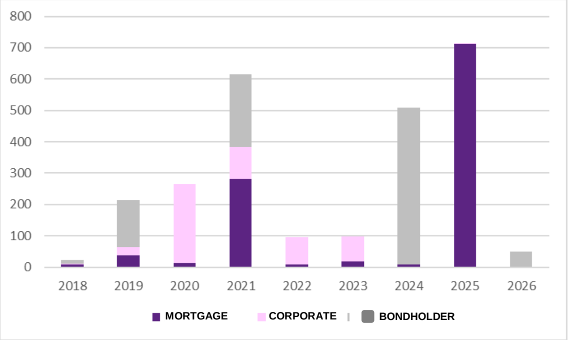
- €650 million in cash;
- €725 million in undrawn committed revolving credit facilities;
- €37 million in overdraft authorisations.

This available liquidity includes €912 million in treasury bills with an average term of five months.

[78]Altareit is a subsidiary 99.85% held by Altarea Cogedim rated on Euronext Paris (AREIT) which primarily combines the Residential and Business development activities of the Group.

Debt maturity schedule[79]

The chart below (in €m) presents the Group's debt by maturity at 30 June 2018.



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 by Altarea.

The 2025 maturity corresponds to the mortgage financing put in place on a portfolio of shopping centres in 2015.

1.5.2 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[80] with the balance exposed to the three months Euribor.

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 0.43% and 1.02% up to 2026. 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)
2018	1,332	951	107	2,390	0.43%
2019	1,693	936		2,629	0.52%
2020	2,034	796		2,830	0.83%
2021	2,072	793		2,865	0.88%
2022	1,964	790		2,755	0.89%
2023	1,963	788		2,751	0.89%
2024	1,853	535		2,388	0.92%
2025	959	166		1,126	1.02%
2026		50		50	0.63%

(a) In share of consolidation.
(b) Average rate of swaps, of caps and average swap rate (excluding spread, at the fixing date of each transaction) of the fixed-rate debt.

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

Average cost of drawn debt: 1.77% (1.75% at year-end 2017)[81]

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. Altarea Cogedim also benefited from effects of the renegotiations of its financing terms for its entire property development activity.

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.

1.5.3 Bank covenants and financial rating

At 30 June 2018 the financial position of the Group fully satisfied all of the covenants of its various credit contracts.

Loan to Value (LTV)

The LTV ratio compares consolidated net debt to the consolidated market value of Group assets. At 30 June 2018, its was 38.5% (compared to 36.1% at 31 December 2017) in line with the overall long-term objective of the Group, which is about 40%.

At 30/06/2018	In €m
Gross debt	3,735
Cash and cash equivalents	(934)
Consolidated net debt	**2,801**
Shopping centres at value (FC) (a)	4,273
Shopping centres at value (EM affiliates' securities) and Other (b)	376
Investment properties valued at cost (c)	556
Office Property investments (d)	273
Enterprise value of Property Development (e)	1,761
Assets held for sale	44
Market value of assets	**7,284**
LTV Ratio	**38.5%**

(a) Market value (including transfer taxes) of shopping centres in operation recorded according to the full consolidation 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 of companies consolidated using the equity method holding investments in Office Property and other Office Property assets.
(e) Value of Property Development assessed by specialist (Enterprise value).

Interest Coverage Ratio (ICR)

	Covenant	30/06/2018	31/12/2017	Delta
LTV(a)	≤ 60%	38.5%	36.1%	2.4 pt
ICR(b)	≥ 2.0 x	9.0x	9.3x	-0.3x

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

[79] *Credit drawn at 30 June 2018 excluding development debt and treasury bills.*

[80] *Including fixed-rate bonds.*
[81] *Including related fees (commitment fees, non-use fees, etc.).*

Consolidated income statement at 30 June 2018

€millions	30/06/2018 Funds from operations (FFO)	30/06/2018 Changes in value, estimated expenses and transaction costs	30/06/2018 Total	30/06/2017 Funds from operations (FFO)	30/06/2017 Changes in value, estimated expenses and transaction costs	30/06/2017 Total
Rental income	93.6	–	93.6	94.5	–	94.5
Other expenses	(9.4)	–	(9.4)	(5.7)	–	(5.7)
Net rental income	**84.2**	**–**	**84.2**	**88.8**	**–**	**88.8**
External services	8.5	–	8.5	8.4	–	8.4
Capitalised expenses	3.0	–	3.0	2.6	–	2.6
Operating expenses	(23.9)	(1.7)	(25.6)	(27.5)	(1.9)	(29.3)
Net overhead expenses	**(12.4)**	**(1.7)**	**(14.1)**	**(16.4)**	**(1.9)**	**(18.3)**
Share of equity-method affiliates	**8.5**	**(6.1)**	**2.4**	**10.6**	**2.5**	**13.1**
Net allowances for depreciation and impairment	**–**	**(0.8)**	**(0.8)**	**–**	**(0.7)**	**(0.7)**
Income/loss on sale of assets	**0.8**	**(0.3)**	**0.6**	**0.7**	**(0.7)**	**(0.1)**
Income/loss in the value of investment property	**–**	**2.8**	**2.8**	**–**	**128.8**	**128.8**
Transaction costs	**–**	**(1.3)**	**(1.3)**	**–**	**(0.1)**	**(0.1)**
NET RETAIL INCOME	**81.1**	**(7.3)**	**73.8**	**83.6**	**127.9**	**211.5**
Revenue	797.8	–	797.8	640.2	–	640.2
Cost of sales and other expenses	(717.9)	–	(717.9)	(578.3)	(1.4)	(579.7)
Net property income	**79.8**	**–**	**79.8**	**61.9**	**(1.4)**	**60.4**
External services	0.7	–	0.7	0.6	–	0.6
Production held in inventory	60.5	–	60.5	61.6	–	61.6
Operating expenses	(94.5)	(5.0)	(99.5)	(86.7)	(5.3)	(92.1)
Net overhead expenses	**(33.2)**	**(5.0)**	**(38.2)**	**(24.5)**	**(5.3)**	**(29.8)**
Share of equity-method affiliates	**4.2**	**(1.3)**	**2.9**	**4.2**	**1.1**	**5.3**
Net allowances for depreciation and impairment	**–**	**(3.1)**	**(3.1)**	**–**	**(0.7)**	**(0.7)**
Transaction costs	**–**	**(0.8)**	**(0.8)**	**–**	**(0.3)**	**(0.3)**
NET RESIDENTIAL INCOME	**50.9**	**(10.3)**	**40.6**	**41.6**	**(6.7)**	**34.9**
Revenue	169.5	–	169.5	162.1	–	162.1
Cost of sales and other expenses	(161.1)	–	(161.1)	(141.4)	(1.3)	(142.7)
Other income	–	–	–	12.3	–	12.3
Net property income	**8.4**	**–**	**8.4**	**33.0**	**(1.3)**	**31.7**
External services	22.3	–	22.3	4.3	–	4.3
Production held in inventory	9.4	–	9.4	10.6	–	10.6
Operating expenses	(19.1)	(0.9)	(20.1)	(18.4)	(1.0)	(19.3)
Net overhead expenses	**12.5**	**(0.9)**	**11.6**	**(3.4)**	**(1.0)**	**(4.4)**
Share of equity-method affiliates	**21.5**	**(0.4)**	**21.1**	**3.4**	**2.2**	**5.7**
Net allowances for depreciation and impairment	**–**	**(0.4)**	**(0.4)**	**–**	**(0.1)**	**(0.1)**
Transaction costs	**–**	**–**	**–**	**0.1**	**–**	**0.1**
NET OFFICE INCOME	**42.5**	**(1.7)**	**40.7**	**33.0**	**(0.2)**	**32.8**
Others	**2.1**	**(2.8)**	**(0.6)**	**0.0**	**(2.9)**	**(2.9)**
OPERATING INCOME	**176.6**	**(22.1)**	**154.5**	**158.2**	**118.1**	**276.3**
Net borrowing costs	**(19.6)**	**(2.9)**	**(22.5)**	**(18.4)**	**(2.5)**	**(21.0)**
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	**–**	**(16.8)**	**(16.8)**	**–**	**14.1**	**14.1**
Proceeds from the disposal of investments	**–**	**(1.7)**	**(1.7)**	**–**	**(0.4)**	**(0.4)**
Dividend	**0.0**	**–**	**0.0**	**0.1**	**–**	**0.1**
PROFIT BEFORE TAX	**157.0**	**(43.7)**	**113.3**	**143.9**	**133.9**	**277.8**
Corporate income tax	**(4.5)**	**(21.0)**	**(25.4)**	**(4.5)**	**(9.9)**	**(14.4)**
NET INCOME	**152.5**	**(64.6)**	**87.9**	**139.3**	**124.0**	**263.4**
Minority shares in continued operations	**(28.4)**	**12.8**	**(15.6)**	**(23.9)**	**(63.4)**	**(87.3)**
NET INCOME. Group share	**124.2**	**(51.8)**	**72.3**	**115.4**	**60.6**	**176.0**
Diluted average number of shares	*15,973,562*	*15,973,562*	*15,973,562*	*15,230,125*	*15,230,125*	*15,230,125*
NET INCOME PER SHARE, Group share (in €)	**7.77**	**(3.24)**	**4.53**	**7.58**	**3.98**	**11.56**

Balance sheet at 30 June 2018

€millions	30/06/2018	31/12/2017
NON-CURRENT ASSETS	**5,400.0**	**5,437.90**
Intangible assets	260.5	258,5
o/w goodwill	*155.3*	*155.3*
o/w Brands	*89.9*	*89.9*
o/w Client relations	*–*	*–*
o/w Other intangible assets	*15.4*	*13,3*
Property plant and equipment	20.1	18,5
Investment properties	4,549.6	4,508.7
o/w Investment properties in operation at fair value	*3,993.8*	*3,983.8*
o/w Investment properties under development and under construction at cost	*555.8*	*525.0*
Securities and investments in equity affiliates and unconsolidated interests	518.6	564.0
Loans and receivables (non-current)	9.0	9.3
Deferred tax assets	42.2	79.0
CURRENT ASSETS	**2,847.2**	**3,154.8**
Net inventories and work in progress	853.0	1,288.8
Trade and other receivables	993.6	630.8
Income tax credit	6.0	8.6
Loans and receivables (current)	13.2	49.3
Derivative financial instruments	6.2	8.2
Cash and cash equivalents	934.2	1,169.1
Assets held for sale	41.2	-
TOTAL ASSETS	**8,247.3**	**8,592.8**
EQUITY	**3,060.4**	**3,164.7**
Equity attributable to Altarea SCA shareholders	**1,822.4**	**1,904.8**
Capital	245.3	245.3
Other paid-in capital	406.2	563.2
Reserves	1,098.7	773.2
Income associated with Altarea SCA shareholders	72.3	323.0
Equity attributable to minority shareholders of subsidiaries	**1,238.0**	**1,259.9**
Reserves associated with minority shareholders of subsidiaries	1,027.3	911.8
Other equity components, Subordinated Perpetual Notes	195.1	195.1
Income associated with minority shareholders of subsidiaries	15.6	153.1
NON-CURRENT LIABILITIES	**2,814.0**	**2,886.9**
Non-current borrowings and financial liabilities	2,747.2	2,826.1
o/w Participating loans and advances from associates	76.5	82.6
o/w Bond issues	*921.4*	*920.7*
o/w Borrowings from lending establishments	*1,749.2*	*1,822.9*
Long-term provisions	20.6	20.1
Deposits and security interests received	32.9	32.2
Deferred tax liability	13.3	8.6
CURRENT LIABILITIES	**2,372.8**	**2,541.1**
Current borrowings and financial liabilities	1,162.5	1,032.2
o/w Bond issues	*14.2*	*9.9*
o/w Borrowings from lending establishments	*130.8*	*103.3*
o/w Treasury notes	*912.2*	*838.0*
o/w Bank overdrafts	*7.1*	*0.8*
o/w Advances from Group shareholders and partners	*98.2*	*80.2*
Derivative financial instruments	48.3	34.9
Accounts payable and other operating liabilities	1,160.8	1,46.3
Tax due	1.1	13.8
TOTAL LIABILITIES	**8,247.3**	**8,592.8**