# ALTAREA

# CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2018

# CONTENTS

# 1 Consolidated statement of comprehensive income

| €millions | Note | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|---|
| Rental income | | 93.6 | 188.4 | 94.5 |
| Property expenses | | (2.6) | (4.6) | (2.1) |
| Unrecoverable rental expenses | | (6.3) | (8.1) | (3.5) |
| Management costs | | 0.9 | 1.7 | 0.8 |
| Net charge to provisions for current assets | | (1.4) | (2.8) | (0.9) |
| **NET RENTAL INCOME** | 5.1 | **84.2** | **174.7** | **88.8** |
| Revenue | | 970.4 | 1,715.9 | 804.2 |
| Cost of sales | | (836.8) | (1,464.8) | (681.6) |
| Other income | | – | 12.4 | 12.3 |
| Selling expenses | | (43.4) | (81.6) | (37.7) |
| Net charge to provisions for current assets | | (1.2) | (14.5) | (1.7) |
| Amortisation of customer relationships | | – | (5.5) | (2.8) |
| **NET PROPERTY INCOME** | 5.1 | **88.9** | **161.9** | **92.8** |
| External services | | 31.7 | 35.2 | 13.6 |
| Own work capitalised and production held in inventory | | 72.9 | 166.4 | 74.8 |
| Personnel costs | | (97.8) | (200.9) | (101.5) |
| Other overhead expenses | | (42.1) | (80.1) | (38.6) |
| Depreciation expense on operating assets | | (3.9) | (5.6) | (2.4) |
| **Net overhead expenses** | | **(39.2)** | **(85.0)** | **(54.1)** |
| Other income and expenses | | (4.7) | (3.8) | (2.7) |
| Depreciation expenses | | (0.4) | (0.8) | (0.4) |
| Transaction costs | | (2.6) | (1.4) | (1.0) |
| **Other** | | **(7.7)** | **(6.0)** | **(4.1)** |
| Proceeds from disposal of investment assets | | 0.8 | 80.0 | 0.0 |
| Carrying amount of assets sold | | (0.8) | (68.6) | (0.8) |
| Net charge to provisions for risks and contingencies | | – | (1.5) | – |
| **Net gain/(loss) on disposal of investment assets** | | **(0.0)** | **9.9** | **(0.8)** |
| Change in value of investment properties | 7.1 | 2.8 | 198.7 | 130.0 |
| Net impairment losses on investment properties measured at cost | | – | (1.4) | (1.2) |
| Net impairment losses on other non-current assets | | 0.0 | 0.4 | 0.2 |
| Net charge to provisions for risks and contingencies | | (0.8) | 1.4 | 0.5 |
| **Operating income before the share of net income of equity-method affiliates** | | **128.1** | **454.5** | **252.3** |
| Share in earnings of equity-method affiliates | 4.4 | 2.9 | 44.0 | 24.1 |
| **Operating income after the share of net income of equity-method affiliates** | | **131.0** | **498.6** | **276.3** |
| Net borrowing costs | 5.2 | (22.5) | (44.3) | (21.0) |
| Financial expenses | | (30.0) | (60.0) | (29.5) |
| Financial income | | 7.5 | 15.7 | 8.5 |
| Other financial results | | – | 8.8 | 8.8 |
| Change in value and income from disposal of financial instruments | 5.2 | (16.8) | 2.9 | 14.1 |
| Discounting of debt and receivables | | (0.1) | (0.3) | (0.1) |
| Proceeds from the disposal of investments | | 21.8 | 32.6 | (0.4) |
| Dividend | | 0.0 | 0.2 | 0.1 |
| **Profit before tax** | | **113.3** | **498.5** | **277.8** |
| Income tax | 5.3 | (25.4) | (22.5) | (14.4) |
| **Net income** | | **87.9** | **476.1** | **263.4** |
| **of which attributable to shareholders of Altarea SCA** | | **72.3** | **323.0** | **176.0** |
| of which attributable to minority interests in subsidiaries | | 15.6 | 153.1 | 87.3 |
| Average number of non-diluted shares | | 15,795,117 | 15,436,934 | 15,045,967 |
| **Net income per share attributable to shareholders of Altarea SCA (€)** | 5.4 | **4.58** | **20.92** | **11.70** |
| Diluted average number of shares | | 15,973,562 | 15,608,950 | 15,230,125 |
| **Diluted net income per share attributable to shareholders of Altarea SCA (€)** | 5.4 | **4.53** | **20.69** | **11.56** |

## Other items of comprehensive income

| *€millions* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|
| **NET INCOME** | **87.9** | **476.1** | **263.4** |
| Actuarial differences on defined-benefit pension plans | 0.2 | (0.3) | 0.0 |
| *o/w Taxes* | *(0.0)* | *0.1* | *(0.1)* |
| **Subtotal of comprehensive income items that may not be reclassified to profit or loss** | **0.2** | **(0.3)** | **0.0** |
| **OTHER ITEMS OF COMPREHENSIVE INCOME** | **0.2** | **(0.3)** | **0.0** |
| **COMPREHENSIVE INCOME** | **88.1** | **475.8** | **263.4** |
| o/w Net comprehensive income attributable to Altarea SCA shareholders | 72.6 | 322.7 | 176.1 |
| o/w Net comprehensive income attributable to minority interests in subsidiaries | 15.6 | 153.1 | 87.3 |

# 2 Consolidated statement of financial position

| *€millions* | Note | 30/06/2018 | 31/12/2017 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | **5,400.0** | **5,437.9** |
| Intangible assets | 7.2 | 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 | 7.1 | 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 | 4.4 | 518.6 | 564.0 |
| Loans and receivables (non-current) | | 9.0 | 9.3 |
| Deferred tax assets | 5.3 | 42.2 | 79.0 |
| **CURRENT ASSETS** | | **2,847.2** | **3,154.8** |
| Net inventories and work in progress | 7.3 | 853.0 | 1,288.8 |
| Trade and other receivables | 7.3 | 993.6 | 630.8 |
| Income tax credit | | 6.0 | 8.6 |
| Loans and receivables (current) | | 13.2 | 49.3 |
| Derivative financial instruments | 8 | 6.2 | 8.2 |
| Cash and cash equivalents | 6.2 | 934.2 | 1,169.1 |
| Assets held for sale | 7.1 | 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 | 6.1 | 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 | 6.2 | 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 | 6.3 | 20.6 | 20.1 |
| Deposits and security interests received | | 32.9 | 32.2 |
| Deferred tax liability | 5.3 | 13.3 | 8.6 |
| **CURRENT LIABILITIES** | | **2,372.8** | **2,541.1** |
| Current borrowings and financial liabilities | 6.2 | 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 | 8 | 48.3 | 34.9 |
| Accounts payable and other operating liabilities | 7.3 | 1,160.8 | 1,460.3 |
| Tax due | | 1.1 | 13.8 |
| **TOTAL LIABILITIES** | | **8,247.3** | **8,592.8** |

# 3 Consolidated statement of cash flows

| €millions | Note | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| **Total consolidated net income** | | **87.9** | **476.1** | **263.4** |
| Elimination of income tax expense (income) | 5.3 | 25.4 | 22.5 | 14.4 |
| Elimination of net interest expense (income) | | 22.4 | 39.4 | 16.4 |
| **Net income before tax and before net interest expense (income)** | | **135.7** | **537.9** | **294.1** |
| Elimination of share in earnings of equity-method subsidiaries | 4.4 | (2.9) | (44.0) | (24.1) |
| Elimination of depreciation and impairment | | 5.5 | 10.8 | 5.4 |
| Elimination of value adjustments | 7.1/5.2 | 14.2 | (200.6) | (143.5) |
| Elimination of net gains/(losses) on disposals (1) | | (22.1) | (42.3) | 1.2 |
| Elimination of dividend income | | (0.0) | (0.2) | (0.1) |
| Estimated income and expenses associated with share-based payments | 6.1 | 8.4 | 17.1 | 9.5 |
| **Net cash flow** | | **138.7** | **278.6** | **142.6** |
| Tax paid | | (14.5) | (1.3) | 2.0 |
| Impact of change in operational working capital requirement (WCR) | 7.3 | (88.0) | (70.6) | (150.2) |
| **CASH FLOW FROM OPERATIONS** | | **36.3** | **206.8** | **(5.6)** |
| **Cash flow from investment activities** | | | | |
| Net acquisitions of assets and capitalised expenditures | 7.1 | (144.6) | (142.5) | (60.7) |
| Gross investments in equity-method subsidiaries and non-consolidated investments | | (31.2) | (189.7) | (49.3) |
| Acquisitions of consolidated companies, net of cash acquired | 4.3 | (8.2) | (0.5) | (0.4) |
| Other changes in Group structure | | 2.0 | 0.7 | 0.9 |
| Increase in loans and advances | | (3.0) | (5.1) | (4.0) |
| Sale of non-current assets and reimbursement of advances and down payments (1) | | 2.4 | 83.2 | 2.6 |
| Disposals of holdings in equity-method subsidiaries and non-consolidated investments | | 60.5 | 46.0 | 22.0 |
| Disposals of consolidated companies, net of cash transferred | 4.3 | 31.6 | 48.8 | 3.9 |
| Reduction in loans and other financial investments | | 17.0 | 3.3 | 8.7 |
| Net change in investments and derivative financial instruments | | (0.0) | (39.0) | 0.0 |
| Dividends received | | 6.7 | 11.3 | 2.3 |
| Interest income | | 8.3 | 27.0 | 16.8 |
| **Cash flow from investment activities** | | **(58.5)** | **(156.3)** | **(57.3)** |
| **Cash flow from financing activities** | | | | |
| Capital increase | | – | – | – |
| Minority interest share in capital increases in subsidiaries | | 0.0 | 0.8 | 0.0 |
| Dividends paid to Altarea SCA shareholders | 6.1 | (200.8) | (16.7) | (16.7) |
| Dividends paid to minority shareholders of subsidiaries | | (24.2) | (33.0) | (20.8) |
| Issuance of debt and other financial liabilities | 6.2 | 667.0 | 2,789.9 | 1,315.6 |
| Repayment of borrowings and other financial liabilities | 6.2 | (626.5) | (2,006.3) | (1,004.1) |
| Net sales (purchases) of treasury shares | 6.1 | (11.3) | (38.3) | (12.9) |
| Net change in security deposits and guarantees received | | 0.7 | 0.5 | 0.5 |
| Interest paid | | (23.8) | (55.0) | (31.7) |
| **Cash flow from financing activities** | | **(218.9)** | **641.9** | **230.0** |
| **CHANGE IN CASH BALANCE** | | **(241.2)** | **692.4** | **167.1** |
| **Cash balance at the beginning of the year** | **6.2** | **1,168.3** | **475.9** | **475.9** |
| Cash and cash equivalents | | 1,169.1 | 478.4 | 478.4 |
| Bank overdrafts | | (0.8) | (2.5) | (2.5) |
| **Cash balance at period-end** | **6.2** | **927.1** | **1,168.3** | **643.1** |
| Cash and cash equivalents | | 934.2 | 1,169.1 | 649.9 |
| Bank overdrafts | | (7.1) | (0.8) | (6.8) |

(1) Proceeds on disposals included in the calculation of net cash flow are presented net of transaction costs. Likewise, disposals of property assets are presented net of transaction costs in the cash flow from investment activities.

# Consolidated statement of changes in equity

| *€millions* | Capital | Other paid-in capital | Elimination of treasury shares | Reserves and retained earnings | Equity attributable to Altarea SCA shareholders | Equity attributable to minority shareholders of subsidiaries | Total equity |
|---|---|---|---|---|---|---|---|
| **At 1 January 2017** | **229.7** | **588.3** | **(29.9)** | **832.8** | **1,620.9** | **1,137.4** | **2,758.3** |
| *Net income* | – | – | – | *176.0* | ***176.0*** | *87.3* | ***263.4*** |
| *Actuarial difference relating to pension obligations* | – | – | – | *0.0* | ***0.0*** | *0.0* | ***0.0*** |
| Comprehensive income | – | – | – | 176.1 | **176.1** | 87.3 | **263.4** |
| *Dividend distribution* | – | *(166.6)* | – | *(7.3)* | ***(173.9)*** | *(23.9)* | ***(197.7)*** |
| *Capital increase* | *15.6* | *141.5* | – | *0.0* | ***157.1*** *(1)* | *0.0* | ***157.1*** |
| *Measurement of share-based payments* | – | – | – | *6.2* | ***6.2*** | *0.0* | ***6.2*** |
| *Elimination of treasury shares* | – | – | *(0.3)* | *(8.2)* | ***(8.5)*** | – | ***(8.5)*** |
| Transactions with shareholders | 15.6 | (25.0) | (0.3) | (9.3) | **(19.0)** | (23.9) | **(42.9)** |
| Changes in ownership interests without taking or losing control of subsidiaries | – | – | – | – | **–** | – | **–** |
| Changes in ownership interests associated with taking or losing control of subsidiaries | 0.0 | (0.0) | – | 0.0 | **0.0** | 0.6 | **0.6** |
| Other | 0.0 | – | – | 0.0 | **0.0** | (0.0) | **0.0** |
| **At 30 June 2017** | **245.3** | **563.2** | **(30.2)** | **999.6** | **1,777.9** | **1,201.5** | **2,979.4** |
| *Net income* | – | – | – | *147.0* | ***147.0*** | *65.7* | ***212.7*** |
| *Actuarial difference relating to pension obligations* | – | – | – | *(0.3)* | ***(0.3)*** | *(0.0)* | ***(0.3)*** |
| Comprehensive income | – | – | – | 146.7 | **146.7** | 65.7 | **212.4** |
| *Dividend distribution* | – | – | – | *(0.0)* | ***(0.0)*** | *(8.0)* | ***(8.0)*** |
| *Capital increase* | – | – | – | *0.0* | ***0.0*** | *0.8* | ***0.8*** |
| *Measurement of share-based payments* | – | – | – | *5.0* | ***5.0*** | *0.0* | ***5.0*** |
| *Elimination of treasury shares* | – | – | *(23.8)* | *(1.1)* | ***(24.9)*** | – | ***(24.9)*** |
| Transactions with shareholders | – | – | (23.8) | 4.0 | **(19.8)** | (7.1) | **(27.0)** |
| Changes in ownership interests without taking or losing control of subsidiaries | – | – | – | (0.0) | **(0.0)** | (0.0) | **(0.0)** |
| Changes in ownership interests associated with taking or losing control of subsidiaries | (0.0) | 0.0 | – | (0.0) | **(0.0)** | (0.1) | **(0.1)** |
| Other | (0.0) | – | – | (0.0) | **(0.0)** | (0.0) | **(0.0)** |
| **At 31 December 2017** | **245.3** | **563.2** | **(54.0)** | **1,150.2** | **1,904.8** | **1,259.9** | **3,164.7** |
| Impact of first-time application of IFRS 15 on the opening balances | | | | 45.7 | **45.7** – | 5.3 – | **51.0** |
| *Net income* | – | – | – | *72.3* | ***72.3*** | *15.6* | ***87.9*** |
| *Actuarial difference relating to pension obligations* | – | – | – | *0.2* | ***0.2*** | *0.0* | ***0.2*** |
| Comprehensive income | – | – | – | 72.6 | **72.6** | 15.6 | **88.1** |
| *Dividend distribution* | – | *(157.1)* | – | *(43.7)* | ***(200.8)*** | *(41.7)* | ***(242.5)*** |
| *Capital increase* | – | – | – | – | **–** | *0.0* | ***0.0*** |
| *Measurement of share-based payments* | – | – | – | *5.5* | ***5.5*** | *0.0* | ***5.5*** |
| *Elimination of treasury shares* | – | – | *6.0* | *(11.3)* | ***(5.4)*** | – | ***(5.4)*** |
| Transactions with shareholders | – | (157.1) | 6.0 | (49.5) | **(200.6)** | (41.7) | **(242.3)** |
| Changes in ownership interests without taking or losing control of subsidiaries | – | – | – | – | **–** | (0.8) | **(0.8)** |
| Changes in ownership interests associated with taking or losing control of subsidiaries | 0.0 | – | – | (0.0) | **(0.0)** | (0.3) | **(0.3)** |
| Other | – | – | – | 0.0 | **0.0** | (0.0) | **0.0** |
| **At 30 June 2018** | **245.3** | **406.2** | **(48.0)** | **1,219.0** | **1,822.4** | **1,238.0** | **3,060.4** |

*(1): Capital increase at Altarea SCA by conversion of the dividend into shares in May.*

# 5 Consolidated income statement by segment

| | 30/06/2018 | | | 31/12/2017 | | | 30/06/2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| *€millions* | Funds from operations (FFO) | Changes in value, estimated expenses and transaction costs | Total | Funds from operations (FFO) | Changes in value, estimated expenses and transaction costs | Total | Funds from operations (FFO) | Changes in value, estimated expenses and transaction costs | Total |
| Rental income | 93.6 | – | 93.6 | 188.4 | – | 188.4 | 94.5 | – | 94.5 |
| Other expenses | (9.4) | – | (9.4) | (13.8) | – | (13.8) | (5.7) | – | (5.7) |
| **Net rental income** | **84.2** | **–** | **84.2** | **174.7** | **–** | **174.7** | **88.8** | **–** | **88.8** |
| External services | 8.5 | – | 8.5 | 17.8 | – | 17.8 | 8.4 | – | 8.4 |
| Own work capitalised and production held in inventory | 3.0 | – | 3.0 | 6.4 | – | 6.4 | 2.6 | – | 2.6 |
| Operating expenses | (23.9) | (1.7) | (25.6) | (54.3) | (3.1) | (57.4) | (27.5) | (1.9) | (29.3) |
| **Net overhead expenses** | **(12.4)** | **(1.7)** | **(14.1)** | **(30.2)** | **(3.1)** | **(33.3)** | **(16.4)** | **(1.9)** | **(18.3)** |
| **Share of equity-method affiliates** | **8.5** | **(6.1)** | **2.4** | **49.4** | **(0.4)** | **49.0** | **10.6** | **2.5** | **13.1** |
| **Net allowances for depreciation and impairment** | **–** | **(0.8)** | **(0.8)** | **–** | **(1.4)** | **(1.4)** | **–** | **(0.7)** | **(0.7)** |
| **Income/loss on sale of assets** | **0.8** | **(0.3)** | **0.6** | **0.4** | **9.7** | **10.1** | **0.7** | **(0.7)** | **(0.1)** |
| **Income/loss in the value of investment property** | **–** | **2.8** | **2.8** | **–** | **197.3** | **197.3** | **–** | **128.8** | **128.8** |
| **Transaction costs** | **–** | **(1.3)** | **(1.3)** | **–** | **(0.0)** | **(0.0)** | **–** | **(0.1)** | **(0.1)** |
| **NET RETAIL INCOME** | **81.1** | **(7.3)** | **73.8** | **194.3** | **202.1** | **396.4** | **83.6** | **127.9** | **211.5** |
| Revenue | 797.8 | – | 797.8 | 1422.4 | – | 1422.4 | 640.2 | – | 640.2 |
| Cost of sales and other expenses | (717.9) | – | (717.9) | (1292.5) | (2.9) | (1295.3) | (578.3) | (1.4) | (579.7) |
| **Net property income** | **79.8** | **–** | **79.8** | **129.9** | **(2.9)** | **127.1** | **61.9** | **(1.4)** | **60.4** |
| External services | 0.7 | – | 0.7 | 2.0 | – | 2.0 | 0.6 | – | 0.6 |
| Production held in inventory | 60.5 | – | 60.5 | 138.0 | – | 138.0 | 61.6 | – | 61.6 |
| Operating expenses | (94.5) | (5.0) | (99.5) | (174.2) | (9.9) | (184.1) | (86.7) | (5.3) | (92.1) |
| **Net overhead expenses** | **(33.2)** | **(5.0)** | **(38.2)** | **(34.2)** | **(9.9)** | **(44.1)** | **(24.5)** | **(5.3)** | **(29.8)** |
| **Share of equity-method affiliates** | **4.2** | **(1.3)** | **2.9** | **21.5** | **(0.3)** | **21.2** | **4.2** | **1.1** | **5.3** |
| **Net allowances for depreciation and impairment** | **–** | **(3.1)** | **(3.1)** | **–** | **(1.8)** | **(1.8)** | **–** | **(0.7)** | **(0.7)** |
| **Transaction costs** | **–** | **(0.8)** | **(0.8)** | **–** | **(0.6)** | **(0.6)** | **–** | **(0.3)** | **(0.3)** |
| **NET RESIDENTIAL INCOME** | **50.9** | **(10.3)** | **40.6** | **117.2** | **(15.5)** | **101.7** | **41.6** | **(6.7)** | **34.9** |
| Revenue | 169.5 | – | 169.5 | 291.6 | – | 291.6 | 162.1 | – | 162.1 |
| Cost of sales and other expenses | (161.1) | – | (161.1) | (263.1) | (2.7) | (265.8) | (141.4) | (1.3) | (142.7) |
| Other income | – | – | – | 12.4 | – | 12.4 | 12.3 | – | 12.3 |
| **Net property income** | **8.4** | **–** | **8.4** | **40.8** | **(2.7)** | **38.2** | **33.0** | **(1.3)** | **31.7** |
| External services | 22.3 | – | 22.3 | 15.0 | – | 15.0 | 4.3 | – | 4.3 |
| Production held in inventory | 9.4 | – | 9.4 | 22.0 | – | 22.0 | 10.6 | – | 10.6 |
| Operating expenses | (19.1) | (0.9) | (20.1) | (38.9) | (1.8) | (40.8) | (18.4) | (1.0) | (19.3) |
| **Net overhead expenses** | **12.5** | **(0.9)** | **11.6** | **(1.9)** | **(1.8)** | **(3.7)** | **(3.4)** | **(1.0)** | **(4.4)** |
| **Share of equity-method affiliates** | **21.5** | **(0.4)** | **21.1** | **4.4** | **2.0** | **6.4** | **3.4** | **2.2** | **5.7** |
| **Net allowances for depreciation and impairment** | **–** | **(0.4)** | **(0.4)** | **–** | **(0.4)** | **(0.4)** | **–** | **(0.1)** | **(0.1)** |
| **Transaction costs** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **NET OFFICE INCOME** | **42.5** | **(1.7)** | **40.7** | **43.4** | **(2.9)** | **40.5** | **33.0** | **(0.2)** | **32.8** |
| **Other (Corporate)** | **2.1** | **(2.8)** | **(0.6)** | **1.1** | **(8.5)** | **(7.5)** | **0.0** | **(2.9)** | **(2.9)** |
| **OPERATING INCOME** | **176.6** | **(22.1)** | **154.5** | **355.9** | **175.2** | **531.1** | **158.2** | **118.1** | **276.3** |
| **Net borrowing costs** | **(19.6)** | **(2.9)** | **(22.5)** | **(38.4)** | **(5.9)** | **(44.3)** | **(18.4)** | **(2.5)** | **(21.0)** |
| **Other financial results** | **–** | **–** | **–** | **4.0** | **4.7** | **8.8** | **4.0** | **4.7** | **8.8** |
| **Discounting of debt and receivables** | **–** | **(0.1)** | **(0.1)** | **–** | **(0.3)** | **(0.3)** | **–** | **(0.1)** | **(0.1)** |
| **Change in value and income from disposal of financial instruments** | **–** | **(16.8)** | **(16.8)** | **–** | **2.9** | **2.9** | **–** | **14.1** | **14.1** |
| **Proceeds from the disposal of investments** | **–** | **(1.7)** | **(1.7)** | **–** | **0.1** | **0.1** | **–** | **(0.4)** | **(0.4)** |
| **Dividend** | **0.0** | **–** | **0.0** | **0.2** | **–** | **0.2** | **0.1** | **–** | **0.1** |
| **PROFIT BEFORE TAX** | **157.0** | **(43.7)** | **113.3** | **321.8** | **176.7** | **498.5** | **143.9** | **133.9** | **277.8** |
| **Corporate income tax** | **(4.5)** | **(21.0)** | **(25.4)** | **(15.4)** | **(7.0)** | **(22.5)** | **(4.5)** | **(9.9)** | **(14.4)** |
| **NET INCOME** | **152.5** | **(64.6)** | **87.9** | **306.4** | **169.7** | **476.1** | **139.3** | **124.0** | **263.4** |
| **Non-controlling interests** | **(28.4)** | **12.8** | **(15.6)** | **(50.1)** | **(102.9)** | **(153.1)** | **(23.9)** | **(63.4)** | **(87.3)** |
| **NET INCOME, GROUP SHARE** | **124.2** | **(51.8)** | **72.3** | **256.3** | **66.7** | **323.0** | **115.4** | **60.6** | **176.0** |
| *Diluted average number of shares* | *15,973,562* | *15,973,562* | *15,973,562* | *15,608,950* | *15,608,950* | *15,608,950* | *15,230,125* | *15,230,125* | *15,230,125* |
| **NET INCOME PER SHARE (€/share) GROUP SHARE** | **7.77** | **(3.24)** | **4.53** | **16.42** | **4.28** | **20.69** | **7.58** | **3.98** | **11.56** |

The notes constitute an integral part of the consolidated financial statements.

# 6 Notes to the consolidated half-year financial statements

Detailed summary of notes to consolidated half-year resumed financial statements

# NOTE 1 INFORMATION CONCERNING THE COMPANY

Altarea is a *société en commandite par actions* (a French partnership limited by shares), the shares of which are traded on the Euronext Paris regulated market, (Compartment A). Its registered office is located at 8 avenue Delcassé in Paris.

Altarea chose the SIIC corporate form (Société d'Investissement Immobilier Cotée) as of 1 January 2005.

Altarea and its subsidiaries, ("Altarea" or "the Company" or "the Group") together make up one of the leading players in the real estate sector. As both a REIT and a developer, Altarea is present in all three major property segments: retail, residential and offices.

Altarea's main activity is as a REIT investing in shopping centres. This activity includes the asset and property management functions performed on a proprietary basis and for third parties.

Altarea is also a global operator in the property market, both as a REIT and a developer in the shopping centre segment, and a significant player in the residential and office development segments.

The Group has thus created a unique integrated model allowing it to assert itself as a true urban property manager providing a high quality of life.

Altarea controls the company Altareit, whose shares are admitted to trading on the regulated market Euronext Paris, Compartment B.

Altarea's financial statements and notes to the financial statements are expressed in millions of euros.

The consolidated financial statements prepared for the financial period closed on 30 June 2018 were approved by the Management on 26 July 2018, having been examined by the Audit Committee and the Supervisory Board.

# NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

## 2.1 Accounting standards applied by the Company

The consolidated half-year financial statements of the Altarea Group at 30 June 2018 were prepared in accordance with IAS 34 – "Interim Financial Reporting". As these are summary financial statements, they do not include all of the information required by the IFRS for the annual financial statements and must be read together with the Altarea Group's consolidated financial statements for the financial year closed on 31 December 2017, which are presented in the Registration Document filed with the AMF on 15 March 2018 under number D.18-0136.

The accounting principles retained for the preparation of the consolidated half-year financial statements comply with the IFRS standards and interpretations of the IASB as adopted by the European Union at 30 June 2018 and available at:

http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

*Standards, interpretations and amendments applicable from the financial year starting 1 January 2018 (subject to their approval by the European Union):*

- IFRIC 22 interpretation – Foreign Currency Transactions and Advance Consideration
- IAS 40 – Investment Property
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- Modification of IFRS 4 – Applying IFRS 9 – Financial instruments with IFRS 4
- IFRS 15 – Revenue from Contracts with Customers and Clarification of IFRS 15
- IFRS 9 – Financial instruments
- Annual improvements to IFRS (2014-2016)

*Standards and interpretations applied early at 30 June 2018, whose application is mandatory for financial years starting on or after 1 July 2018:*

None.

*Accounting standards and interpretations in effect at 1 January 2018 and mandatory after 30 June 2018:*

- **IFRS 16 – Leases**

On 31 October 2017 the European Union adopted IFRS 16, whose application is mandatory for financial years starting on or after 1 January 2019 (early adoption being possible). This standard abandons the existing distinction between finance and operating leases. The effect will be that for all leases previously considered as operating leases the right to use the leased asset will be recognised in the lessee's balance sheet against a financial liability to pay rentals.

The impact assessment of this new standard is underway. The Group initiated a census of leases and their main conditions. The terms of first application have not yet been defined by the Group.

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation

*Other essential standards and interpretations published by the IASB but not yet approved by the European Union:*

- IFRS 17 – Insurance Contracts
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and entities accounted for by the equity method
- Amendments to IAS 28 – Investments in Associates and Joint Ventures
- Annual improvements to IFRS (2015-2017)
- New IFRS conceptual framework.

## 2.2 Use of estimates

Management reviews its estimates and assumptions on a regular basis using its past experience and various other factors deemed reasonable in the circumstances. These estimates represent the basis for its assessment of the carrying amount of income or the classification of expense items and assets and liabilities. They have an impact on the amount of income and expense items and on the carrying amount of assets and liabilities. It is conceivable that the actual amounts may subsequently differ from the estimates adopted.

The main items that require estimates at the closing date based on assumptions about the future, and for which there is significant risk of a material change in value from that recorded on the balance sheet, concern the following:

**Measurement of intangible assets not subject to amortisation**

- measurement of goodwill and brands related to Cogedim, acquired in 2007, and Pitch Promotion, acquired in 2016 (see Notes 2.3.8, "Re-measurement of non-current assets (other than financial assets and investment properties) and impairment losses", and 7.2, "Intangible assets and goodwill").

**Measurements of other assets and liabilities**

- measurement of investment properties (see Notes 2.3.6 "Investment properties" and 7.1 "Investment properties");
- measurement of inventories (see Note 2.3.9 "Inventories");
- measurement of deferred tax assets (see Notes 2.3.17 "Taxes" and 5.3 "Income tax"); note that since 31 December 2016 the Group has applied the cut in tax rates programmed by the Finance Act currently in force;
- measurement of share-based payments (see Notes 6.1 "Equity" and 2.3.13 "Share-based payments");
- measurement of financial instruments (see Note 8 "Financial risk management").

**Operating income estimates**

- measurement of net property income and services using the percentage-of-completion method (see Note 2.3.18 "Revenue and revenue-related expenses").

**Non-current assets held for sale and discontinued operations**

In accordance with the provisions of IFRS 5, the Group determines whether the criteria used to determine whether an asset or a group of assets should be classified as held for sale or if an operation is to be discontinued are met (see Note 2.3.7 "Non-current assets held for sale and discontinued operations" and 7.1 "Investment properties").

The notes numbered 2.3.xx cited above refer to the notes to the consolidated financial statements for the financial year ended 31 December 2017.

## 2.3 Changes in methods in 2018

### 2.3.1 IFRS 15 - Revenue from contracts with customers

On 22 September 2016, the European Union adopted IFRS 15, and on 31 October 2017 it adopted the corresponding clarifications. The Group did not apply this standard early as at 1 January 2017. It is mandatory from 1 January 2018.

The Group chose to implement the modified-retrospective transition approach starting on 1 January 2018. The cumulative effects of the transition are therefore included in equity at the opening of this financial year, i.e. on 1 January 2018. Therefore, the Group's financial statements presented in comparison with those of the period were not restated. However, the main aggregates of the consolidated half-year financial statements are presented below as they would have been presented under IAS 18/IAS 11 (income statement by operating segment and operational working capital requirement).

The implementation of IFRS 15 was the result of a dedicated project within the Group, since all type of contracts concluded with customers were reviewed.

The main impacts on the Group's financial statements relates to revenue from real estate development sold off-plan or under property development agreements. Application of the standard preserves the recognition of percentage-of-completion revenues for projects where control of the promised asset is transferred gradually over the lifetime of the project. However, the methods for measuring the transfer of control (percentage of completion) change. The whole cost price is now be included in the calculation, including land-related costs.

The method applied results in assessing the revenue and the net property income more rapidly than previously.

The event giving rise to recognition of percentage-of-completion revenue is thus the purchase of the land combined with the signature of deeds of sale (notarised sales).

### 2.3.2 IFRS 9 – Financial instruments

On 22 November 2016 the European Union adopted IFRS 9, whose application is mandatory, retrospectively, for financial years starting on or after 1 January 2018. This Standard defines new principles for the classification and measurement of financial instruments, impairments of financial assets for credit risks and hedge accounting.

The Group decided to implement this on profit or loss of hedge accounting but not to implement the hedge accounting proposed by IFRS 9, as was already the case for IAS 39.

The principles of application of IFRS 9 did not have any impact on the classification of financial assets and liabilities within the Group.

With respect to valuation, under IFRS 9, all borrowings and interest-bearing liabilities are initially recognised at the fair value, less directly attributable transaction costs. Thereafter, they are carried at amortised cost using the effective interest rate method. Initial effective interest rates are determined by an actuary. In the event of renegotiation of financial liabilities contracts recognised at amortised cost, if quantitative and qualitative tests lead to the conclusion that there is no substantial change to the contractual cash flows, the Group will maintain the original initial effective interest rate and adjust the amortised cost of the liability in question, against the result. These applicable principles have no material impact on the retrospective treatment of change in past debt.

In addition, given the nature of its activities, the methods used to determine the impairment of the Group's receivables fall under the scope of IFRS 9, which introduces a model based on expected losses (versus the model of proven losses). Given its practices, the Group has not been required to revise its receivables impairment methodology and has no impact to recognise.

### 2.3.3 Impact of the application of IFRS 15 on the opening balance sheet at 1 January 2018

| *€millions* | **31/12/2017** ***Published*** | Impact IFRS 15 | **01/01/2018** ***Opening*** |
|---|---|---|---|
| **NON-CURRENT ASSETS** | **5,437.9** | **(19.2)** | **5,418.8** |
| Securities and investments in equity affiliates and unconsolidated interests | 564.0 | 3.7 | 567.7 |
| Deferred tax assets | 79.0 | (22.9) | 56.1 |
| Other non-current assets | 4,795.0 | – | 4,795.0 |
| **CURRENT ASSETS** | **3,154.8** | **(238.6)** | **2,916.2** |
| Net inventories and work in progress | 1,288.8 | (503.2) | 785.6 |
| Trade and other receivables | 630.8 | 264.6 | 895.4 |
| Other current assets | 1,235.2 | 0.0 | 1,235.2 |
| **TOTAL ASSETS** | **8,592.8** | **(257.8)** | **8,335.0** |
| **EQUITY** | **3,164.7** | **51.0** | **3,215.7** |
| **Equity attributable to Altarea SCA shareholders** | **1,904.8** | **45.7** | **1,950.4** |
| Capital | 245.3 | – | 245.3 |
| Other paid-in capital | 563.2 | – | 563.2 |
| Reserves | 773.2 | 35.2 | 808.5 |
| Income associated with Altarea SCA shareholders | 323.0 | 10.4 | 333.4 |
| **Equity attributable to minority shareholders of subsidiaries** | **1,259.9** | **5.3** | **1,265.2** |
| Reserves associated with minority shareholders of subsidiaries | 911.8 | 2.0 | 913.8 |
| Other equity components, Subordinated Perpetual Notes | 195.1 | – | 195.1 |
| Income associated with minority shareholders of subsidiaries | 153.1 | 3.3 | 156.3 |
| **NON-CURRENT LIABILITIES** | **2,886.9** | **(0.2)** | **2,886.7** |
| Non-current borrowings and financial liabilities | 2,826.1 | (0.0) | 2,826.1 |
| Long-term provisions | 20.1 | – | 20.1 |
| Deposits and security interests received | 32.2 | – | 32.2 |
| Deferred tax liability | 8.6 | (0.2) | 8.3 |
| **CURRENT LIABILITIES** | **2,541.1** | **(308.5)** | **2,232.6** |
| Current borrowings and financial liabilities | 1,032.2 | – | 1,032.2 |
| Derivative financial instruments | 34.9 | – | 34.9 |
| Accounts payable and other operating liabilities | 1,460.3 | (308.5) | 1,151.8 |
| Tax due | 13.8 | – | 13.8 |
| **TOTAL LIABILITIES** | **8,592.8** | **(257.8)** | **8,335.0** |

## 2.3.4 Presentation of the income statement by segment and of operational working capital requirement at 30 June 2018: IFRS 15 versus the old standards (IAS 11 and IAS 18)

### Income statement by segment

| *€millions* | 30/06/2018 Funds from operations (FFO) | 30/06/2018 Changes in value, estimated expenses and transaction costs | 30/06/2018 Total | Impact of IFRS 15 Funds from operations (FFO) | Impact of IFRS 15 Changes in value, estimated expenses and transaction costs | Impact of IFRS 15 Total | 30/06/2018 - old method Funds from operations (FFO) | 30/06/2018 - old method Changes in value, estimated expenses and transaction costs | 30/06/2018 - old method Total |
|---|---|---|---|---|---|---|---|---|---|
| **NET RETAIL INCOME** | **81.1** | **(7.3)** | **73.8** | **–** | **–** | **–** | **81.1** | **(7.3)** | **73.8** |
| Revenue | 797.8 | – | 797.8 | (39.2) | – | (39.2) | 837.0 | – | 837.0 |
| Cost of sales and other expenses | (717.9) | – | (717.9) | 36.1 | – | 36.1 | (754.0) | – | (754.0) |
| **Net property income** | **79.8** | **–** | **79.8** | **(3.2)** | **–** | **(3.2)** | **83.0** | **–** | **83.0** |
| External services | 0.7 | – | 0.7 | – | – | – | 0.7 | – | 0.7 |
| Production held in inventory | 60.5 | – | 60.5 | – | – | – | 60.5 | – | 60.5 |
| Operating expenses | (94.5) | (5.0) | (99.5) | – | – | – | (94.5) | (5.0) | (99.5) |
| **Net overhead expenses** | **(33.2)** | **(5.0)** | **(38.2)** | **–** | **–** | **–** | **(33.2)** | **(5.0)** | **(38.2)** |
| **Share of equity-method affiliates** | **4.2** | **(1.3)** | **2.9** | **2.0** | **(0.8)** | **1.2** | **2.2** | **(0.5)** | **1.7** |
| **Net allowances for depreciation and impairment** | **–** | **(3.1)** | **(3.1)** | **–** | **–** | **–** | **–** | **(3.1)** | **(3.1)** |
| **Transaction costs** | **–** | **(0.8)** | **(0.8)** | **–** | **–** | **–** | **–** | **(0.8)** | **(0.8)** |
| **NET RESIDENTIAL INCOME** | **50.9** | **(10.3)** | **40.6** | **(1,1)** | **(0,8)** | **(1,9)** | **52,0** | **(9,5)** | **42,6** |
| Revenue | 169.5 | – | 169.5 | 32.7 | – | 32.7 | 136.9 | – | 136.9 |
| Cost of sales and other expenses | (161.1) | – | (161.1) | (32.5) | – | (32.5) | (128.6) | – | (128.6) |
| Other income | – | – | – | – | – | – | – | – | – |
| **Net property income** | **8.4** | **–** | **8.4** | **0.2** | **–** | **0.2** | **8.3** | **–** | **8.3** |
| External services | 22,3 | – | 22,3 | – | – | – | 22,3 | – | 22,3 |
| Production held in inventory | 9,4 | – | 9,4 | – | – | – | 9,4 | – | 9,4 |
| Operating expenses | (19,1) | (0,9) | (20,1) | – | – | – | (19,1) | (0,9) | (20,1) |
| **Net overhead expenses** | **12,5** | **(0,9)** | **11,6** | **–** | **–** | **–** | **12,5** | **(0,9)** | **11,6** |
| **Share of equity-method affiliates** | **21,5** | **(0,4)** | **21,1** | **(0,2)** | **0,1** | **(0,1)** | **21,7** | **(0,5)** | **21,3** |
| **Net allowances for depreciation and impairment** | **–** | **(0,4)** | **(0,4)** | **–** | **–** | **–** | **–** | **(0,4)** | **(0,4)** |
| **Transaction costs** | **–** | **–** | **–** | – | – | – | – | – | – |
| **NET OFFICE INCOME** | **42,5** | **(1,7)** | **40,7** | **(0,1)** | **0,1** | **0,0** | **42,5** | **(1,8)** | **40,7** |
| **Other (Corporate)** | **2,1** | **(2,8)** | **(0,6)** | **–** | **–** | **–** | **2,1** | **(2,8)** | **(0,6)** |
| **OPERATING INCOME** | **176,6** | **(22,1)** | **154,5** | **(1,2)** | **(0,7)** | **(1,9)** | **177,8** | **(21,4)** | **156,4** |
| **Net borrowing costs** | **(19.6)** | **(2.9)** | **(22.5)** | **–** | **–** | **–** | **(19.6)** | **(2.9)** | **(22.5)** |
| **Other financial results** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **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)** | **–** | **–** | **–** | **–** | **(16.8)** | **(16.8)** |
| **Proceeds from the disposal of investments** | **–** | **(1.7)** | **(1.7)** | **–** | **–** | **–** | **–** | **(1.7)** | **(1.7)** |
| **Dividend** | **0.0** | **–** | **0.0** | **–** | **–** | **–** | **0.0** | **–** | **0.0** |
| **PROFIT BEFORE TAX** | **157.0** | **(43.7)** | **113.3** | **(1.2)** | **(0.7)** | **(1.9)** | **158.2** | **(43.0)** | **115.2** |
| **Corporate income tax** | **(4.5)** | **(21.0)** | **(25.4)** | **–** | **1.3** | **1.3** | **(4.5)** | **(22.3)** | **(26.7)** |
| **NET INCOME** | **152.5** | **(64.6)** | **87.9** | **(1.2)** | **0.6** | **(0.6)** | **153.7** | **(65.2)** | **88.5** |
| **Minority shares in continued operations** | **(28.4)** | **12.8** | **(15.6)** | **(0.4)** | **0.0** | **(0.4)** | **(28.0)** | **12.8** | **(15.2)** |
| **NET INCOME, GROUP SHARE** | **124.2** | **(51.8)** | **72.3** | **(1.6)** | **0.6** | **(1.0)** | **125.8** | **(52.5)** | **73.3** |
| *Diluted average number of shares* | *15 973 562* | *15 973 562* | *15 973 562* | *15 973 562* | *15 973 562* | *15 973 562* | *15 973 562* | *15 973 562* | *15 973 562* |
| **NET INCOME PER SHARE, GROUP SHARE** | **7.77** | **(3.24)** | **4.53** | **(0.10)** | **0.04** | **(0.06)** | **7.87** | **(3.28)** | **4.59** |

### Operational working capital requirement

| *€millions* | 30/06/2018 | Impact of IFRS 15 | 30/06/2018 Old method |
|---|---|---|---|
| **Net inventories and work in progress** | **853.0** | **521.2** | **1,374.1** |
| Net trade receivables | 571.3 | (319.7) | 251.6 |
| Other operating receivables net | 414.2 | 23.6 | 437.8 |
| **Trade and other operating receivables net** | **985.5** | **(296.1)** | **689.5** |
| Trade payables | (660.2) | 2.0 | (658.3) |
| Other operating payables | (417.4) | (294.0) | (711.3) |
| **Trade payables and other operating liabilities** | **(1,077.6)** | **(292.0)** | **(1,369.6)** |
| **Operational WCR** | **760.9** | **(66.9)** | **694.0** |

# NOTE 3 INFORMATION ON OPERATING SEGMENTS

## 3.1 Balance sheet items by operating segment

**At 30 June 2018**

| *€millions* | Retail | Residential | Office | Other | TOTAL |
|---|---|---|---|---|---|
| **Operating assets and liabilities** | | | | | |
| Intangible assets | 17.1 | 212.7 | 21.5 | 9.3 | 260.5 |
| Property plant and equipment | 2.3 | 11.4 | 4.9 | 1.5 | 20.1 |
| Investment properties | 4,511.3 | – | 38.3 | – | 4,549.6 |
| Securities and receivables in equity affiliates and unconsolidated interests | 163.1 | 154.6 | 200.9 | – | 518.6 |
| Operational working capital requirement | 31.5 | 687.8 | 38.9 | 2.6 | 760.9 |
| **Total operating assets and liabilities** | **4,725.3** | **1,066.6** | **304.5** | **13.4** | **6,108.9** |

**At 31 December 2017**

| *€millions* | Retail | Residential | Office | Other | TOTAL |
|---|---|---|---|---|---|
| **Operating assets and liabilities** | | | | | |
| Intangible assets | 17.0 | 212.2 | 21.5 | 7.8 | 258.5 |
| Property plant and equipment | 2.1 | 9.5 | 5.0 | 1.9 | 18.5 |
| Investment properties | 4,470.5 | – | 38.3 | – | 4,508.7 |
| Securities and receivables in equity affiliates and unconsolidated interests | 177.5 | 160.5 | 226.0 | – | 564.0 |
| Operational working capital requirement | 38.7 | 560.3 | (2.1) | (0.1) | 596.8 |
| **Total operating assets and liabilities** | **4,705.6** | **942.6** | **288.7** | **9.5** | **5,946.4** |

## 3.2 Consolidated income statement by operating segment

See consolidated income statement by segment in the financial statements.

## 3.3 Reconciliation of the consolidated statement of comprehensive income and of the consolidated income statement by segment

| *€millions* | 30/06/2018 Funds from operations (FFO) | 30/06/2018 Change in value, estimated expenses and transaction costs | 30/06/2018 Total | 31/12/2017 Funds from operations (FFO) | 31/12/2017 Change in value, estimated expenses and transaction costs | 31/12/2017 Total | 30/06/2017 Funds from operations (FFO) | 30/06/2017 Change in value, estimated expenses and transaction costs | 30/06/2017 Total |
|---|---|---|---|---|---|---|---|---|---|
| Rental income | 93.6 | – | 93.6 | 188.4 | – | 188.4 | 94.5 | – | 94.5 |
| Property expenses | (2.6) | – | (2.6) | (4.6) | – | (4.6) | (2.1) | – | (2.1) |
| Unrecoverable rental expenses | (6.3) | – | (6.3) | (8.1) | – | (8.1) | (3.5) | – | (3.5) |
| Management costs | 0.9 | – | 0.9 | 1.7 | – | 1.7 | 0.8 | – | 0.8 |
| Net charge to provisions for current assets | (1.4) | – | (1.4) | (2.8) | – | (2.8) | (0.9) | – | (0.9) |
| **NET RENTAL INCOME** | **84.2** | **–** | **84.2** | **174.7** | **–** | **174.7** | **88.8** | **–** | **88.8** |
| Revenue | 970.4 | – | 970.4 | 1,715.9 | – | 1,715.9 | 804.2 | – | 804.2 |
| Cost of sales | (836.9) | 0.0 | (836.8) | (1,464.8) | 0.0 | (1,464.8) | (681.6) | 0.0 | (681.6) |
| Other income | – | – | – | 12.4 | – | 12.4 | 12.3 | – | 12.3 |
| Selling expenses | (43.4) | – | (43.4) | (81.6) | – | (81.6) | (37.7) | – | (37.7) |
| Net charge to provisions for current assets | (1.0) | (0.3) | (1.2) | (10.7) | (3.8) | (14.5) | (1.7) | – | (1.7) |
| Amortisation of customer relationships | – | – | – | – | (5.5) | (5.5) | – | (2.8) | (2.8) |
| **Net property income** | **89.1** | **(0.2)** | **88.9** | **171.2** | **(9.3)** | **161.9** | **95.5** | **(2.7)** | **92.8** |
| External services | 31.7 | – | 31.7 | 35.2 | – | 35.2 | 13.6 | – | 13.6 |
| Own work capitalised and production held in inventory | 72.9 | – | 72.9 | 166.4 | – | 166.4 | 74.8 | – | 74.8 |
| Personnel costs | (88.7) | (9.0) | (97.8) | (183.0) | (17.9) | (200.9) | (91.4) | (10.1) | (101.5) |
| Other overhead expenses | (42.1) | – | (42.1) | (79.9) | (0.2) | (80.1) | (38.6) | – | (38.6) |
| Depreciation expense on operating assets | – | (3.9) | (3.9) | – | (5.6) | (5.6) | – | (2.4) | (2.4) |
| **NET OVERHEAD EXPENSES** | **(26.2)** | **(12.9)** | **(39.2)** | **(61.4)** | **(23.6)** | **(85.0)** | **(41.6)** | **(12.5)** | **(54.1)** |
| Other income and expenses | (4.7) | – | (4.7) | (3.8) | – | (3.8) | (2.7) | 0.1 | (2.7) |
| Depreciation expenses | – | (0.4) | (0.4) | – | (0.8) | (0.8) | – | (0.4) | (0.4) |
| Transaction costs | – | (2.6) | (2.6) | – | (1.4) | (1.4) | – | (1.0) | (1.0) |
| **OTHER** | **(4.7)** | **(3.0)** | **(7.7)** | **(3.8)** | **(2.2)** | **(6.0)** | **(2.7)** | **(1.3)** | **(4.1)** |
| Proceeds from disposal of investment assets | – | 0.8 | 0.8 | – | 80.0 | 80.0 | – | 0.0 | 0.0 |
| Carrying amount of assets sold | – | (0.8) | (0.8) | – | (68.6) | (68.6) | – | (0.8) | (0.8) |
| **NET GAIN/(LOSS) ON DISPOSAL OF INVESTMENT ASSETS** | **–** | **(0.0)** | **(0.0)** | **–** | **9.9** | **9.9** | **–** | **(0.8)** | **(0.8)** |
| Change in value of investment properties | – | 2.8 | 2.8 | – | 198.7 | 198.7 | – | 130.0 | 130.0 |
| Net impairment losses on investment properties measured at cost | – | – | – | – | (1.4) | (1.4) | – | (1.2) | (1.2) |
| Net impairment losses on other non-current assets | – | 0.0 | 0.0 | – | 0.4 | 0.4 | – | 0.2 | 0.2 |
| Net charge to provisions for risks and contingencies | – | (0.8) | (0.8) | – | 1.4 | 1.4 | – | 0.5 | 0.5 |
| **Operating income before the share of net income of equity-method affiliates** | **142.3** | **(14.3)** | **128.1** | **280.6** | **173.9** | **454.5** | **140.0** | **112.3** | **252.3** |
| Share of earnings of equity-method affiliates | 10.7 | (7.8) | 2.9 | 42.7 | 1.3 | 44.0 | 18.2 | 5.8 | 24.1 |
| **Operating income after the share of net income of equity-method affiliates** | **153.1** | **(22.1)** | **131.0** | **323.4** | **175.2** | **498.6** | **158.2** | **118.1** | **276.3** |
| Net borrowing costs | (19.6) | (2.9) | (22.5) | (38.4) | (5.9) | (44.3) | (18.4) | (2.5) | (21.0) |
| Financial expenses | (27.1) | (2.9) | (30.0) | (54.1) | (5.9) | (60.0) | (27.0) | (2.5) | (29.5) |
| Financial income | 7.5 | – | 7.5 | 15.7 | 0.0 | 15.7 | 8.5 | 0.0 | 8.5 |
| Other financial results | – | – | – | 4.0 | 4.7 | 8.8 | 4.0 | 4.7 | 8.8 |
| Change in value and income from disposal of financial instruments | – | (16.8) | (16.8) | – | 2.9 | 2.9 | – | 14.1 | 14.1 |
| Discounting of debt and receivables | – | (0.1) | (0.1) | – | (0.3) | (0.3) | – | (0.1) | (0.1) |
| Net gain/(loss) on disposal of investments[(a)] | 23.5 | (1.7) | 21.8 | 32.6 | 0.1 | 32.6 | – | (0.4) | (0.4) |
| Dividend | 0.0 | – | 0.0 | 0.2 | – | 0.2 | 0.1 | – | 0.1 |
| **PROFIT BEFORE TAX** | **157.0** | **(43.7)** | **113.3** | **321.8** | **176.7** | **498.5** | **143.9** | **133.9** | **277.8** |
| Income tax | (4.5) | (21.0) | (25.4) | (15.4) | (7.0) | (22.5) | (4.5) | (9.9) | (14.4) |
| Tax due | (4.5) | – | (4.5) | (15.4) | – | (15.4) | (4.5) | – | (4.5) |
| Deferred tax | – | (21.0) | (21.0) | – | (7.0) | (7.0) | – | (9.9) | (9.9) |
| **Net income** | **152.5** | **(64.6)** | **87.9** | **306.4** | **169.7** | **476.1** | **139.3** | **124.0** | **263.4** |
| **o/w Net income attributable to Altarea SCA shareholders** | **124.2** | **(51.8)** | **72.3** | **256.3** | **66.7** | **323.0** | **115.4** | **60.6** | **176.0** |
| o/w Net income attributable to minority interests in subsidiaries | 28.4 | (12.8) | 15.6 | 50.1 | 102.9 | 153.1 | 23.9 | 63.4 | 87.3 |
| Average number of non-diluted shares | 15,795,1 | 15,795,117 | 15,795,117 | 15,436,934 | 15,436,934 | 15,436,934 | 15,045,967 | 15,045,967 | 15,045,967 |
| **Net income per share attributable to shareholders of Altarea SCA (€)** | **7.86** | **(3.28)** | **4.58** | **16.60** | **4.32** | **20.92** | **7.67** | **4.03** | **11.70** |
| Diluted average number of shares | 15,973,5 | 15,973,562 | 15,973,562 | 15,608,950 | 15,608,950 | 15,608,950 | 15,230,125 | 15,230,125 | 15,230,125 |
| **Diluted net income per share attributable to shareholders of Altarea SCA (€)** | **7.77** | **(3.24)** | **4.53** | **16.42** | **4.28** | **20.69** | **7.58** | **3.98** | **11.56** |

*(a) In December 2017 and June 2018, the gains or losses on disposals of equity interests were reallocated to each of the activities in proportion to the share of equity-method affiliates when the company disposed of was previously an equity-method company.*

## 3.4 Revenue by geographical region and operating segment

### By geographical region

| | 30/06/2018 | | | | | 31/12/2017 | | | | | 30/06/2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *€millions* | France | Italy | Spain | Others | Total | France | Italy | Spain | Others | Total | France | Italy | Spain | Others | Total |
| Rental income | 81.2 | 7.4 | 5.0 | – | 93.6 | 163.9 | 14.7 | 9.8 | – | 188.4 | 82.0 | 7.5 | 5.0 | – | 94.5 |
| External services | 8.2 | 0.2 | 0.1 | – | 8.5 | 17.2 | 0.3 | 0.3 | – | 17.8 | 8.1 | 0.2 | 0.1 | – | 8.4 |
| Revenues from net property income | 3.1 | – | – | – | 3.1 | 2.0 | – | – | – | 2.0 | 2.0 | – | – | – | 2.0 |
| **Retail** | **92.4** | **7.6** | **5.1** | **–** | **105.1** | **183.1** | **15.0** | **10.1** | **–** | **208.1** | **92.1** | **7.6** | **5.1** | **–** | **104.9** |
| Revenue | 797.8 | – | – | – | 797.8 | 1,422.4 | – | – | – | 1,422.4 | 640.2 | – | – | – | 640.2 |
| External services | 0.7 | – | – | – | 0.7 | 2.0 | – | – | – | 2.0 | 0.6 | – | – | – | 0.6 |
| **Residential** | **798.5** | **–** | **–** | **–** | **798.5** | **1,424.4** | **–** | **–** | **–** | **1,424.4** | **640.8** | **–** | **–** | **–** | **640.8** |
| Revenue | 169.5 | – | – | – | 169.5 | 291.6 | – | – | – | 291.6 | 162.1 | – | – | – | 162.1 |
| External services | 22.0 | – | – | 0.3 | 22.3 | 14.4 | – | – | 0.6 | 15.0 | 4.1 | – | – | 0.2 | 4.3 |
| **Office** | **191.5** | **–** | **–** | **0.3** | **191.8** | **306.0** | **–** | **–** | **0.6** | **306.6** | **166.2** | **–** | **–** | **0.2** | **166.4** |
| Other (Corporate) | 0.2 | – | – | – | 0.2 | 0.4 | – | – | – | 0.4 | 0.2 | – | – | – | 0.2 |
| **Total revenues** | **1,082.6** | **7.6** | **5.1** | **0.3** | **1,095.6** | **1,913.8** | **15.0** | **10.1** | **0.6** | **1,939.5** | **899.3** | **7.6** | **5.1** | **0.2** | **912.3** |

In the first half of 2018, no single customer accounted for more than 10% of the Group's revenues.
The application of IFRS 15 on January, 1st 2018, has no impact on the revenue by geogaphical region.

# NOTE 4 MAJOR EVENTS AND CHANGES IN CONSOLIDATION SCOPE

## 4.1 Major events

### 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 assigned the BBB Outlook Stable rating to Altareit, the Group's Property Development branch.

S&P Global highlights Altareit's strong positioning[1], 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.

### Two new large 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.

### Residential: 5,207 lots sold (+8%)

In the first half, the Group recorded good performances in a still buoyant market. 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).

### Retail: Focus on 4 core retail formats

With a pipeline worth €3.3 billion[2] 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.

### Office: major leases signed in a buoyant market

Thanks to its mixed developer/medium-term investor model in Office, 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.

Contracts signed by the Group during the first half of 2018 include:

• 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 restructuring of the CB3 Tower in La Défense (48,500 m²);

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

*[1] 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.*

*[2] In potential market value at 100%*

## 4.2 Consolidation scope

The main companies within the scope of consolidation, selected by revenue and total assets criteria, are as follows:

| | | | 30/06/2018 | | | 31/12/2017 | | |
|---|---|---|---|---|---|---|---|---|
| COMPANY | SIREN | | Method | Interest | Consolidation | Method | Interest | Consolidation |
| ALTAREA SCA | 335480877 | parent company | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| | | | | | | | | |
| **Retail France** | | | | | | | | |
| ALTAREA FRANCE | 324814219 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALDETA SAS | 311765762 | | FC | 33.3% | 100.0% | FC | 33.3% | 100.0% |
| ALTA BLUE SAS | 522193796 | | FC | 33.3% | 100.0% | FC | 33.3% | 100.0% |
| ALTAREA PROMOTION COMMERCE SNC | 420490948 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTA CRP AUBERGENVILLE SNC | 451226328 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTA AUSTERLITZ SNC | 812196616 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| BERCY VILLAGE SCI | 384987517 | | FC | 51.0% | 100.0% | FC | 51.0% | 100.0% |
| ALTA CARRÉ DE SOIE SCI | 449231463 | joint venture | EM | 50.0% | 50.0% | EM | 50.0% | 50.0% |
| FONCIERE ALTAREA SAS | 353900699 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| Société d'Aménagement de la GARE de L'EST SNC | 481104420 | | FC | 51.0% | 100.0% | FC | 51.0% | 100.0% |
| ALTA CRP GENNEVILLIERS SNC | 488541228 | | FC | 51.0% | 100.0% | FC | 51.0% | 100.0% |
| ALTA GRAMONT SAS | 795254952 | | FC | 51.0% | 100.0% | FC | 51.0% | 100.0% |
| ALTA CRP GUIPAVAS SNC | 451282628 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| CENTRE COMMERCIAL DU KB SNC | 485045876 | | FC | 65.0% | 100.0% | FC | 65.0% | 100.0% |
| LIMOGES INVEST SCI | 488237546 | | FC | 75.0% | 100.0% | FC | 75.0% | 100.0% |
| SCI MACDONALD COMMERCES | 524049244 | affiliate | EM | 50.0% | 50.0% | EM | 50.0% | 50.0% |
| ALTAREA MANAGEMENT | 509105375 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| SOCIÉTÉ DU CENTRE COMMERCIAL MASSY SNC | 950063040 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTA-MONTPARNASSE SNC | 524049244 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| SNC RETAIL PARK LES VIGNOLES | 512086117 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTA ORGEVAL SNC | 795338441 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| SNC AVENUE PAUL LANGEVIN | 428272751 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTA Qwartz (formerly ORI ALTA SNC) | 433806726 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTA CRP RUAUDIN SNC | 451248892 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| CENTRE COMMERCIAL DE THIAIS SNC | 479873234 | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTA CRP LA VALETTE SNC | 494539687 | | FC | 51.0% | 100.0% | FC | 51.0% | 100.0% |
| | | | | | | | | |
| **Retail Italy** | | | | | | | | |
| ALTABASILIO SRL | N/A | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTACERRO SRL | N/A | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTAREA ITALIA SRL | N/A | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| | | | | | | | | |
| **Retail Spain** | | | | | | | | |
| ALTAREA ESPANA S.L | N/A | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| ALTAREA PATRIMAE S.L | N/A | | FC | 100.0% | 100.0% | FC | 100.0% | 100.0% |
| | | | | | | | | |
| **Diversification** | | | | | | | | |
| SEMMARIS | 662012491 | affiliate | EM | 33.3% | 33.3% | EM | 33.3% | 33.3% |
| | | | | | | | | |
| **Residential** | | | | | | | | |
| Altareit SCA | 552091050 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| ALTAREA COGEDIM IDF GRANDE MÉTROPOLE | 810928135 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| Altarea Cogedim Grands Projets | 810926519 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| ALTAREA COGEDIM RÉGIONS | 810847905 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| MARSEILLE MICHELET SNC | 792774382 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| ALTA FAUBOURG SAS | 444560874 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| HISTOIRE ET PATRIMOINE SAS | 480309731 | affiliate | EM | 55.6% | 55.6% | EM | 55.6% | 55.6% |
| ALBATROS SNC | 803307354 | affiliate | EM | 46.1% | 46.2% | EM | 46.1% | 46.2% |
| ALTAREA COGEDIM ZAC VLS (SNC) | 811910447 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SCCV LES JARDINS DE LA SOIE | 820825578 | | FC | 89.9% | 100.0% | FC | 89.9% | 100.0% |
| PITCH PROMOTION SAS (FORMERLY ALTA FAVART SAS) | 450042338 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SCCV SEVRAN FREINVILLE | 801560079 | | FC | 59.9% | 100.0% | FC | 59.9% | 100.0% |
| SCCV BEZONS COEUR DE VILLE A1 & A2- LOGEMENTS | 819929845 | | FC | 92.4% | 100.0% | FC | 92.4% | 100.0% |
| SCCV GIF MOULON A4 | 830886115 | | FC | 25.0% | 100.0% | FC | 25.0% | 100.0% |
| SNC TOULOUSE TMA PLACE CENTRALE | 821922564 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| PITCH PROMOTION SNC | 422989715 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SCCV ROMAINVILLE NÉO PARC | 798508263 | affiliate | EM | 50.9% | 51.0% | EM | 50.9% | 51.0% |
| SCCV LIEUSAINT LOTS 3 ET 4 | 808319206 | affiliate | EM | 50.9% | 51.0% | EM | 50.9% | 51.0% |
| SCCV DOMAINE PARISIS T1 | 798065959 | affiliate | EM | 49.9% | 50.0% | EM | 49.9% | 50.0% |
| SCCV LE CLEM | 811758242 | | FC | 99.8% | 100.0% | FC | 99.8% | 100.0% |
| SCCV LACASSAGNE BRICKS | 817783749 | affiliate | EM | 50.9% | 51.0% | EM | 50.9% | 51.0% |
| SCCV ISTRES TRIGANCE ILOT A2 | 812621324 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SCCV LORMONT LA LISIERE | 813250388 | affiliate | EM | 49.9% | 50.0% | EM | 49.9% | 50.0% |

| COMPANY | SIREN | | 30/06/2018 Method | Interest | Consolidation | 31/12/2017 Method | Interest | Consolidation |
|---|---|---|---|---|---|---|---|---|
| SCCV POISSY - 7 RUE DES CAPUCINES | 812346948 | affiliate | EM | 50.0% | 50.1% | EM | 50.0% | 50.1% |
| SCCV CAP AU SUD 2015 | 812481224 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SCCV BAGNOLET ALLENDE | 821889151 | affiliate | ME | 48,9% | 49,0% | ME | 48,9% | 49,0% |
| SAS MB TRANSACTIONS | 425039138 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM GESTION | 380375097 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COVALENS | 309021277 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM PARIS METROPOLE | 319293916 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC CORESI | 380373035 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM GRAND LYON | 300795358 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM MEDITERRANEE | 312347784 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM PROVENCE | 442739413 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM MIDI-PYRENEES | 447553207 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM GRENOBLE | 418868584 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM SAVOIES-LEMAN | 348145541 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM AQUITAINE | 388620015 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM ATLANTIQUE | 501734669 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC COGEDIM EST | 419461546 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| COGEDIM SAS | 54500814 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SNC SURESNES MALON | 832708663 | joint venture | EM | 49.9% | 50.0% | EM | 49.9% | 50.0% |
| SCCV ANNEMASSE FOSSARD | 803779438 | | FC | 79.9% | 100.0% | FC | 79.9% | 100.0% |
| SCCV RADOIRE ORDET | 808870323 | | FC | 79.9% | 100.0% | FC | 79.9% | 100.0% |
| SNC PROVENCE L'ETOILE | 501552947 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SCCV CONFIDENCE GARLABAN | 814343893 | | FC | 69.9% | 100.0% | FC | 69.9% | 100.0% |
| SCCV PARIS CAMPAGNE PREMIERE | 530706936 | | FC | 50.9% | 100.0% | FC | 50.9% | 100.0% |
| SCCV PANTIN MEHUL | 807671656 | | FC | 50.9% | 100.0% | FC | 50.9% | 100.0% |
| SCCV PORTE DE DESMONT | 811049626 | joint venture | EM | 49.9% | 50.0% | EM | 49.9% | 50.0% |
| SCCV BOBIGNY PARIS | 812846525 | | FC | 50.9% | 100.0% | FC | 50.9% | 100.0% |
| SCCV ALFORTVILLE MANDELA | 814412391 | | FC | 50.9% | 100.0% | FC | 50.9% | 100.0% |
| SCCV JOINVILLE PARIS LIBERTE | 814629655 | | FC | 50.9% | 100.0% | FC | 50.9% | 100.0% |
| SCCV RUEIL BONAPARTE MANET | 817961196 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SCCV CHAMPIGNY LA BOULONNERIE | 819546185 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SCCV BAGNEUX BOURG LA REINE | 820201341 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| SCCV JOINVILLE H.PINSON | 821764107 | | FC | 50.0% | 100.0% | FC | 50.0% | 100.0% |
| SCCV STRASBOURG RUE DE COLMAR | 822392262 | | FC | 84.9% | 100.0% | FC | 84.9% | 100.0% |
| | | | | | | | | |
| **Office** | | | | | | | | |
| ALTAREA COGEDIM ENTREPRISE PROMOTION SNC | 535056378 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| ALTAREA COGEDIM ENTREPRISE ASSET MANAGEMENT SNC | 534207386 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| ACEP INVEST 2 CDG NEUILLY / FORMERLY ACEP INVEST 4 | 794194274 | affiliate | NI | 0.0% | 0.0% | EM | 16.6% | 16.7% |
| AF INVESTCO ARAGO (SNC) | 494382351 | affiliate | EM | 30.1% | 30.1% | EM | 30.1% | 30.1% |
| AF INVESTCO 4 (Snc) | 798601936 | affiliate | EM | 58.3% | 58.4% | EM | 58.3% | 58.4% |
| | | | | | | | | |
| ALTA VAI HOLDCO A (ex-Salle Wagram, ex-Ttheatre de l'Empire) | 424007425 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| ALTAFUND General Partner sarl | N/A | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |
| ISSY PONT SCI | 80486596 | joint venture | EM | 25.0% | 25.0% | EM | 25.0% | 25.0% |
| PASCALPROPCO (SAS) | 437929813 | affiliate | EM | 15.0% | 15.1% | EM | 15.0% | 15.1% |
| SNC 118 RUE DE TOCQUEVILLE | 804088219 | affiliate | EM | 49.9% | 50.0% | EM | 49.9% | 50.0% |
| SNC COGEDIM ENTREPRISE | 424932903 | | FC | 99.9% | 100.0% | FC | 99.9% | 100.0% |

## 4.3 Changes in consolidation scope

| *In number of companies* | 31/12/2017 | Acquisition | Creation | Sale | Absorption, dissolution, deconsolidation | Change in consolidation method | 30/06/2018 |
|---|---|---|---|---|---|---|---|
| Fully consolidated subsidiaries | 370 | 1 | 10 | | (9) | 2 | 374 |
| Joint ventures* | 96 | | 9 | (4) | (3) | (2) | 96 |
| Affiliates* | 107 | 1 | 4 | (3) | (1) | | 108 |
| **Total** | **573** | **2** | **23** | **(7)** | **(13)** | **–** | **578** |

* Companies accounted for using the equity method.

### 4.3.1 Detail of net acquisitions of consolidated companies, net of cash acquired

| *€millions* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|
| Investments in consolidated securities | (8.2) | (0.5) | (0.4) |
| Cash of acquired companies | – | 0.0 | 0.0 |
| **Total** | **(8.2)** | **(0.5)** | **(0.4)** |

### 4.3.2 Detail of disposals of consolidated companies, net of cash disposed of

Over the period, the Group sold the Kosmo office building located in Neuilly-sur-Seine to Sogecap (Société Générale Insurance), project of which 17% was held by the Group through its funds AltaFund.

## 4.4 Securities and investments in equity affiliates and unconsolidated interests

In application of IFRS 10, 11 and 12, the following are recognised under securities and receivables on equity affiliates, investments in joint ventures and associated companies, including receivables from these holdings.

### 4.4.1 Equity-accounting value of joint ventures and associates and related receivables

| *€millions* | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Equity-accounting value of joint ventures | 80.7 | 86.7 |
| Equity-accounting value of affiliated companies | 144.0 | 141.7 |
| **Value of stake in equity-method affiliates** | **224.7** | **228.5** |
| **Non-consolidated securities** | **1.3** | **1.2** |
| Receivables from joint ventures | 69.6 | 103.4 |
| Receivables from affiliated companies | 223.0 | 230.9 |
| **Receivables from equity-method subsidiaries and non-consolidated interests** | **292.6** | **334.3** |
| **Total securities and receivables from equity affiliates and unconsolidated interests** | **518.6** | **564.0** |

The individual carrying value of each of these companies is not significant for the Group.

### 4.4.2 Main balance sheet and income statement items of joint ventures and associates

| *€millions* | *Joint ventures* | *Affiliates* | 30/06/2018 | *Joint ventures* | *Affiliates* | 31/12/2017 | *Joint ventures* | *Affiliates* | 30/06/2017 |
|---|---|---|---|---|---|---|---|---|---|
| ***Balance sheet items, Group share:*** | | | | | | | | | |
| Non-current assets | 113.9 | 413.6 | 527.6 | 143.2 | 436.6 | 579.8 | 142.4 | 368.9 | 511.3 |
| Current assets | 231.9 | 279.2 | 506.3 | 223.7 | 286.6 | 510.4 | 307.5 | 266.0 | 573.5 |
| **Total Assets** | **345.9** | **692.5** | **1,038.3** | **367.0** | **723.2** | **1,090.2** | **449.9** | **634.9** | **1,084.8** |
| Non-current liabilities | 92.5 | 293.7 | 386.2 | 99.8 | 311.7 | 411.6 | 110.6 | 189.7 | 300.3 |
| Current liabilities | 172.7 | 254.7 | 422.9 | 180.5 | 269.7 | 450.2 | 248.5 | 312.1 | 560.6 |
| **Total Liabilities** | **265.2** | **548.5** | **809.1** | **280.3** | **581.5** | **861.8** | **359.2** | **501.7** | **860.9** |
| **Net assets (equity-accounting basis)** | **80.7** | **144.0** | **224.7** | **86.7** | **141.7** | **228.5** | **90.7** | **133.2** | **223.9** |
| ***Income statement items, Group share:*** | | | | | | | | | |
| **Operating income** | **1.6** | **6.9** | **8.4** | **19.1** | **33.6** | **52.7** | **13.0** | **11.4** | **24.3** |
| Net borrowing costs | (0.7) | (1.1) | (1.8) | (1.9) | (1.4) | (3.4) | (1.3) | (1.8) | (3.1) |
| Change in value of hedging instruments | (0.1) | (0.4) | (0.6) | 0.5 | (0.1) | 0.3 | 0.6 | 0.1 | 0.6 |
| Proceeds from the disposal of investments | – | – | – | – | 0.0 | 0.0 | – | – | – |
| Dividend | – | – | – | (0.0) | 0.2 | 0.2 | – | 0.2 | 0.2 |
| **Net income before tax** | **0.7** | **5.4** | **6.0** | **17.6** | **32.3** | **49.9** | **12.3** | **9.8** | **22.1** |
| Corporate income tax | (1.7) | (1.5) | (3.1) | 1.9 | (7.8) | (5.9) | 2.6 | (0.6) | 2.0 |
| **Net income after tax, Group share** | **(1.0)** | **3.9** | **2.9** | **19.6** | **24.5** | **44.0** | **14.9** | **9.2** | **24.1** |
| Non-Group net result | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Net income, Group share | (1.0) | 3.9 | 2.9 | 19.4 | 24.4 | 43.9 | 14.8 | 9.2 | 24.0 |

Group revenues from joint ventures amounted to €4.3 million for the period to 30 June 2018, compared with €12.6 million at 31 December 2017 and €6.4 million at 30 June 2017.

Group revenues from associates amounted to €20.6 million at 30 June 2018, compared with €16.3 million at 31 December 2017 and €3.9 million at 30 June 2017.

### 4.4.3 Commitments given or received in connection with joint ventures (in Group share)

**Commitments given**

Cogedim Résidences Services undertook to pay rent in connection with the leasing of the Résidences Services Cogedim Club®. In exchange, Cogedim Résidences Services receives the lease payments of the sub-lessees.

Completion guarantees were given in connection with property development activities, for a Group share in the amount of €28.7 million.

**Commitments received**

At 30 June 2018, the main commitments received by the joint ventures concerned security deposits received from tenants for €0.4 million.

# NOTE 5 NET INCOME

## 5.1 Operating income

### 5.1.1 Net rental income

Net rental income was €84.2 million at 30 June 2018, compared to €88.8 million at 30 June 2017. The decrease was primarily due to the impact of the sales completed in 2017 and 2018 and the vacancy resulting from the departure of Marks & Spencer at Qwartz, where all of the space vacated has now been released.

### 5.1.2 Net property income

The Group's net property income at 30 June 2018 was €88.9 million compared to €92.8 million in the first half of 2017, i.e. a decrease of €3.9 million (-4.2%).

It breaks down into an increase in the Residential income of €19.4 million offset by a decrease of €23.2 million for Offices. The latter is the result of the margin on the turnkey transaction with the user Vaugirard in 2017 (Other income).

## 5.2 Cost of net financial debt and other financial items

### 5.2.1 Cost of net financial debt

| *€millions* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|
| Bond and bank interest expenses | (26.8) | (56.3) | (27.4) |
| Interest on partners' advances | (0.5) | (1.1) | (0.5) |
| Interest rate on hedging instruments | (4.8) | (4.4) | (2.2) |
| Non-use fees | (1.7) | (3.3) | (1.5) |
| Other financial expenses | (0.2) | (0.6) | (0.5) |
| Capitalised interest expenses | 6.7 | 11.4 | 5.2 |
| **FFO financial expenses** | **(27.1)** | **(54.1)** | **(26.9)** |
| Interest on partners' advances | 5.4 | 7.3 | 2.7 |
| Other interest income | 0.5 | 0.8 | 0.2 |
| Interest income on bank current accounts | 0.0 | 0.0 | 0.0 |
| Interest rate on hedging instruments | 1.6 | 7.7 | 5.5 |
| **FFO financial income** | **7.5** | **15.7** | **8.5** |
| **FFO NET BORROWING COSTS** | **(19.6)** | **(38.4)** | **(18.4)** |
| Spreading of bond issue costs and other estimated charges(1) | (2.9) | (5.9) | (2.5) |
| **Estimated financial expenses** | **(2.9)** | **(5.9)** | **(2.5)** |
| **NET BORROWING COSTS** | **(22.5)** | **(44.3)** | **(21.0)** |

(1) Relates mainly to the deferral in accordance with the amortised cost method of the issue costs of borrowings and bond issue premiums in accordance with IFRS 9 for €2.9 million.

Capitalised interest expenses relate only to companies carrying an asset under development or construction (shopping centres and Residential and Office operating segments) and are deducted from interest paid to credit institutions.

The capitalisation rate used to determine the amounts of borrowing costs that may be included in the carrying amount of assets is the interest rate on financing assigned specifically to asset development or, if there is no specific financing, to the average cost of debt borne by the Company and not assigned specifically to another purpose.

The Group's average cost of financing was 1.77% in the first half of 2018, including margin, compared with 1.75% at end-2017.

### 5.2.2 Other financial results

Other financial results relate to the favourable resolution of a dispute regarding financial instruments in 2017.

### 5.2.3 Impact of result of financial instruments

Changes in value of financial instruments and gains and losses on their disposal resulted in a net expense of €16.8 million compared with net income of €14.1 million at 30 June 2017. This corresponds to the changes in value of interest rate hedging instruments.

## 5.3 Income tax

### Analysis of tax expense

Tax expense is analysed as follows:

| *€millions* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|
| **Tax due** | **(4.5)** | **(15.4)** | **(4.5)** |
| Tax loss carry forwards and/or use of deferred losses | (11.7) | 2.1 | 3.5 |
| Valuation differences | – | 4.7 | 1.0 |
| Fair value of investment properties | 1.2 | (5.7) | (2.7) |
| Fair value of hedging instruments | (0.0) | 0.8 | 0.8 |
| Net property income on a percentage-of-completion basis | (3.1) | (7.1) | (7.8) |
| Other timing differences | (7.3) | (1.9) | (4.7) |
| **Deferred tax** | **(21.0)** | **(7.0)** | **(9.9)** |
| **Total tax income (expense)** | **(25.4)** | **(22.5)** | **(14.4)** |

### Effective tax rate

| *€millions* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|
| **Pre-tax profit of consolidated companies** | **110.4** | **454.5** | **253.7** |
| **Group tax savings (expense)** | **(25.4)** | **(22.5)** | **(14.4)** |
| **Effective tax rate** | **(23.02)%** | **(4.94)%** | **(5.68)%** |
| Tax rate in France | **34.43%** | **34.43%** | **34.43%** |
| **Theoretical tax charge** | **(38.0)** | **(156.5)** | **(87.4)** |
| **Difference between theoretical and effective tax** | **12.6** | **134.0** | **72.9** |
| Differences related to entities' SIIC status | **8.0** | **95.7** | **64.1** |
| Differences related to treatment of losses | **(2.6)** | **37.2** | **11.1** |
| Other permanent differences and rate differences | **7.3** | **1.0** | **(2.3)** |

Differences related to entities' SIIC status correspond to tax savings accumulated by the French companies having opted for SIIC status.

Differences related to the treatment of losses correspond to the tax expense for unrecognised losses incurred in the period and/or to tax savings from the use or recognition of a previously unrecognised loss.

### Deferred tax assets and liabilities

| *€millions* | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Tax loss carry forwards | 143.5 | 155.2 |
| Valuation differences | (23.2) | (23.2) |
| Fair value of investment properties | (31.0) | (32.2) |
| Fair value of financial instruments | (0.0) | (0.0) |
| Net property income on a percentage-of-completion basis | (52.3) | (25.7) |
| Other timing differences | (8.2) | (3.7) |
| **Net deferred tax on the balance sheet** | **28.8** | **70.4** |

As at 30 June 2018 the Group had unrecognised tax loss carry-forwards of €492.5 million (basis).

Deferred taxes relating to valuation differences correspond primarily to the brands held by the Group.

Deferred taxes relating to recognition of tax losses primarily relate to losses recognised in the Altareit tax group.

Deferred taxes are calculated (for French companies which are part of the Group's main consolidation scope) at the rate of 34.43%, as currently applicable in France. The 2018 Finance Act provides for a gradual decrease in the rate of corporate income tax, which would be set at 32.02% in 2019, 28.92% in 2020, 27.37% in 2021 and 25.83% as of 1 January 2022.

Accordingly, a discount was applied to the tax calculated based on the items the Group does not expect to be cleared before this date namely, on the one hand, the Cogedim and Pitch Promotion trademarks as well as a portion of the restated carry-forward margins (deferred tax liability), and on the other hand, a fraction of the loss carry-forwards recognised but unused (deferred tax assets).

**Proposed corrections:**

Alta Développement Italie, a subsidiary of Altarea SCA, underwent an inspection covering the years ended 31 December 2014 and 2015. The Company received a notice of assessment and an appeal to the departmental commission on direct taxes and duties is now under way. This assessment notice calls into question the tax loss carry-forwards established upon recognising impairment of receivables held on foreign subsidiary companies. These losses have not been used or recognised. The maximum risk amounts to €7.4 million in duties. With its advisers' agreement the Company is challenging the entire assessment and does not envisage an outflow of financial resources.

## 5.4 Earnings per share

Net income per share (basic earnings per share) is the net income (Group share) compared to the weighted average number of shares in issue during the period, less the weighted average number of treasury shares.

To calculate the diluted net income per share, the weighted average number of shares in issue is adjusted to consider the potentially dilutive effect of all equity instruments issued by the Company.

In 2018 as in 2017, the dilution arose only from the granting of rights to free shares in Altarea SCA to Group employees or corporate officers.

| €millions | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|
| **Numerator** | | | |
| Net income, Group share | 72.3 | 323.0 | 176.0 |
| **Denominator** | | | |
| Weighted average number of shares before dilution | 15,795,117 | 15,436,934 | 15,045,967 |
| Effect of potentially dilutive shares | | | |
| *Stock options* | *0* | *0* | *0* |
| *Rights to free share grants* | *178,444* | *172,016* | *184,158* |
| Total potential dilutive effect | 178,444 | 172,016 | 184,158 |
| Weighted diluted average number of shares | 15,973,562 | 15,608,950 | 15,230,125 |
| **Basic net income per share, Group share (in €)** | **4.58** | **20.92** | **11.70** |
| **Diluted net income per share, Group share (in €)** | **4.53** | **20.69** | **11.56** |

# NOTE 6 LIABILITIES

## 6.1 Total equity

### 6.1.1 Capital, share-based payments and treasury shares

## CAPITAL

**Altarea SCA share capital (in €)**

| *In number of shares and in €* | Number of shares | Nominal | Share capital |
|---|---|---|---|
| **Number of shares outstanding at 31 December 2016** | **15,030,287** | **15.28** | **229,670,964** |
| Conversion of dividends into shares | 1,021,555 | 15.28 | 15,609,360 |
| **Number of shares outstanding at 31 December 2017** | **16,051,842** | **15.28** | **245,280,324** |
| No change over the 2018 financial year | | | – |
| **Number of shares outstanding at 30 June 2018** | **16,051,842** | **15.28** | **245,280,324** |

**Capital management**

The aim of the Group's capital management is to ensure liquidity and optimise its capital structure.

The Company's policy is to maintain its LTV ratio below 45%, excluding temporarily exceeding that level or exceptional transactions. The corporate loan agreement clauses specifically stipulate that the Group must maintain an LTV ratio below 60%.

## SHARE-BASED PAYMENTS

The gross expense recorded on the income statement for share-based payments was €8.4 million in 2018 compared to €17.1 million in 2017.

**Stock option plan**

No stock option plan was under way at 30 June 2018.

**Free share grants**

On existing plans as of 31/12/2017, in 2018:

- 124,473 free shares were awarded;
- 97,307 shares were delivered;
- 8,443 rights were cancelled or altered.

| Award date | Number of rights awarded | Vesting date | Rights in circulation as at 31/12/2017 | Awarded | Delivery | Amendments to rights (a) | Rights in circulation at 30/06/2018 |
|---|---|---|---|---|---|---|---|
| **Stock grant plans on Altarea shares** | | | | | | | |
| 31 March 2016 | 33,210 | 31 March 2018 | 31,064 | | (29,810) | (1,254) | |
| 19 October 2016 | 5,500 | 30 March 2018 | 3,500 | | (3,500) | | |
| 10 November 2016 | 7,927 | 30 March 2018 | 7,927 | | (7,927) | | |
| 10 November 2016 | 12,450 (b) | 11 April 2019 | 10,450 | | | (2,000) | 8,450 |
| 14 December 2016 | 33,365 (b) | 10 April 2019 | 31,887 | | | (2,050) | 29,837 |
| 15 December 2016 | 26,490 | 1 February 2018 | 25,019 | | (24,259) | (760) | |
| 16 December 2016 | 33,216 | 1 February 2018 | 32,211 | | (31,274) | (937) | |
| 22 March 2017 | 1,500 (b) | 10 April 2019 | 1,000 | | | | 1,000 |
| 23 March 2017 | 537 | 23 March 2018 | 537 | | (537) | | |
| 6 April 2017 | 11,500 (b) | 30 April 2019 | 11,500 | | | | 11,500 |
| 13 July 2017 | 4,345 | 13 July 2018 | 4,070 | | | (190) | 3,880 |
| 15 February 2018 | 28,695 | 15 February 2019 | | 28,820 | | (515) | 28,305 |
| 19 February 2018 | 32,473 | 19 February 2019 | | 32,480 | | (215) | 32,265 |
| 21 February 2018 | 12,424 | 21 February 2020 | | 12,424 | | (22) | 12,402 |
| 2 March 2018 | 33,129 (b) | 2 March 2020 | | 33,129 | | | 33,129 |
| 6 March 2018 | 3,430 | 6 March 2019 | | 3,430 | | (500) | 2,930 |
| 28 March 2018 | 1,410 | 28 March 2019 | | 1,410 | | | 1,410 |
| 29 March 2018 | 8,453 | 29 March 2019 | | 8,453 | | | 8,453 |
| 30 March 2018 | 4,327 | 30 March 2020 | | 4,327 | | | 4,327 |
| **Total** | **294,381** | | **159,164** | **124,473** | **(97,307)** | **(8,443)** | **177,887** |

(a) Rights cancelled for reasons of departure, transfer, lack of certainty that performance criteria have been met or changes in plan terms
(b) Plans subject to performance criteria

#### Valuation parameters for new free share grants

| | 30/06/2018 |
|---|---|
| Expected dividend rate | 6.00% |
| Expected volatility* | 17.87% for Altarea share price and 9.13% for IEIF Immobilier France index |
| Risk-free interest rate | 0.00% |
| Model used | Binomial Cox-Ross-Rubinstein model/Monte Carlo method* |

*Only for plans subject to performance criteria.

### TREASURY SHARES

The acquisition cost of treasury shares was €48.0 million at 30 June 2018 for 244,289 shares (including 242,024 shares intended for allotment to employees under free share grant or stock option plans and 2,265 shares allocated to a liquidity contract), compared with €54.0 million at 31 December 2017 for 287,055 shares (including 286,142 shares intended for allotment to employees under free share grant or stock option plans and 913 shares allocated to a liquidity contract). Treasury shares are eliminated and offset directly in equity.

In addition, a net loss on disposal and/or free share grants of treasury shares to Company employees was recognised directly in equity in the amount of €17.3 million before tax at 30 June 2018 (€11.4 million after tax) compared with €14.2 million at 31 December 2017 (€9.3 million before tax).

The negative impact on cash flow from purchases and disposals over the period came to €11.3 million at 30 December 2018 compared to €38.3 million at 31 December 2017.

## 6.1.2 Dividends proposed and paid

#### Dividends paid

| *(€ millions)* | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Paid in current year in respect of previous year: | | |
| *Dividend per share (in euros)* | *12.5* | *11.5* |
| Payment to shareholders of the Altarea Group | 197.8 | 171.3 |
| Proportional payment to the general partner (1.5%) | 3.0 | 2.6 |
| **Total** | **200.8** | **173.9** |
| Offer to convert dividends into shares: | | |
| *Subscription price (in euros)* | - | *153.8* |
| Total amount of conversion into shares | - | **157.1** |
| *Rate of conversion of dividends into shares* | | *91.69%* |

*No conversion offer was made on the dividend distributed in 2018*

## 6.2 Net financial debt and guarantees

### Current and non-current borrowings and financial liabilities, and net cash

| €millions | 31/12/2017 | Cash flow | "Non cash" change: Spreading of issue costs | Change in scope of consolidation | Present value adjustment | Other impacts | 30/06/2018 |
|---|---|---|---|---|---|---|---|
| Bonds (excluding accrued interest) | 920.7 | 0.4 | 0.3 | – | – | – | 921.4 |
| Treasury bills | 838.0 | 74.2 | – | – | – | – | 912.2 |
| Bank borrowings, excluding accrued interest and overdrafts | 1,922.1 | (56.3) | 2.6 | 7.6 | – | – | 1,876.0 |
| **Net bond and bank debt, excluding accrued interest and overdrafts** | **3,680.8** | **18.3** | **2.9** | **7.6** | **–** | **–** | **3,709.6** |
| Accrued interest on bond and bank borrowings | 14.0 | 4.3 | – | 0.0 | – | – | 18.3 |
| **Bond and bank debt, excluding overdrafts** | **3,694.7** | **22.7** | **2.9** | **7.6** | **–** | **–** | **3,727.9** |
| Cash and cash equivalents | (1,169.1) | 236.9 | – | (2.0) | – | 0.0 | (934.2) |
| Bank overdrafts | 0.8 | 6.3 | – | (0.0) | – | – | 7.1 |
| **Net cash** | **(1,168.3)** | **243.2** | **–** | **(2.0)** | **–** | **0.0** | **(927.1)** |
| **Net bond and bank debt** | **2,526.4** | **265.9** | **2.9** | **5.6** | **–** | **0.0** | **2,800.8** |
| Equity loans and Group and partners' advances (*) | 155.0 | 20.7 | – | 3.2 | – | (9.4) | 169.5 |
| Accrued interest on shareholders' advances | 7.8 | 0.4 | – | – | – | (3.0) | 5.2 |
| **Net financial debt** | **2,689.2** | **287.0** | **2.9** | **8.8** | **–** | **(12.4)** | **2,975.5** |

*(*) of which appropriation of income to shareholder current accounts for €1.4 million.*

At 30 June 2018, bank borrowings excluding accrued interest and bank overdrafts include a finance lease debt of €35.3 million, compared to €37.0 million at 31 December 2017. The debt financed investment properties in the amount of €91.4 million at 30 June 2018.

**Over the half-year, the Group primarily**:

- put in place corporate financing for an amount of €75 million;
- continued issuing treasury notes (€+74.2 million during the period).

Not all financing was fully drawn at 30 June 2018.

Note that the Group, via its subsidiary Altareit, successfully placed an inaugural rated bond issue of €350 million with European investors. The issue was settled after the closing of the financial statements (2 July).

The changes in the consolidation scope are mainly related to movements in the Property Development sector.

Borrowing costs are analysed in the note on earnings.

### Net cash

The marketable securities classified as cash equivalents are recognised at fair value at each reporting date (see § 2.3.11 Accounting principles and methods of the Notes to the consolidated financial statements for the financial year closed on 31 December 2017).

### Breakdown of bank and bond debt by maturity

| €millions | 30/06/2018 | 31/12/2017 |
|---|---|---|
| < 3 months | 276.8 | 299.5 |
| 3 to 6 months | 337.6 | 225.5 |
| 6 to 9 months | 370.8 | 233.9 |
| 9 to 12 months | 79.5 | 193.4 |
| **Under 1 year** | **1,064.6** | **952.3** |
| At 2 years | 363.0 | 361.1 |
| At 3 years | 834.4 | 326.6 |
| At 4 years | 70.1 | 614.4 |
| At 5 years | 150.8 | 95.4 |
| **1 to 5 years** | **1,418.2** | **1,397.5** |
| **More than 5 years** | **1,275.4** | **1,371.1** |
| Issuance cost to be amortised | (23.2) | (25.4) |
| **Total gross bond and bank debt** | **3,735.0** | **3,695.5** |

### Breakdown of bank and bond debt by guarantee

| €millions | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Mortgages | 1,078.2 | 1,085.3 |
| Mortgage commitments | 236.3 | 278.1 |
| Moneylender lien | 26.0 | 25.6 |
| Pledging of receivables | 5.7 | 6.0 |
| Pledging of securities | 355.0 | 355.0 |
| Altarea SCA security deposit | 109.0 | 109.0 |
| Not Guaranteed | 1,947.9 | 1,861.9 |
| **Total** | **3,758.2** | **3,720.9** |
| Issuance cost to be amortised | (23.2) | (25.4) |
| **Total gross bond and bank debt** | **3,735.0** | **3,695.5** |

Mortgages are given as guarantees for financing or refinancing of shopping centres. Mortgage commitments and the lender's lien mainly concern Property Development activities.

### Breakdown of bank and bond debt by interest rate

| €millions | Gross bond and bank debt | | |
|---|---|---|---|
| | Variable rate | Fixed rate | Total |
| At 30 June 2018 | 2,550.5 | 1,184.5 | 3,735.0 |
| At 31 December 2017 | 2,514.9 | 1,180.6 | 3,695.5 |

The market value of fixed-rate debt stood at €1,192.2 million at 30 June 2018 compared to €1,191.0 million at 31 December 2017.

### Schedule of future interest expenses

| €millions | 30/06/2018 | 31/12/2017 |
|---|---|---|
| < 3 months | 4.9 | 5.3 |
| 3 to 6 months | 9.1 | 12.1 |
| 6 to 9 months | 8.3 | 15.0 |
| 9 to 12 months | 14.8 | 10.7 |
| **Under 1 year** | **37.0** | **43.0** |
| At 2 years | 57.9 | 55.8 |
| At 3 years | 57.8 | 58.7 |
| At 4 years | 40.7 | 51.4 |
| At 5 years | 34.4 | 36.8 |
| **1 to 5 years** | **190.8** | **202.7** |

These future interest expenses concern borrowings and financial instruments.

## 6.3 Provisions

| €millions | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Provision for benefits payable at retirement | 10.6 | 10.4 |
| Other provisions | 10.0 | 9.6 |
| **Total provisions** | **20.6** | **20.1** |

**Provision for benefits payable at retirement was** measured, as in previous financial years, by an external actuary. The valuation and recognition principles are detailed in the accounting principles and methods of the Company, § 2.3.15. “Employee benefits” in the Notes to the consolidated financial statements at 31 December 2017. The main assumptions used when evaluating this commitment are turnover, the discount rate and the rate of salary increase: a change of +/-0.25% in the last two criteria would not have any significant impact.

**Other provisions** primarily cover:

- the risk of payment of rent guarantees granted upon the sale of shopping centres, along with disputes with tenants;
- the risk of disputes arising from construction operations;
- the risk of failure of certain partners;
- as well as estimates of residual risks involving completed programmes (litigation, ten-year guarantee, definitive general statement, etc.).

# NOTE 7 ASSETS AND IMPAIRMENT TESTS

## 7.1 Investment properties

| *€millions* | Investment properties measured at fair value | Investment properties measured at cost | Assets held for sale | Total investment properties |
|---|---|---|---|---|
| **At 31 December 2017** | **3,983.8** | **525.0** | **–** | **4,508.7** |
| Subsequent investments and expenditures capitalised | 17.4 | 61.9 | – | 79.3 |
| Change in spread of incentives to buyers | 0.6 | – | – | 0.6 |
| Disposals/repayment of down payments made | (0.8) | – | – | (0.8) |
| Net impairment/project discontinuation | – | – | – | – |
| Transfers to assets held for sale or to or from other categories | (10.0) | (31.2) | 41.2 | – |
| Change in fair value | 2.8 | – | – | 2.8 |
| Change in scope of consolidation | – | – | – | – |
| **At 30 June 2018** | **3,993.8** | **555.8** | **41.2** | **4,590.8** |

*At 30 June 2018, interest expenses amounting to €2.6 million were capitalised in respect of projects under development and construction (whether recognised at value or at cost).*

**Investment properties at fair value**

The main changes in the first half include:

- the switch to fair value of the first phase of the Paris-Montparnasse train station project;
- the transfer to assets held for sale like the retail galleries at Porte Jeune in Mulhouse, Les Tanneurs in Lille and Espace Saint Christophe in Toucoing;
- changes in fair value of shopping centres in operation.

**Investment properties valued at cost**

Assets in development or under construction carried at cost mainly concern projects for the extension of the Cap 3000 centre in Saint-Laurent-du-Var, the development projects for the Paris railway stations and the redevelopment of shopping centres in France.

**Value Measurement – IFRS 13**

In accordance with IFRS 13 – "Fair Value Measurement" and the EPRA's recommendation on IFRS 13, "EPRA Position Paper on IFRS 13 – Fair Value Measurement and Illustrative Disclosures, February 2013", Altarea Cogedim chose to present additional parameters used to determine the fair value of its property portfolio.

The Altarea Cogedim Group considered that classifying its assets in level 3 was most appropriate. This treatment reflects the primarily unobservable nature of the data used in the assessments, such as rents from rental statements, capitalisation rates and average annual growth rate of rents. The tables below thus present a number of quantitative parameters used to determine the fair value of Altarea Cogedim's property portfolio. These parameters apply only to shopping centres controlled exclusively by Altarea Group (and therefore do not include assets accounted for under the equity method) and which are measured at fair value by the expert appraisers.

| | | Initial capitalisation rate | Rental in € per m² | Discount rate | Capitalisation rate at exit | Average annual growth rate of net rental income |
|---|---|---|---|---|---|---|
| | | a | b | c | d | e |
| **France** | Maximum | 8.9% | 1014 | 9.0% | 8.3% | 8.8% |
| | Minimum | 3.6% | 59 | 5.0% | 3.3% | 1.3% |
| | **Weighted average** | **4.5%** | **391** | **5.7%** | **4.5%** | **3.1%** |
| **International** | Maximum | 7.4% | 312 | 7.5% | 6.9% | 4.0% |
| | Minimum | 5.4% | 200 | 7.3% | 5.0% | 1.4% |
| | **Weighted average** | **6.3%** | **238** | **7.4%** | **6.3%** | **2.8%** |

*a - The initial capitalisation rate is the net rental income relative to the appraisal value excluding transfer duties.*
*b - Annual average rent (minimum guaranteed rent plus variable rent) per asset and m².*
*c - Rate used to discount the future cash flows.*
*d - Rate used to capitalise the revenue in the exit year in order to calculate the asset's exit value.*
*e - Average Annual Growth Rate of net rental income.*

Based on a Group weighted average capitalisation rate, a 0.25% increase in capitalisation rates would lead to a reduction of €207.5 million in the value of investment properties (-5.4%), while a 0.25% decrease in capitalisation rates would increase the value of investment properties by €233.6 million (6.1%).

**Depreciation – Investment assets under development and construction valued at cost**

The principal uncertainties surrounding the development and construction of these assets are linked to the award of administrative authorisations and to delays in the start-up or marketing of projects when economic conditions become less favourable.

Investment assets under development and construction are monitored by the Company depending on whether the project is at the study stage, "secured" (a project is completely secured when the property is under contract), has obtained administrative authorisation (CNEC and CDAC commercial authorisations, building permits) or is in leasing and under construction. The projected value is determined on the basis of internal five-year business plans that are reviewed by management at regular intervals. The methods used are rental income capitalisation or discounted cash flow.

Net impairment losses on investment properties at cost correspond to the impairment of shopping centre or office projects that were discontinued, abandoned or delayed because of local market conditions that were more difficult than expected.

**Investment working capital requirement**

| *€millions* | Receivables on fixed assets | Amounts due on non-current assets | Investment WCR |
|---|---|---|---|
| **At 31 December 2017** | **0.9** | **(138.3)** | **(137.4)** |
| Change | 7.2 | 55.2 | 62.4 |
| Present value adjustment | 0.0 | (0.1) | (0.1) |
| Transfers | – | – | – |
| Change in scope of consolidation | – | – | 0.0 |
| **At 30 June 2018** | **8.0** | **(83.2)** | **(75.2)** |
| **Change in WCR at 30 June 2018** | **7.2** | **55.2** | **62.4** |

**Net acquisitions of assets and capitalised expenditures**

| *€millions* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|
| **Type of non-current assets acquired:** | | | |
| Intangible assets | (4.6) | (8.6) | (4.7) |
| Property plant and equipment | (5.0) | (8.2) | (3.9) |
| Investment properties | (134.9) | (125.7) | (51.2) |
| **Total** | **(144.6)** | **(142.5)** | **(60.7)** |

## 7.2 Goodwill and other intangible assets

| *€millions* | Gross values | Amortisation and/or impairment | 30/06/2018 | 31/12/2017 |
|---|---|---|---|---|
| **Goodwill** | **394.9** | **(239.6)** | **155.3** | **155.3** |
| **Brands** | **89.9** | **–** | **89.9** | **89.9** |
| **Customer relationships** | **191.7** | **(191.7)** | **–** | **–** |
| Software applications, patents and similar rights | 37.8 | (22.8) | 15.0 | 12.9 |
| Leasehold Right | 2.5 | (2.2) | 0.3 | 0.3 |
| Other | 0.0 | (0.0) | 0.0 | 0.0 |
| **Other intangible assets** | **40.3** | **(25.0)** | **15.4** | **13.3** |
| **TOTAL** | **716.8** | **(456.3)** | **260.5** | **258.5** |

| €millions | 30/06/2018 | 31/12/2017 |
|---|---|---|
| **Net values at beginning of the period** | **258.5** | **257.9** |
| Acquisitions of intangible assets | 4.6 | 8.6 |
| Disposals and write-offs | (0.0) | (0.1) |
| Changes in scope of consolidation and other | (0.7) | (0.0) |
| Net allowances for depreciation | (1.8) | (8.0) |
| **Net values at end of the period** | **260.5** | **258.5** |

The brands relate to the Cogedim brand, and the Pitch Promotion brand. These brands are an indefinite life intangible asset, and therefore not subject to amortisation.

Goodwill relates to the goodwill history of Cogedim and that concerning the acquisition of Pitch Promotion.

**Goodwill from the acquisition of Cogedim and Pitch Promotion and Trademarks**

The monitoring of business indicators for the Residential and Office segments did not reveal any evidence of impairment for these activities.

## 7.3 Operational working capital requirement

**Summary of components of operational working capital requirement**

| €millions | 30/06/2018 | 31/12/2017 | Flows | | |
|---|---|---|---|---|---|
| | | | Created by the business | Changes in consolidation scope and transfer | Changes in accounting method |
| **Net inventories and work in progress** | **853.0** | **1,288.8** | **54.7** | **12.7** | **(503.2)** |
| Net trade receivables | 571.3 | 237.1 | 33.7 | (3.9) | 304.5 |
| Other operating receivables net | 414.2 | 392.8 | 61.7 | (0.5) | (39.8) |
| **Trade and other operating receivables net** | **985.5** | **629.9** | **95.3** | **(4.4)** | **264.6** |
| Trade payables | (660.2) | (511.4) | (118.5) | (0.3) | (30.0) |
| Other operating payables | (417.4) | (810.6) | 49.0 | 5.7 | 338.5 |
| **Trade payables and other operating liabilities** | **(1,077.6)** | **(1,322.0)** | **(69.5)** | **5.5** | **308.5** |
| **Operational WCR** | **760.9** | **596.8** | **80.5** | **13.8** | **69.9** |

The Group's operational working capital requirement (excluding receivables and payables on the sale or acquisition of fixed assets) is essentially linked to the Property Development sector.

The changes in the consolidation scope are mainly related to movements in the Property Development sector.

The change in the accounting method is linked to the application of IFRS 15 as of 1 January 2018. The amounts correspond to the impact at opening.

### 7.3.1 Inventories and work in progress

| €millions | Gross inventories | Impairment | Net inventories |
|---|---|---|---|
| **At 31 December 2017** | **1,296.5** | **(7.7)** | **1,288.8** |
| Change in method | (503.2) | – | (503.2) |
| Change | 54.2 | (0.0) | 54.2 |
| Increases | – | (0.9) | (0.9) |
| Reversals | – | 1.4 | 1.4 |
| Transfers to or from other categories | 0.7 | 0.0 | 0.7 |
| Change in scope of consolidation | 11.9 | 0.1 | 12.0 |
| **At 30 June 2018** | **860.1** | **(7.1)** | **853.0** |

The change in inventories is mainly due to changes in the Group's Property Development business.
The changes in the consolidation scope are mainly related to movements in the Property Development sector.
The change in method is related to the implementation of IFRS 15 at 1 January 2018.

## 7.3.2 Trade and other receivables

| *€millions* | 30/06/2018 | 31/12/2017 |
|---|---|---|
| **Gross trade and related receivables** | **592.4** | **257.5** |
| **Opening impairment** | **(20.4)** | **(19.8)** |
| Increases | (3.7) | (6.4) |
| Reversals | 3.1 | 5.8 |
| Other changes | 0.0 | 0.0 |
| **Closing impairment** | **(21.0)** | **(20.4)** |
| **Net trade receivables** | **571.3** | **237.1** |
| Advances and down payments paid | 37.6 | 29.8 |
| VAT receivables | 273.1 | 237.3 |
| Sundry debtors | 47.7 | 52.1 |
| Prepaid expenses | 31.7 | 50.0 |
| Principal accounts in debit | 26.7 | 26.1 |
| **Total other operating receivables gross** | **416.7** | **395.3** |
| **Opening impairment** | **(2.5)** | **(9.9)** |
| Increases | – | (1.2) |
| Reclassification | – | (0.1) |
| Reversals | – | 8.7 |
| **Closing impairment** | **(2.5)** | **(2.5)** |
| **Net operating receivables** | **414.2** | **392.8** |
| **Trade and other operating receivables** | **985.5** | **629.9** |
| Receivables on sale of assets | 8.0 | 0.9 |
| **Trade and other operating receivables** | **993.6** | **630.8** |

Depreciation allowances for net trade receivables mainly concern impairment of certain customers regarding recovery of rents.

### Advances and down payments paid

Advances and down payments correspond primarily to compensation for loss of use paid by Cogedim to the sellers of land when preliminary sales agreements are signed (for those not covered by guarantees) as part of its property development business. They are offset against the price to be paid on completion of the purchase.

### Principal accounts in debit

As part of its property management business and real estate transactions, the Group presents the cash balance it manages for third parties on its balance sheet.

## 7.3.3 Accounts payable and other operating liabilities

| *€millions* | 30/06/2018 | 31/12/2017 |
|---|---|---|
| **TRADE PAYABLES AND RELATED ACCOUNTS** | **660.2** | **511.4** |
| Advances and down payments received from clients | 55.3 | 557.8 |
| VAT collected | 209.4 | 95.8 |
| Other tax and social security payables | 53.4 | 58.0 |
| Prepaid income | 2.9 | 2.1 |
| Other payables | 69.7 | 70.8 |
| Principal accounts in credit | 26.7 | 26.1 |
| **Other operating payables** | **417.4** | **810.6** |
| Amounts due on non-current assets | 83.2 | 138.3 |
| **Accounts payable and other operating liabilities** | **1,160.8** | **1,460.3** |

### Advances and down payments received from clients

Part payments received on property programme, before the corresponding work has been carried out, are accounted for on the liabilities side under advances and payments on account received (using the percentage of completion method). The significant variation over the period is mainly due to IFRS 15 implementation effective on 1 January 2018 and its impact on opening balance sheet.

### Payables on acquisition of assets

Payables on acquisition of assets correspond mainly to debts to suppliers for shopping centres just completed or under development.

# NOTE 8 FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks as part of its operational and financing activities: interest rate risk, liquidity risk, counterparty risk and currency risk.

## 8.1 Carrying amount of financial instruments by category

**At 30 June 2018**

| | | | Financial assets and liabilities carried at amortised cost | | Financial assets and liabilities carried at fair value | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *€millions* | Total carrying amount | Non-financial assets | Loans and Receivables | Liabilities at amortised cost | Assets available for sale | Assets and liabilities at fair value through profit and loss | *Level 1 (a)* | *Level 2 (b)* | *Level 3 (c)* |
| **NON-CURRENT ASSETS** | **527.6** | **224.7** | **301.6** | **–** | **1.3** | **–** | **–** | **–** | **1.3** |
| Securities and investments in equity affiliates and unconsolidated interests | 518.6 | 224.7 | 292.6 | – | 1.3 | – | – | – | 1.3 |
| Loans and receivables (non-current) | 9.0 | – | 9.0 | – | – | – | – | – | – |
| **CURRENT ASSETS** | **1,940.5** | **–** | **1,681.9** | **–** | **–** | **258.6** | **252.4** | **6.2** | **–** |
| Trade and other receivables | 987.0 | – | 987.0 | – | – | – | – | – | – |
| Loans and receivables (current) | 13.2 | – | 13.2 | – | – | – | – | – | – |
| Derivative financial instruments | 6.2 | – | – | – | – | 6.2 | – | 6.2 | – |
| Cash and cash equivalents | 934.2 | – | 681.8 | – | – | 252.4 | 252.4 | – | – |
| **NON-CURRENT LIABILITIES** | **2,780.0** | **–** | **–** | **2,780.0** | **–** | **–** | **–** | **–** | **–** |
| Borrowings and financial liabilities | 2,747.2 | – | – | 2,747.2 | – | – | – | – | – |
| Deposits and security interests received | 32.9 | – | – | 32.9 | – | – | – | – | – |
| **CURRENT LIABILITIES** | **2,371.7** | **–** | **–** | **2,323.3** | **–** | **48.3** | **–** | **48.3** | **–** |
| Borrowings and financial liabilities | 1,162.5 | – | – | 1,162.5 | – | – | – | – | – |
| Derivative financial instruments | 48.3 | – | – | – | – | 48.3 | – | 48.3 | – |
| Accounts payable and other operating liabilities | 1,160.8 | – | – | 1,160.8 | – | – | – | – | – |

*(a) Financial instruments listed on an active market.*
*(b) Financial instruments whose fair value is determined using valuation techniques based on observable market inputs.*
*(c) Financial instruments whose fair value (in whole or in part) is based on non-observable inputs.*

*Non-consolidated securities classified as assets available for sale are measured at their fair value, previously determined on the basis of their net worth, without determining valuation assumptions.*
*Cash and cash equivalents breakdown between cash presented under receivables and marketable securities presented as financial assets within Level 1 of the fair value hierarchy.*

## 8.2 Interest rate risk

Altarea holds a portfolio of swaps and caps designed to hedge against interest rate risk on its variable rate financial debts.

The Group has not opted for the hedge accounting available under IFRS 9. Derivatives are carried at fair value.

In compliance with IFRS 13, these instruments are measured by considering the credit valuation adjustment (CVA) when positive, and the debit valuation adjustment (DVA) when negative. This adjustment measures, by application on each cash flow date of the valuation of a probability of default, the counterparty risk defined as an obligation to replace a hedging operation at the market rate in force following the default by one of the counterparties. CVA, calculated for a given counterparty, considers the probability of default for this counterparty. DVA, based on the Company's credit risk, corresponds to the counterparty's exposure to loss in the event of the Company's default.

The resulting impact is a positive change in the fair value of derivative financial instruments of €1.6 million on net income for the period.

**Position in derivative financial instruments**

| *€millions* | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Interest-rate swaps | (43.0) | (26.3) |
| Interest-rate caps | 0.0 | 0.1 |
| Accrued interest not yet due | 0.8 | (0.5) |
| **Total** | **(42.2)** | **(26.7)** |

Derivatives were valued by discounting future cash flows estimated according to interest rate curves at 30 June 2018.

**Maturity schedule of derivative financial instruments (notional amounts)**

**At 30 June 2018**

| *€millions* | June 2018 | June 2019 | June 2020 | June 2021 | June 2022 | June 2023 |
|---|---|---|---|---|---|---|
| ALTAREA – pay fixed – swap | 1,394.8 | 1,843.4 | 2,017.1 | 1,965.8 | 1,964.5 | 1,963.2 |
| ALTAREA – pay floating rate – swap | 230.0 | 230.0 | 230.0 | – | – | – |
| ALTAREA – pay fixed – collar | – | – | – | – | – | – |
| ALTAREA – pay fixed – cap | 181.5 | 75.0 | 75.0 | – | – | – |
| **Total** | **1,806.3** | **2,148.4** | **2,322.1** | **1,965.8** | **1,964.5** | **1,963.2** |
| Average hedge ratio | 0.48% | 0.55% | 0.82% | 0.89% | 0.89% | 0.89% |

**Management position**

**At 30 June 2018**

| *€millions* | June 2018 | June 2019 | June 2020 | June 2021 | June 2022 | June 2023 |
|---|---|---|---|---|---|---|
| Fixed-rate bond and bank loans | (1,184.5) | (1,166.6) | (1,013.8) | (781.0) | (778.1) | (775.3) |
| Floating-rate bank loans | (2,550.5) | (1,503.7) | (1,293.6) | (692.0) | (624.8) | (476.8) |
| Cash and cash equivalents (assets) | 934.2 | – | – | – | – | – |
| **Net position before hedging** | **(2,800.8)** | **(2,670.3)** | **(2,307.3)** | **(1,473.0)** | **(1,402.9)** | **(1,252.1)** |
| Swap | 1,624.8 | 2,073.4 | 2,247.1 | 1,965.8 | 1,964.5 | 1,963.2 |
| Collar | – | – | – | – | – | – |
| Cap | 181.5 | 75.0 | 75.0 | – | – | – |
| **Total derivative financial instruments** | **1,806.3** | **2,148.4** | **2,322.1** | **1,965.8** | **1,964.5** | **1,963.2** |
| **Net position after hedging** | **(994.5)** | **(521.9)** | **14.8** | **492.9** | **561.6** | **711.1** |

**Analysis of interest-rate sensitivity**

The following table shows the interest-rate sensitivity (including the effect of hedging instruments) of the entire portfolio of floating-rate borrowings from credit institutions and derivative instruments.

| | Increase/decrease in interest rates | Impact of the gain or loss on pre-tax profit | Impact on the value of the financial instruments portfolio |
|---|---|---|---|
| **30/06/2018** | +50 bps<br>-50 bps | €+0.8 million<br>€-0.9 million | €+60.8 million<br>€-62.7 million |
| **31/12/2017** | +50 bps<br>-50 bps | €-2.6 million<br>€+1.0 million | €+58.9 million<br>€-66.0 million |

## 8.3 Liquidity risk

### CASH

The Group had a positive cash position of €934.2 million at 30 June 2018, compared to €1,169.1 million at 31 December 2017. This represents its main tool for management of liquidity risk.

Part of this cash is classified as non-available to the Group, but is available to the subsidiaries that carry it: at 30 June 2018, the amount of this restricted cash was €283.8 million.

On this date, in addition to the available cash of €650.4 million, the Group also had €575.8 million of additional available cash and cash equivalents (in confirmed corporate credit lines that had not been used and were not assigned to projects) and €149.5 million of available cash and cash equivalents for projects.

### COVENANTS

The covenants with which the Group must comply concern the listed corporate bond and banking loans, for €1,401.1 million.

Foncière Altarea (the holding Company for the Retail business with the exception of the shopping centres directly held by Altarea SCA or via its Altablue subsidiary for Cap 3000) must comply with covenants on the corporate banking loans subscribed by Altarea SCA (€162.1 million) and the private bond credit subscribed by Foncière Altarea (€150 million).

The bank credit subscribed by Cogedim SAS is also subject to leverage covenants.

| | Altarea Group covenants | 30/06/18 | Consolidated Foncière Altarea covenants | 30/06/18 | Consolidated Cogedim covenants | 30/06/18 |
|---|---|---|---|---|---|---|
| **Loan To Value (LTV)** | | | | | | |
| Net bond and bank financial debt/re-assessed value of the Company's assets | < 60% | 38.5% | < 50% | 20.9% | | |
| **Interest Cover Ratio (ICR)** | | | | | | |
| Operating income (FFO column or cash flow from operations)/Company's net borrowing cost (FFO column) | > 2 | 9.0 | > 1.8 | 8.2 | | |
| **Leverage** | | | | | | |
| Leverage: Net financial Debt/EBITDA | | | | | ≤ 5 | 1.9 |
| Gearing: Net financial debt/Equity | | | | | ≤ 3 | 0.4 |
| ICR: EBITDA/Net interest expenses | | | | | ≥ 2 | 6.1 |

The covenants specific to mortgage loans to finance shopping centres in operation:

- DSCR = net rental income of the Company/cost of net financial debt plus principal repayment >; normally 1.50 (or a lower ratio);
- LTV ratio in operation phase = Loan To Value = Company net debt/Company net asset value is normally < 70%;
- the covenants specific to mortgage loans for shopping centres under development or redevelopment may be more restrictive than to loans for centres in operation, within the limit of the following values: DSCR > 2.0 and LTV < 60%.

At 30 June 2018, the Company met all its covenants. In the highly likely event that certain mortgage debt may be required to be partially repaid at a subsequent date, the amount of these repayments is recognised under current liabilities until the maturity date.

### COUNTERPARTY RISK

The use of derivatives to limit interest-rate risk exposes the Group to a possible default by a counterparty. The Group mitigates this risk by selecting only major financial institutions as counterparties in hedging transactions.

### CURRENCY RISK

Because the Company operates exclusively in the euro zone, it has not entered into any currency hedges.

## NOTE 9 RELATED PARTY TRANSACTIONS

**Ownership structure of Altarea S.C.A.**

Ownership of Altarea's shares and voting rights is as follows:

| In percentage | 30/06/2018 % capital | 30/06/2018 % voting rights | 31/12/2017 % capital | 31/12/2017 % voting rights |
|---|---|---|---|---|
| Founding shareholders and the expanded concert party [(a)] | 45.79 | 46.49 | 46.12 | 46.96 |
| Crédit Agricole Assurances | 24.71 | 25.09 | 24.71 | 25.16 |
| ABP | 8.25 | 8.37 | 8.25 | 8.40 |
| Opus Investment BV[(b)] | 1.33 | 1.35 | 1.33 | 1.35 |
| Treasury shares | 1.52 | – | 1.79 | – |
| Public + employee investment mutual fund | 18.40 | 18.70 | 17.81 | 18.13 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** |

*(a) The founding shareholders, Alain Taravella and his family and Jacques Nicolet, acting in concert.*

*(b) And related parties.*

**Related party transactions**

The main related parties are the companies of one of the founding shareholders that own a stake in Altarea:

- AltaGroupe, Alta Patrimoine and Altager, controlled by Alain Taravella.

The Company is managed personally by Alain Taravella and by two companies, Altafi 2 and Atlas, which he controls. Alain Taravella is also the Chairman of Altafi 2 and Atlas.

Transactions with these related parties mainly relate to services rendered by the aforementioned Managers and to a lesser extent services and rebillings by the Company to AltaGroupe and its subsidiaries.

**Management compensation**

Since 2016 Altarea and its subsidiaries have remunerated the Management in accordance with the fifth resolution of the General Shareholders' Meeting of 15 April 2016; before that they were remunerated in accordance with the sixth resolution of the General Shareholders' Meeting of 27 June 2013. In this respect, the following expense was recognised:

| | Altafi 2 SAS | | |
|---|---|---|---|
| *€millions* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
| Fixed Management compensation | *1.4* | 2.6 | 1.3 |
| *- o/w amount recognised in Other overhead costs* | *1.4* | *2.6* | *1.3* |
| Variable Management compensation[(a)] | 1.8 | 2.4 | 1.3 |
| **TOTAL** | **3.1** | **5.0** | **2.6** |

*(a) The variable Management compensation is calculated in proportion to net income (FFO), Group share.*

Compensation is allocated globally to management, which is free to distribute it among Managers as it sees fit.

**Coordinating services provided to the Company**

In order to formalise the services habitually provided to Altarea by AltaGroupe, the coordinating holding Company, and to spell out the services provided by the latter, a coordination agreement was signed in 2017. The previous conditions remain unchanged.

**Assistance services and rebilling by the Company and its subsidiaries**

Assistance services and rebilling of rents and other items are recognised as a deduction from other company overhead costs in the amount of €0.2 million. Services invoiced to related parties by the Altarea Group are invoiced on an arm's length basis.

**Assets and liabilities toward related parties**

| | Altafi 2 SAS | | |
|---|---|---|---|
| *€millions* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
| Trade and other receivables | 0.0 | – | 0.1 |
| **TOTAL ASSETS** | **0.0** | **–** | **0.1** |
| Trade and other payables[(a)] | 1.8 | 2.9 | 1.6 |
| **TOTAL LIABILITIES** | **1.8** | **2.9** | **1.6** |

*(a) Corresponds mainly to Management's variable compensation.*

**Compensation of the founding shareholder-managers**

Alain Taravella does not personally receive any compensation from Altarea or its subsidiaries for his management position. Alain Taravella receives compensation from holding companies that own a stake in Altarea.

Christian de Gournay, in his capacity as Chairman of Altarea SCA's Supervisory Board, as from 2 June 2014, receives gross compensation directly from Altarea SCA, which is included in the compensation paid to the Group's main Managers stated below.

No share-based payments were made by Altarea SCA to its founding shareholder-manager. No other short-term or long-term benefits or other forms of compensation and benefits were granted to the founding shareholder-manager by Altarea.

### Compensation of the Group's senior executives

| *€millions* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|
| Gross salaries[(a)] | 2.0 | 4.7 | 2.5 |
| Social security contributions | 0.8 | 1.9 | 1.1 |
| Share-based payments[(b)] | 1.3 | 3.7 | 2.8 |
| *Number of shares delivered during the period* | 19,155 | 17,351 | 12,031 |
| Post-employment benefits[(c)] | 0.0 | 0.0 | 0.0 |
| Other short- or long-term benefits and compensation[(d)] | 0.0 | 0.0 | 0.0 |
| Termination indemnities[(e)] | | | – |
| 20% employer contribution for free share grants | 0.6 | 0.7 | 0.7 |
| Loans | – | – | – |
| Post-employment benefit commitment | 0.4 | 0.3 | 0.3 |

*(a) Fixed and variable compensation; variable compensation corresponds to the variable parts.*

*(b) Charge calculated in accordance with IFRS 2.*

*(c) Pension service cost according to IAS 19, life insurance and medical care.*

*(d) Benefits in kind, directors' fees and other compensation vested but payable in the future (short- or long-term).*

*(e) Post-employment benefits, including social security costs.*

| *In number of rights on equity in circulation* | 30/06/2018 | 31/12/2017 | 30/06/2017 |
|---|---|---|---|
| Rights to Altarea SCA's free share grants | 28,846 | 40,127 | 45,447 |
| Altarea share subscription warrants | – | – | – |
| Stock options on Altarea shares | – | – | – |

The information above refers to compensation and benefits granted to (i) corporate officers in respect of offices held in subsidiaries, (ii) the Chairman of the Supervisory Board and (iii) the main salaried executives in the Group.

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# NOTE 10 GROUP COMMITMENTS AND CONTINGENT LIABILITIES

## 10.1 Off-balance sheet commitments

The main commitments given by the Group are mortgages and mortgage commitments made to secure loans or lines of credit from credit institutions.

Pledges of securities, assignments of receivables (intra-group loans, interest rate hedges, VAT, insurance policies, etc.) and undertakings not to sell or assign ownership units are also made by the Company to secure certain loans.

These commitments appear in Note 6.2 “Net financial debt and guarantees”.

In addition, the Company has received commitments from banks for unused credit lines, which are described in Note 8.3 “Liquidity risk”.

All other material commitments are set out below:

| *€millions* | 31/12/2017 | 30/06/2018 | Under 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|
| **Commitments received** | | | | | |
| **Commitments received relating to financing (excl. borrowings)** | **–** | **–** | **–** | **–** | **–** |
| **Commitments received relating to company acquisitions** | **20.8** | **20.8** | **12.0** | **1.0** | **7.8** |
| **Commitments received relating to operating activities** | **130.0** | **125.4** | **98.7** | **9.5** | **17.2** |
| Security deposits received from FNAIM (Hoguet Act) | 55.0 | 55.0 | 55.0 | – | – |
| Security deposits received from tenants | 19.9 | 20.1 | 0.8 | 3.5 | 15.7 |
| Payment guarantees received from customers | 49.6 | 44.2 | 42.7 | – | 1.5 |
| Unilateral land sale undertakings received and other commitments | 0.3 | 0.3 | – | 0.3 | – |
| Other commitments received relating to operating activities | 5.2 | 5.8 | 0.2 | 5.7 | – |
| **Total** | **150.8** | **146.2** | **110.7** | **10.5** | **25.0** |
| **Commitments given** | | | | | |
| **Commitments given relating to financing (excl. borrowings)** | **11.0** | **11.0** | **5.0** | **–** | **6.0** |
| **Commitments given relating to company acquisitions** | **130.1** | **131.2** | **35.0** | **60.7** | **35.5** |
| **Commitments given relating to operating activities** | **1,141.9** | **1,167.9** | **529.5** | **599.9** | **38.5** |
| Construction work completion guarantees (given) | 995.6 | 1,010.7 | 473.0 | 533.7 | 3.9 |
| Guarantees given on forward payments for assets | 49.3 | 50.2 | 12.4 | 35.7 | 2.1 |
| Guarantees for loss of use | 42.0 | 48.1 | 27.3 | 20.5 | 0.3 |
| Other sureties and guarantees granted | 55.0 | 58.9 | 16.8 | 9.9 | 32.1 |
| **Total** | **1,283.0** | **1,310.1** | **569.5** | **660.6** | **80.0** |

**Commitments received**

COMMITMENTS RECEIVED RELATING TO ACQUISITIONS/DISPOSALS

As part of its holding in Majhip, part of the company Histoire & Patrimoine, in 2014, the Group received a liabilities guarantee.

The Group also received a commitment from Pitch Promotion’s sellers that it shall be entitled for compensation in the amount of up to €12 million until 31 December 2018, for any damage or loss originating from the business activities incurred by the Group with a cause or origin predating 31 March 2015.

COMMITMENTS RECEIVED RELATING TO OPERATING ACTIVITIES

- **Security deposits**

Under France’s “Hoguet Act”, Altarea holds a security deposit received from FNAIM in an amount of €55 million as a guarantee covering its property management and sales activity.

Altarea also receives security deposits from its tenants to guarantee that they will pay their rent.

- **Payment guarantees received from customers**

The Group receives customer payment guarantees issued by financial institutions to guarantee sums payable by the customer. They mainly relate to Retail and Office property development projects.

- **Unilateral land sale undertakings received and other commitments**

Other guarantees received consist mainly of commitments received from property sellers.

- **Other commitments received**

In its Property Development business, the Group receives deposits on construction contracts from contractors to cover holdbacks (up to 5% of the amount of the contract – non-costed commitment).

**Commitments given**

### COMMITMENTS GIVEN RELATING TO FINANCING ACTIVITIES

Altarea provided guarantees of €11 million to cover overdraft facilities granted to its subsidiaries.

### COMMITMENTS GIVEN RELATING TO ACQUISITIONS

The Group makes representations and warranties or contingent consideration when disposing of shares in subsidiaries and affiliates. When the Group considers that it is probable that there will be a cash outlay under the terms of these guarantees, it sets aside allowances to provisions and their amount is re-assessed at each closing date.

The Group committed to pay contingent consideration to Pitch Promotion group as part of the acquisition that took place on 26 February 2016.

The main commitments concern an undertaking to subscribe for the capital of companies comprising the AltaFund investment fund in the amount of €56.4 million (firm commitment for identified projects).

Representations and warranties after the partner Allianz acquired a stake in certain shopping centres were given at year-end 2013. These representations and warranties amount to €35 million as of 3 December 2015, and until their maturity. Following the disposal of the Italian assets (in 2015), representations and warranties were given for €35 million.

The shares of Altablue, Aldeta, Alta Crp Gennevilliers, Alta Crp La Valette, Alta Gramont, Toulouse Gramont, Bercy Village and Société d'Aménagement de la Gare de l'Est as well as assets held by these companies, are for a limited period subject to conditions for sale contingent on the agreement of each of the partners of these companies.

### COMMITMENTS GIVEN RELATING TO OPERATING ACTIVITIES

- **Construction work completion guarantees**

Completion guarantees are given to customers as part of off-plan sales, and are provided on behalf of Group companies by financial institutions, mutual guarantee organisations or insurance companies. They are reported in the amount of risk borne by the financial institution that issued the guarantee.

In return, Group companies give financial institutions a promise of mortgage security and an undertaking not to sell ownership units.

- **Guarantees on forward payments for assets**

These guarantees mainly cover purchases of land or buildings for the Property Development business.

- **Guarantees for loss of use**

As part of its Property Development activities, the Group signs preliminary sales agreements with landowners, the execution of which is subject to conditions precedent, including conditions relating to obtaining administrative authorisations. In return for their undertakings, landowners receive compensation for loss of use, which takes the form of an advance (carried on the asset side of the balance sheet) or a surety (an off-balance sheet liability). The Group undertakes to pay the compensation for loss of use if it decides not to buy the land when the conditions precedent is met.

- **Other sureties and guarantees granted**

The other sureties and guarantees granted relate primarily to the Group's involvement in AltaFund, the office property investment fund, the sureties granted in connection with its property development activity, as well as the REIT business in Italy for guarantees granted by companies to the Italian government regarding their VAT position.

**Reciprocal commitments**

Notably in the ordinary course of its Property Development activities, the Group enters into reciprocal commitments to ensure the REIT control of future projects. The Group signs bilateral sales agreements with landowners: owners undertake to sell their land and the Group commits to buy it if the (administrative and/or marketing) conditions precedent are met.

**Other commitments**

In the conduct of its proprietary shopping centre development business, Altarea has made commitments to invest in projects initiated and controlled by the company.

Moreover, in the conduct of its Residential property development, the Group signs reservation contracts (or preliminary sales agreements) with its customers, the execution of which depends on whether the customers meet the conditions precedent, particularly with respect to their ability to secure financing.

As part of its property development business, the Group has a future offering consisting of unilateral preliminary sales agreements.

The amount of these commitments is shown in the business review.

**Minimum future rents to be paid or received**

Minimum future rents to be received

The total of minimum future rents to be received under non-cancellable rental agreements over the period amounted to:

| | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Under 1 year | 157.1 | 159.1 |
| Between 1 and 5 years | 270.6 | 280.5 |
| More than 5 years | 122.0 | 105.5 |
| **Guaranteed minimum rent** | **549.7** | **545.1** |

Rents receivable relate only to shopping centres owned by the Group.

Minimum future rents to be paid

The total of minimum future rents payable under non-cancellable operating leases over the period amounted to:

| | 30/06/2018 | 31/12/2017 |
|---|---|---|
| Under 1 year | 17.0 | 16.6 |
| Between 1 and 5 years | 13.9 | 14.6 |
| More than 5 years | 0.2 | 0.1 |
| **Minimum future rents to be paid** | **31.1** | **31.3** |

Rents to be paid concern:

- offices leased by the Group for its own operations;
- rents to be paid to the owner of the hotel building on Avenue de Wagram in Paris.

The Group has announced its future headquarters in the Richelieu building, Paris second arrondissement (building in which the Group is a 58% investor), for which it has signed an off-plan lease. It should take effect in the second half of 2019.

## 10.2 Contingent liabilities

No new litigation or governmental, legal, or arbitration proceedings that are likely to have significant effects on the Company's financial position or profitability arose in the period, other than those for which a provision has been recognised (see Note 6.3 "Provisions") or that have been effectively challenged or are being challenged by the Company (see Note 5.3 "Income tax" or 6.3 "Provisions").

# NOTE 11 POST-CLOSING EVENT

The Group, via its subsidiary 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). The income from this issue will be used for general financing needs and will strengthen the Group's financing structure by extending its debt maturity.

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.