Consolidated revenue: +24%
Results in line, driven by development
A huge market

A performing model

Property development (37% of FFO[1]): high momentum

- Residential: #1 contributor

New orders:	11,782 units (+5%) for €2,917 million including tax (+11%)
Revenue[2]:	€1,848 million (+30%)

- Business property: rising contribution (32% of FFO[1])

Major transactions:	2 iconic developments (Kosmo and Richelieu) sold for nearly €1 billion (at 100%)
New orders:	€765 million incl. tax

Retail (31% of FFO[1]): a "new generation" REIT

- Net rental income:	167.1 million (+1.7% like-for-like)
- Travel retail:	First phase of retail of the Paris-Montparnasse railway station delivered
- Sales:	Sale of the stake held by the Group in Semmaris (Rungis food market), Arbitrage of 5 small shopping centres

Results driven by development

- Revenue:	€2,406 million (+24%)
- Funds from operations (FFO[1]):	€276.2 million (+8%) i.e. €17.27/share (+5%)
- Diluted Going Concern NAV[3]:	€174.3/share (+0.2%) A retail portfolio of €4.6 billion (€3.1 billion in Group share)
- LTV[4]:	34.9% (-120bps)
- Dividend[5]:	€12.75/share (+2%), with an option for partial payment in shares

A huge market

- Consolidated pipeline:	Potential value of €18.1 billion (+6%) Reshaping property infrastructures in greater cities (large mixed-use projects, redevelopment of retail sites, etc.)

Paris, 26 February 2019, 5.45 p.m. Following review by the Supervisory Board, the Management approved the consolidated financial statements for financial year 2018. Audit procedures on consolidated and individual financial statements (Altarea SCA) were carried out and their certification's audit reports are being issued.

1 Funds From Operations (FFO): net profit excluding changes in value, calculated expenses, transaction fees and changes in differed tax. Group share.
2 Revenue by % of completion and external services.
3 Equity market value assuming a continuation in business, taking into account the potential dilution related to the SCA status.
4 Loan-to-value indebtness ratio. Consolidated net (bank and bond) debt/Restated value of assets including transfer duties.
5 As proposed to the General Meeting of Shareholders of 28 June 2019.

"Leading property developer in France, Altarea Cogedim is one step ahead in the urban transformation market.

Cities affected by metropolisation are facing ever-growing real estate needs. Our pipeline, France' largest with €18 billion potential value, represents only a fraction of this huge market where we are organized and positioned, almost exclusively, to systematically address all of its components.

These needs affect all products: housing, retail, offices, hotels, logistics... Each of them ranging multiple formats and catering specific uses. Our Group strength is our ability to develop them all, offering our clients the best product at the best location and for the best price.

This ability is based on the skills of our 1,900 employees. We create all components of a city, and contribute to urban transformation in gateway cities, fuelling sustainable and enjoyable urban life.

Altarea Cogedim is committed to accompany and partner with local authorities, and in doing so, caring for public interest in the real estate field. Our long-term growth is built on the transformation of gateway cities.

2018 results reflect this perfectly, with major successes in each of our businesses. Our strong results include another year of FFO growth while the Group is progressively transforming its retail portfolio to match new generation formats.

The Group confirms its FFO target of around €300 million by 2020, taking into account the increase in tax on the non-SIIC activity and changes in accounting standards (IFRS 15, 16). 2019 FFO is expected to be consistent with this path."

Alain Taravella, Chairman and Founder of Altarea Cogedim

Altarea Cogedim, an unparalleled platform of real estate skills to support urban transformation

Leading property developer in France, Altarea Cogedim offers a skills and development platform covering all real estate asset classes (residential, retail, offices, logistics, hotels, serviced residences, etc.). This allows it to respond effectively and comprehensively to the challenges of regional transformation[6].

Leader in property development in France

At 31 December 2018, the Group is managing the biggest secured property portfolio in France, representing 4.2 million m², all products combined, i.e. €18.1 billion[7] in potential market value.

Secured Pipeline	Surface areas[8]	Potential value[7]
Residential	2,510,800	11,295
Business Property	1,284,000	4,400
Retail	387,300	2,415
TOTAL	**4,182,100**	**18,110**
Change 31/12/2017	*+15%*	*+6%*

This pipeline is focused on the most dynamic French greater cities and is essentially secured in the form of options[9], enabling the Group to control the level and pace of its commitments according to context. At 31 December 2018, consolidated commitments on the pipeline[10] amounted to €1.6 billion in Group share, of which €1.0 billion has already been paid out and €0.6 billion is still to be paid out.

A huge market

Metropolisation is the main underlying trend in real estate markets. The gathering of populations, businesses and wealth within large urban areas is a complex phenomenon that is recasting regional geography. Communities located in areas undergoing metropolisation face multiple challenges: social inequalities, affordable housing, transport, pollution, etc. Their property infrastructure is becoming outdated and needs to be reshaped to meet the challenges of growing population density.

Caring for public interest

By providing urban solutions to help these areas in their transformation, Altarea Cogedim contributes to recreating the urban bond between the periphery and the heart of greater cities. Virtually all projects in the portfolio relate to rehabilitations or redevelopments: industrial sites, retail spaces, commercial complexes, low-density housing, small condominiums, etc.

This phenomenon has allowed Altarea Cogedim to emerge as the leader in large mixed-use projects, a very dynamic market segment. The Group has secured 10 large mixed-use projects representing potential value of approximately €3.3 billion.

In 2018, Altarea Cogedim won two new projects: Joia Méridia in Nice (48,000 m²) and the Les Gassets district of Val d'Europe (Marne-la-Vallée, near Disneyland Paris, representing 130,000 m²). In early 2019, the Group was also awarded the tender for a 56,000 m² mixed-use project in the Les Simonettes district in Champigny-sur-Marne, covering all asset classes, located on the future Grand Paris Express metro line 15.

6 The Group focuses its development on 12 major French regions: Grand Paris, Métropole Nice-Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Bordeaux Métropole, Greater Lyon, Grenoble-Annecy, Eurométropole de Strasbourg, Nantes Métropole, Métropole Européenne de Lille, Montpellier Méditerranée Métropole, Métropole de Rennes.

7 Estimated market value at delivery date. Retail – Creations/extensions: potential market value incl. transfer duties of projects on delivery, at 100%. Retail component – Large mixed-use projects: revenue excl. tax or potential value including transfer duties. Residential: property for sale and portfolio (incl. taxes). Business property: potential market value excl. transfer duties on the date of disposal for investment projects (at 100%), amount excl. tax of off-plan sales/PDAs for the other development programmes (at 100%, or Group share for jointly owned projects), and capitalised delegated project management fees.

8 Retail: new GLA (in m²). Residential: SHAB: property for sale + future offering. Residential: surface area (properties for sale and future offering).

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

10 Commitments relate only to pipeline projects. They correspond to fees already disbursed or yet to be disbursed pursuant to the contract but not covered by sales.

1. PROPERTY DEVELOPMENT (Residential and Business property)

New orders totalled €3.7 billion including tax and revenue totalled €2.2 billion excluding tax (+27%). Profitability increased at an even faster pace, with operating income of €225 million (+39%), driven chiefly by the performance in Business Property.

Property development	2018	2017	*Change*
New orders (incl. tax)	€3,682m	€3,709m	*-1%*
Revenue (excl. tax)	€2,193m	€1,731m	*+27%*
FFO (excluding VAT)	€224.6m	€160.6 m	*+39%*
Operating margin	*10.2%*	*9.3%*	*+0.9 pp*

RESIDENTIAL: among the top 3 French residential developers

In 2018, the new home market fell slightly, with growing polarisation in major cities, starting with Grand Paris. Against this backdrop, Altarea Cogedim continued to gain market share[11] (7.6% vs 6.8% in 2017), thanks in large part to strong growth in sales to individuals home buyers.

New orders	31/12/2018	31/12/2017	*Change*
Individuals - Residential buyers	2,755 units	2,338 units	*+18%*
Individuals - Investment	4,227 units	4,354 units	*(3)%*
Institutional investors	4,800 units	4,497 units	*+7%*
Total in units	**11,782 units**	**11,189 units**	***+5%***
Individuals - Residential buyers	€897m	€764m	*+17%*
Individuals - Investment	€1,032m	€1,016m	*+2%*
Institutional investors	€988m	€857m	*+15%*
Total in value (incl. tax)	**€2,917m**	**€2,636m**	***+11%***

This growth is fundamentally the result of a customer-driven development model and the satisfaction of its expectations. Cogedim again this year received the “Elu service client de l’année” customer care award[12] in the Property Developer category and improved by two notches its ranking in the Les Echos/HCG ranking[13] on Customer Care, where it was already ranked as the leading property developer last year, and where it now ranks sixth nationwide.

This performance is also the result of the multi-brand organisation of the Residential division, with a major national brand Cogedim, strengthened in greater cities by Pitch Promotion and supplemented in terms of products by Histoire & Patrimoine[14] (historical monuments and other tax exemption products).

Outlook	31/12/2018[12]	31/12/2017	*Change*
Backlog (excl. tax)	€3,169m	€3,273m	*(3)%*
Pipeline (incl. tax)[15]	€11,295m	€9,205m	*+23%*
Number of units	*44,835 units*	*38.985 units*	*+15%*

The Residential backlog[16], impacted by the change in IFRS 15, now represents 25 months of revenue. The Residential pipeline represents almost 4 years of business and 44,800 units, almost exclusively located in high-demand areas eligible for the Pinel tax scheme.

11 Based on 155,000 units reserved in France (-1.9% vs 2017) – Source: Ministry of Territorial Cohesion and Relations with Local Authorities for retail sales and FPI (Fédération des Promoteurs Immobiliers), for block sales.
12 The "Elu service client de l’année” (Customer Service of the Year) award, which was created in 2007 by Viséo Customer Insight, uses mystery shoppers to annually test the customer service quality of French companies in 42 different economic sectors. It is the benchmark ranking for customer relationships in France. Property developers were included for the first time this year.
13 Ranking by The Human Consulting Group and Evertest for les Echos, published on 29 January 2018. The survey tests the customer services of the 200 biggest companies in France to assess the overall quality of their customer approach. Each company received ten phone calls, a letter, three e- mails, a message via the website and five messages via social media.
14 On 17 July 2018, the Group acquired the remaining capital of Histoire & Patrimoine, having already acquired 55% of its capital in June 2014. Histoire & Patrimoine has been fully consolidated since 1 July 2018, and its performance is recorded in the Residential division.
15 Potential revenue in €m (incl. tax) (properties for sale and future offering).
16 Backlog related to reserved or notarised revenue that has not yet been recognised. The application of IFRS 15 has resulted in a decrease in the Residential backlog, with the corresponding margin recognised in opening equity.

BUSINESS PROPERTY: major sales and strong operating performance

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

- medium-term investment in assets to be redeveloped pending sale;
- property development[17] on behalf of external clients (investors and users) as well as on behalf of its own investment projects, under off-plan sale/off-plan lease/PDA and more marginally as a service provider (DPM).

At 31 December 2018, Business property represents an aggregate portfolio of 60 projects.

Figures at 100%	# projects	Surface area	Potential value[18]
Medium-term investment	6	209,400 m²	€2,276m
Property development[19] (PDA/Off-Plan Sales/Off-Plan Lease)	52	1,060,650 m²	€2,068m
Offices – Paris region	*7*	*131,700 m²*	*€698m*
Offices – Regions	*34*	*348,100 m²*	*€967m*
o/w Logistics	*11*	*580,850 m²*	*€403m*
Delegated project management (DPM)	2	13,950 m²	€56m
Business property pipeline	**60**	**1,284,000 m²**	**€4,400m**

In 2018, the Group added 13 new Offices projects and 2 Logistics developments, including a 260,000 m² project in Bollène.

The 6 major investment operations offer a potential profit of between €160 million and €190 million for the Group, and come on top of the Property Development backlog, which represents potential revenue of €862 million excluding tax.

Operating activity

In 2018, the Group recorded €765 million in new orders including tax:

- of which €418 million under off-plan and PDA contracts;
- and €347 million corresponding to its share in two emblematic office buildings in Grand Paris (Kosmo and Richelieu[20]), for a combined net vendor transfer price of €975 million at 100%.

The Group also delivered eight projects representing a total of 115,000 m², including the emblematic 52 Champs Elysées building (delegated project management on 24,200 m²), which will house Galeries Lafayette, and launched eight projects totalling 96,000 m², including the Convergence building in Rueil-Malmaison (which will become Danone's biggest global headquarters in 2020).

2. RETAIL

Towards a "new generation" retail REIT

Bricks-and-mortar retail, although challenged by e-commerce, retains a very strong attractiveness and obvious social utility: it provides an essential service to customers and plays a key role in the functioning of metropolitan areas and territories. However, it must continue to be renewed, following the successive developments of the past decades.

17 The Group's Business Property development activity does not carry any commercial risk: Altarea Cogedim only carries a technical measured risk. VEFA: property development/off-plan sales – BEFA: for lease off-plan – PDA: property development agreement – DPM: delegated project management.

18 Potential value: potential market value excluding transfer duties on the date of disposal for investment projects (at 100%), amount (excl. tax) of VEFA/CPI contracts signed or estimated for the other development programmes (at 100%, or Group share for jointly owned projects), and capitalised delegated project management fees.

19 Projects intended for "100% external" clients only: aside from the property development agreements either signed or quoted, projects for which the Group acts as a medium-term co-investor (directly or through AltaFund), representing total Property Development revenue of €779 million (excl. tax).

20 Kosmo: future head office of Parfums Christian Dior located in Neuilly-sur-Seine, acquired by Sogecap in June and delivered in early 2019. Richelieu: future headquarters of Altarea Cogedim, located on rue Richelieu in Paris, sold off-plan to CNP Assurances.

Altarea Cogedim, more than ever, is developing its Retail activity by focusing on the most resilient and promising formats: regional shopping centres located in exceptional sites (Cap 3000, Ferney-Voltaire), railway stations, retail parks with limited rents, and convenience stores.

A growing number of commercial sites, especially traditional malls, are nevertheless losing momentum. Some of them will lend themselves to urban reconversion/redevelopment in due course, including all the real estate components[21]. The Group is already working on several projects for which it has secured land and has initiated exploratory discussions with other owners to review potential for the redevelopment of their retail spaces.

As a result, Altarea Cogedim is moving its Retail REIT model towards a higher value-added model, including more partnerships, an increased volume and number of projects and a more diversified revenue mix (rents, fees, margins, capital gains) in order to maximise the value of its wide-ranging know-how. To implement this strategy, the Group is positioning itself both as investor and vendor on Retail assets.

Development: implement the pipeline

At 31 December 2018, the Group's Retail pipeline comprised:
- 12 projects to build or extend shopping centres;
- 10 retail projects developed as part of large mixed-use projects.

Pipeline Retail	GLA (in m²)	Potential value
Retail – Creations/extensions	231,200 m²	€1,730m
Retail component – Large mixed-use projects	156,100 m²	€685m
Total (22 projects)	**387,300 m²**	**€2,415m**

This year, the Group notably accelerated its development in travel retail, with:
- the opening of the first phase of retail in Paris-Montparnasse train station;
- the opening of Oxygen, a flexible event/catering space in La Défense;
- the award of the Ferrovie Dello Stato Italiane and Rete Ferroviaria tender in Italy for the management and renovation-extension of retail in 5 Italian railway stations.

Altarea Cogedim also began last phase of the Cap 3000 extension (major regional shopping centre in Nice).

REITs: very good readings on operating indicators

	31/12/2018	*Change*	*CNCC*
Retailer sales[22]	+2.3%		*(1.5%)*
Footfall[23]	+1.5%		*(1.7%)*
Net rental income[24]	€167.1m		
Like-for-like change	*+€2.6m*	*+1.7%*	
Bad debt ratio	1.1%	*(0.1) pt*	
Financial vacancy[25]	1.3%	*(1.1) pt*	

As of 31 December 2018, the portfolio's operating indicators (financial vacancy rate and bad debt ratio) were excellent, with growth of 1.7% in net rental income on a like-for-like basis.

Sale of Semmaris and arbitrage

Lastly, in July, the Group sold its stake in Semmaris, the operator of the Rungis national food market[26], for €250 million. The Group also sold 5 non-strategic assets.

At the end of 2018, the Group's retail portfolio amounted to €4.6 billion including transfer duties (€3.1 billion in Group share) for 37 assets.

21 A systematic study of all French commercial areas by the Group's teams identified 120 sites suitable for a transformation of this nature.
22 Change in merchant sales incl. tax on a same-site basis year-on-year. Excluding property being redeveloped. CNCC data as of the end of December 2018.
23 Like-for-like year-on-year changes at sites in France. Excluding property being redeveloped. CNCC data as of the end of December 2018.
24 The Group now reports net rental income including the contribution to the marketing fund, the rebilling of work and investments as lessor. This computation has also been applied to 2017. By way of comparison, the change in EPRA net rents on a like-for-like basis amounts to 1.8%.
25 Estimated rental value (ERV) of vacant units as a percentage of total estimated rental value. France and International. Excluding property being redeveloped.
26 Shareholding held by Altareit, a subsidiary 99.85% held by Altarea Cogedim and listed on Euronext Paris (AREIT) combining the Group's Residential and Business Property Development businesses. (See press release of 27 July 2018 available on the Group's website.)

3. FINANCIAL INCOME AND FINANCIAL STRUCTURE

Impacts of IFRS 15[27]

Since 1st January 2018, Altarea Cogedim records its revenue according to IFRS 15 (Revenue from Contracts with Customers). The main change concerns the use of the percentage of completion method to recognise revenue from property development projects. This percentage now includes the cost of land in the calculation, which is equivalent to accelerating the pace of revenue recognition.

At 31 December 2018, the impact of this change was a positive €26.0 million on revenue and a positive €17.1 million on FFO[28], Group share, and derived almost exclusively from Business property revenue.

The impact on opening equity was an increase of €51.0 million (of which €45.7 million in Group share). From a business point of view, this impact represents €630 million in revenue, which is now deemed to have been recognised prior to 1 January 2018.

Strong growth both in revenue (+24%) and FFO, Group share (+7.8%)

In €m	Retail	Residential	Business property	Other Corporate	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**211.9**	**1,848.2**	**345.2**	**0.2**	**2,405.6**	**–**	**2,405.6**
Change vs. 31/12/2017	*+1.8%*	*+29.8%*	*+12.6%*	*N/A*	*+24.0%*		*+24.0%*
Net rental income	167.1	–	–	–	167.1	–	167.1
Net property income	0.8	176.0	18.2	–	195.1	–	195.1
External services	19.9	4.1	27.5	0.2	51.8	–	51.8
Net revenue	**187.8**	**180.1**	**45.8**	**0.2**	**414.0**	**–**	**414.0**
Change vs. 31/12/2017	*(1.4)%*	*+36.5%*	*(18.0)%*	*N/A*	*+8.7%*		*+10.3%*
Own work capitalised and production held in inventory	5.3	135.3	20.0	–	160.6	–	160.6
Operating expenses	(48.5)	(200.6)	(47.1)	(3.2)	(299.5)	–	(299.5)
Net overhead expenses	**(43.2)**	**(65.2)**	**(27.1)**	**(3.2)**	**(138.8)**	**–**	**(138.8)**
Share of equity-method affiliates	11.7	12.8	78.2	–	102.7	(3.0)	99.7
Income/loss on sale of assets Retail						180.3	180.3
Changes in value Retail - Investment properties						(99.4)	(99.4)
Calculated expenses and transaction costs						(32.6)	(32.6)
Other provisions Corporate						(10.0)	(10.0)
OPERATING INCOME	**156.3**	**127.7**	**96.9**	**(3.0)**	**377.9**	**35.3**	**413.2**
Change vs. 31/12/2017	*(19.6)%*	*+9.0%*	*+123.5%*	*N/A*	*+6.2%*		*(22.2)%*
Net borrowing costs	(30.6)	(6.1)	(4.3)	–	(41.0)	(9.6)	(50.5)
Other financial results	–	–	–	–	–	2.1	2.1
Gains/losses in the value of financial instruments	–	–	–	–	–	(38.2)	(38.2)
Others	(0.0)	0.1	–	–	0.0	(2.4)	(2.4)
Corporate Income Tax	(2.4)	(4.0)	(2.0)	–	(8.4)	(28.0)	(36.4)
Net income	**123.2**	**117.7**	**90.7**	**(3.0)**	**328.6**	**(40.7)**	**287.8**
Non-controlling interests	(38.1)	(14.3)	0.0	–	(52.4)	19.8	(32.6)
Net income, Group share	**85.1**	**103.4**	**90.7**	**(3.0)**	**276.2**	**(20.9)**	**255.3**
Change vs. 31/12/2017	*(30.5)%*	*6.2%*	*x2 6*	*N/A*	*+7.8%*		
Diluted average number of shares					*15,992,352*		
Net income, Group share per share					**17.27**		
Change vs. 31/12/2017					*+5.2%*		

NB: The data at 31 December 2018 take into account the adoption of IFRS 15 as of 1 January 2018. Changes shown compare data from 31 December 2018, as per the new standard, with data published at 31 December 2017 using the old standard.

27 The Group has opted to apply IFRS 15 according to the cumulative catch-up method, in its communications. A version of the 2018 financial statements prepared using the former method is sprovided for illustrative purposes in the accompanying activity report so as to facilitate comparison with the 2017 financial statements as reported.
28 Funds from operations or operating cash flow from operations: net result excluding changes in value, calculated expenses, transaction fees and changes in deferred tax.

In the Retail division, the Group sold 6 assets in 2017 and 2018, as well as its stake in Semmaris. For the record, the 2017 FFO Retail included net property income of €26.3 million generated by the sale of the "Promenade de Flandre" development project. Excluding these items, recurring FFO Retail was up 4.2%.

In Residential, revenue by percentage of completion and net property income both enjoyed very strong growth in 2018. In July 2018, the Group acquired the remaining shares of Histoire & Patrimoine (of which it already held 55%), which has been fully consolidated since (previously accounted for using the equity method).

In Business property, 2018 was the first year to record a significant accounting impact from major medium term investment projects (Richelieu and Kosmo), as well as the ramp-up of developments in the regions. The 2018 result also includes the first phase of performance fees related to the AltaFund projects.

On a per-share basis, FFO Group share was up 5.2% at €17.27 after taking into account the increase in the average number of shares[29].

Diluted Going Concern NAV[30]: €174.3 per share (+0.2%)

	31/12/2018	31/12/2017	*Change*
EPRA NAV	€2,739m	€2,683m	*+2.1%*
per share	*€170.5*	*€167.2*	*+2.0%*
EPRA NNNAV (NAV liquidation)	€2,709m	€2,701m	*+0.3%*
per share	*€168.7*	*€168.3*	*+0.2%*
Diluted Going Concern NAV[29]	**€2,800m**	**€2,793m**	***+0.2%***
per share	***€174.3***	***€174.0***	***+0.2%***

At the end of 2018, Diluted Going Concern NAV is stable at €174.3 per share. It notably comprises:

- a value creation in Business property, reflecting the remainder of the expected value added on 2 major development-investment operations (Bridge and Richelieu) currently under works;
- a value creation on development of « new generation » retail, with the 1st phase of Paris-Montparnasse railway station retail delivery at the end of 2018;
- capital gains on disposals (including Semmaris), on average above appraisal values;
- a change in value of standing asset coming from an average 10 bps raise of capitalisation rate, and the downward revision of the rent assumptions used in the appraisals (traditional malls especially).

Financial position

	31/12/2018	31/12/2017	*Change*
Net financial debt	€2,449m	€2,526m	*-€77m*
Net duration	5 years 1 month	5 years 4 months	*-3 months*
Average cost[31]	1.94%	1.75%	*-19 bps*
Net Debt/EBITDA[32]	6.5x	7.1x	*-0.6x*
LTV[33]	34.9%	36.1%	*- 120 bps*
ICR[34]	9.2x	9.3x	*-0.1x*

At 31 December 2018, net financial debt was down by €77 million at €2,449 million, with the Group's €320 million in investments financed by €379 million in disposals.

29 The average number of shares at 31 December 2018 was 15,992,352, compared with 15,608,950 at the end of 2017 (an increase of 383,402 shares resulting chiefly from the full-year impact of the payment of the 2017 dividend for 2016 in securities).
30 Equity market value assuming a continuation in business, taking into account the potential dilution related to the SCA status.
31 Average total cost including related fees (commitment fees, CNU, etc.).
32 FFO over net bond and bank debt.
33 Loan-to-Value (LTV) indebtness ratio. Consolidated net bond and bank debt / Consolidated market value of Group assets.
34 Interest coverage ratio (ICR): operating income / net borrowing costs.

Following its first rating by S&P Global (BBB stable outlook), the Group carried out via Altareit (the subsidiary housing all of its Property Development activities, also rated BBB outlook stable), a €350 million 7-year bond issue, becoming the first developer in continental Europe to carry out a public bond issue.

In addition, the Group arranged €595 million in financing with its banking partners over the last year.

4. NON-FINANCIAL PERFORMANCE

Altarea Cogedim's approach is exemplary in terms of environmental transition, with sustainability issues systematically factored into its projects. The Group regularly tops the global rankings for its environmental performance, starting with GRESB[35], which this year once again confirmed Altarea Cogedim's position as the number one listed company in France (all sectors combined).

Leading property developer in France, Altarea Cogedim is committed to contributing to greater cities economic development. The Group directly or indirectly supports 56,600 jobs through its activity[36].

The Group is committed to fostering more inclusive cities, and this year notably launched SoCo, France's first solidarity REIT, alongside two key players in the social and solidarity economy, Baluchon, a grouping of social enterprises, and Crédit Coopératif.

In early 2019, the Group cleared the threshold of 1,900 employees. Working for Altarea Cogedim means choosing a Group with strong values and innovative projects, where the value created is shared: 576,000 free shares (i.e. 3.6% of the share capital) have been awarded to all employees over the last 4 years.

5. OUTLOOK

Dividend for the 2018 financial year

A dividend of €12.75 per share (+2%) will be proposed at the General Meeting of Shareholders on 28 June 2019, for the 2018 financial year.

Shareholders will also be offered the option to partially convert the dividend into shares. They will be free to choose between:
- full payment in cash;
- 50% in shares, and 50% in cash.

2020 guidance

The Group confirms its FFO target of around €300 million by 2020 (Group share), taking into account the increase in tax on the non-SIIC activity and changes in accounting standards (IFRS 15, 16). 2019 FFO is expected to be consistent with this path.

The dividend policy will be maintained in line with that of recent years.

Financial calendar 2019

Q1 2019 revenue: 9 May (after market close)
General Meeting of Shareholders: 28 June
Half-year 2019 results: 1 August (after market close)

35 GRESB (Global Real Estate Sustainability Benchmark), a leading international ranking, annually assesses the CSR performance of real estate companies around the world. In 2018 it assessed 874 companies and funds, 37 of which were listed retail companies.
36 Based on the findings of the Utopies study, using the Local Footprint® method, to model the functioning of the economy based on national accounting (Eurostat Input-Output tables).

A presentation will be available for download on the Finance page of Altarea Cogedim's site, in both French and English, on 27 February before the start of trading.

ABOUT ALTAREA COGEDIM - FR0000033219 - ALTA

Altarea Cogedim is the leading property developer in France. As both a developer and an investor, the Group operates in the three main property markets (Retail, Residential and Offices) leading major mixed-use urban renewal projects in France. The Group has the required expertise in each sector to design, develop, market and manage made-to-measure property products. In Retail, Altarea Cogedim manages a portfolio worth €4.6 billion. Listed on compartment A of Euronext Paris, Altarea had a market capitalisation of €2.7 billion at 31 December 2018.

FINANCE CONTACTS

Eric Dumas, Chief Financial Officer
edumas@altareacogedim.com, tel: + 33 1 44 95 51 42

Catherine Leroy, Investor Relations
cleroy@altareacogedim.com, tel: +33 1 56 26 24 87

Agnès Villeret - KOMODO
agnes.villeret@agence-komodo.com, tel: +33 6 83 28 04 15

DISCLAIMER

BUSINESS REVIEW
31 DECEMBER 2018

CONTENTS

1.1 A unparalleled platform of real estate skills to support urban transformation

1.1.1 A unique model

Leading property developer in France, Altarea Cogedim offers a skills platform covering all asset classes (residential, retail, offices, logistics, hotels, serviced residences, etc.) in order to respond effectively and comprehensively to the challenges of urban transformation[37].

Leading property developer in France

The Group has secured the largest portfolio of projects in France, all product categories combined, with 4.2 million m² under development and potential value of €18.1 billion at the end of 2018.

Secured pipeline (by product)	Surface area	Potential value (€m) (b)
Retail	387,300	2,415
Residential	2,510,800	11,295
Business Property	1,284,000	4,400
Total	**4,182,100**	**18,110**
Change 31/12/2017	*+15%*	*+6%*

(a) Retail: new GLA. Residential: SHAB: (property for sale + future offering) Business property: surface area (floor area or usable area).

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

Most of these projects are carried in a "developer" business model (development for sale). In terms of commitments, the Group applies a rigorous policy:

• the project portfolio is overwhelmingly secured in the form of options or sale agreements activated on the basis of commercial and financial criteria;

• the largest projects are often set up as partnerships in order to share the risk.

At 31 December 2018, commitments[38] across the pipeline amounted to €1.6 billion in Group share, of which €1.0 billion already paid out and €0.6 billion yet to be paid out.

Most capital invested is allocated to the Investor activity. The Group acts as a REIT for specific retail formats (with assets of €4.6 billion including transfer duties at end-2018, or €3.1 billion in Group share) and as a medium-term developer-investor for some significant office sites. This "REIT-Investor" model offers a high level of recurrence in revenue (rents received), as well as significant capital gains (disposals).

Altarea Cogedim is accordingly both the most financially powerful property developer thanks to its REIT background, and the property investor with the greatest capacity for asset creation.

Public interest partner for cities

Metropolisation is the main underlying trend in real estate markets.

The gathering of populations, businesses and wealth within large metropolitan areas is a complex phenomenon that is recasting regional geography.

It is also generating considerable tensions in the areas undergoing metropolisation. Communities formerly located on the outskirts of a main city are facing multiple challenges: social inequalities, affordable housing, transport, pollution, etc. Their property infrastructure is becoming outdated and needs to be reshaped to meet the challenges of growing population density.

By providing urban solutions to help these areas in their transformation, Altarea Cogedim contributes to recreating the urban bond between the periphery and the heart of greater cities. Most of the projects in the portfolio relate to rehabilitations or redevelopments: industrial sites, retail spaces, commercial complexes, residential buildings, low-density housing, etc. The Group's developments thereby contribute to creating proximity, diversity and the social bond that citizens demand from their elected representatives.

Altarea Cogedim's approach is exemplary in terms of environmental transition, with the systematic consideration of sustainability issues in its projects (energy efficiency, limited urban sprawl, reversibility of buildings, biodiversity, etc.). The Group regularly tops global rankings for its environmental performance.

Leader in property development in France, Altarea Cogedim directly or indirectly supports 56,600 jobs in many sectors of the French economy. Benefits are particularly significant at the local level, with the creation of long term jobs.

[37] The Group focuses its development on 12 major French regions: Greater Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Bordeaux Métropole, Greater Lyon, Grenoble-Annecy, Eurométropole de Strasbourg, Nantes Métropole, Métropole Européenne de Lille, Montpellier Méditerranée Métropole, Métropole de Rennes.

[38] Commitments relate only to the project portfolio. These correspond to costs already spent or yet to be spent under the contract and not covered by sales. At 31 December 2017, commitments amounted to €1.4 billion in Group share.

Leader in large mixed-use projects

Altarea Cogedim has become the leader in large mixed-use projects covering all asset classes (residential, retail, public facilities, hotels, serviced residences, offices, etc.). This market segment is experiencing very strong momentum driven by the phenomenon of metropolisation.

At 31 December 2018, Altarea Cogedim managed 10 major mixed-use projects representing potential value of approximately €3.3 billion.

Large projects at 100%	Total surface area (m²) [a]	Residential (units)	Serviced Residences	Office	Retail	Cinemas	Leisure/ Hotels	Public infrastructure	Estimated delivery
Aerospace (Toulouse)	64,000	790	-	x	x	x	x	-	2019-2021
Gif sur Yvette	68,000	960	-	-	x	-	-	x	2019-2021
Joia Meridia (Nice)	48,000	630	x	-	x	-	x	-	2020-2023
Coeur de Ville (Bezons)	67,000	730	-	-	x	x	-	-	2021
Belvédère (Bordeaux)	140,000	1,230	x	x	x	-	x	x	2021-2024
Fischer (Strasbourg)	37,000	490	x	-	x	x	-	x	2021-2024
La Place (Bobigny)	104,000	1,270	x	x	x	x	-	x	2021-2024
Cœur de Ville (Issy les M.)	105,000	630	x	x	x	x	x	x	2022
Quartier Guillaumet (Toulouse)	101,000	1,200	x	x	x	-	-	-	2022-2023
Quartier des Gassets (Val d'Europe) [b]	131,000	860	x	x	x	-	x	-	2024
Total (10 projects)	**865,000**	**8,790**							

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

1.1.2 2018 Highlights

Major mixed-use projects

In 2018, Altarea Cogedim confirmed its position as French leader winning two new major projects:

• Joia Méridia, in Nice, a new district of 74,000 m² (total surface area), of which 48,000 m² for the Group, which will supply 630 residential units and 4,700 m² of retail space and local services;

• a predominantly retail project of 130,000 m² in the Les Gassets district of Marne-la-Vallée (Val d'Europe) close to Disneyland® Paris, for which planning is currently in the final stages.

In early 2019, the Group was also awarded the tender for a mixed-use 56,000 m² project in the Les Simonettes district in Champigny-sur-Marne, comprising 28,000 m² of residential units, 900 m² of retail space and services, 12,000 m² of commercial space on the future Grand Paris Express metro line 15, and 15,000 m² of activities including 9,000 m² dedicated to the "Cité Artisanale des Compagnons du Tour de France" (amenities dedicated to promote and teach French craft).

Four other major projects under development also cleared milestones in 2018:

• launch of the marketing of Issy Cœur de Ville residential units. The construction work for this EcoQuartier certified project will be launched in a single phase in early 2019, for delivery in 2022;

• start of work in the Toulouse Aerospace – Place Central district, located on the iconic former Aéropostale site. Delivery for this project will be staggered between 2019 and 2021;

• start of the construction of Bezons Cœur de Ville, scheduled for delivery in 2021;

• gain of the retail authorization for Bobigny La Place and sale of cinemas.

Residential: among the Top 3 French residential developers

The Group entrenched its position among the Top 3 French residential developer, with market share of 7,6% in 2018[39]. The value of new housing orders increased by 11% year on year to €2.9 billion on a 5% increase in volume to 11,782 units ordered.

The Group continued its strategy of regional and product diversification this year, with:

• the acquisition in July of the remaining capital of Histoire & Patrimoine, a specialist in urban building renovation and rehabilitation[40];

[39] *Based on 155,000 units reserved in France (-6.1% vs 2017) – Source: Ministry of Territorial Cohesion and Relations with Local Authorities for retail sales and FPI (Fédération des Promoteurs Immobiliers), for block sales (estimated for block sales 2018).*

[40] *The Group acquired 55% of Histoire & Patrimoine in June 2014. Since 1 July 2018, this business has been fully consolidated (previously accounted for by the equity method) and its sales performance will be incorporated into the residential property development division.*

• the acquisition, finalised in early 2019, of 85% of Severini[41], developer of new housing complexes representing 300 units each year, active mainly in Nouvelle Aquitaine.

In terms of development, the Residential pipeline (offering and land portfolio) amounted to €11.3 billion (an increase of 23% compared with end-2017). The renewal of the Pinel Act for a four-year period (from 2018 to end-2021) and its greater focus to high-demand areas[42] backs up the Group's territorial strategy, with more than 99.9% of the pipeline located in eligible areas. The adoption of the ELAN law[43] also promises to create more favourable conditions for new residential developments in the coming years.

Business property: major sales and strong operating performance

As both a developer and a medium-term investor in Business property, the Group manages a portfolio of 60 projects representing potential value of €4.4 billion at the end of 2018.

Altarea Cogedim sold two of the largest office developments in the Grand Paris project this year, namely the Kosmo building in Neuilly-sur-Seine, the future global headquarters of Parfums Christian Dior (sold to Sogecap), and the Richelieu building in Paris, Altarea Cogedim's future headquarters (sold to CNP Assurances).

The Group has also confirmed the rollout of its Logistics business, launched in 2017, with the 11 projects currently under development representing potential value of €403 million.

Retail: implement of the pipeline and sound operating indicators

At 31 December 2018, the Group's Retail pipeline includes into 12 shopping centre creation/extension projects (including a growing proportion of travel retail in railway stations) and 10 retail projects developed as part of large mixed-use projects, with a little more than 387,300 m² in total surface area.

This year, the Group notably accelerated its development in travel retail, with:

• the opening of the first phase of retail at the Paris-Montparnasse railway station;

• the opening of Oxygen in La Défense, an innovative travel retail concept at the exit of the RER A train line and line 1 of the Paris metro;

• the award of the Ferrovie Dello Stato Italiane and Rete Ferroviaria tender in Italy for the management and renovation-extension of retail in five Italian railway stations.

Altarea Cogedim has also entered the last phase of the Cap 3000 extension (major regional shopping centre in Nice), which will be completed at the end of 2019.

At the end of 2018, the Group's retail portfolio amounted to €4.6 billion including transfer duties (€3.1 billion in Group share) for 37 assets.

The portfolio's operating indicators (financial vacancy rate and bad debt ratio) remain excellent, with growth of 1.7% in fully expensed net rental income on a like-for-like basis.

Lastly, in July, the Group sold its stake in Semmaris, the operator of the Rungis national food market[44], to Crédit Agricole Assurances.

First S&P Global credit rating: BBB

In June 2018, rating agency S&P Global awarded the Group an investment grade, BBB rating, with stable outlook.

S&P Global also gave a BBB rating to Altareit, the subsidiary of the Group, regrouping Property development businesses. After receiving this rating, Altareit raised €350 million in 7-year bond, becoming the first property developer to complete a public bond issue in continental Europe.

Extra-financial performance

Number 1 in the GRESB ranking[45]

On its 5th year of participating in the GRESB, Altarea Cogedim has reasserted its leader status and been ranked N°1 listed company in France (all sectors combined) and N°2 of all listed Retail companies worldwide.

Social and environmental impact

Altarea Cogedim is committed to contributing to regional economic development: each direct job of the Group serves to support 30 jobs, i.e. a total of 56,600 jobs[46] in 2018.

The Group also seeks to limit its carbon footprint by working on the items making the biggest contributions. It has undertaken to reduce emissions from its portfolio by 70% between 2010 and 2020.

The Group is also working to create more inclusive cities:

• as a ten-year partner of Habitat et Humanisme, the Group helps provide housing for the most disadvantaged;

• in 2018, it also launched SoCo, France's first solidarity REIT, alongside two key players in the social and solidarity economy (SSE), Baluchon, a grouping of social enterprises, and Crédit Coopératif.

Customers

Cogedim won the Customar care award "Elu service client de l'année"[47] for the second consecutive year, illustrating "la

[41] The Group announced the start of exclusive negotiations for this transaction on 13 November 2018 and its effective completion on 4 January 2019 (see the Residential chapter of this report).

[42] The "high-demand areas" correspond to areas A bis, A and B1.

[43] The ELAN Act (for Evolution du logement, de l'aménagement et du numérique) aims to facilitate the construction of new housing and to protect socially disadvantaged groups. It was definitively adopted in the Senate on 16 October 2018.

[44] Stake held by Altareit, a subsidiary listed on Euronext Paris (AREIT), 99.85% owned by Altarea Cogedim, which combines the Group's Residential and Business Property development activities. (See chapter Consolidated results of this report, and see the press release dated 27 July 2018 available on the Group's website)

[45] GRESB (Global Real Estate Sustainability Benchmark), a leading international ranking, annually assesses the CSR performance of real estate companies around the world. In 2018 it assessed 874 companies and funds, 37 of which were listed retail companies.

[46] Based on the findings of the Utopies study, using the Local Footprint® method, to model the functioning of the economy based on national accounting (Eurostat Input-Output tables).

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

différence Cogedim": a state of mind, a unique way of designing homes and uncompromising quality in the service and relationships offered to customers.

The Group is also the top-ranked property developer among the Top 10 French companies in the Les Echos/HCG ranking on customer service, climbing two notches to 6th place nationwide.

In addition, the satisfaction index for shopping centre visitors remains high, with a score of 7.7/10 endorsing the efforts made to enhance the sites appealing and welcoming, particularly through leisure offerings.

Environmental certification

100% of Residential units projects are NF Habitat certified, and 50% also have an environmental label.

100% of Business property developments are certified to the NF HQE™ "Excellent" and BREEAM® "Very good" levels or higher.

100% of the Retail portfolio has BREEAM In-Use certification.

At the Pollutec trade show, the Group received the "Business and Environment"[48] award in the "Biodiversity & Business" category for Cap 3000, where the extension-renovation project factored in demanding environmental criteria from the design stage dating back to 2014.

Talents

1,874 employees participate in the Group's development, up from 1,742 at the end of 2017.

More than 4,600 training days were dispensed (+80% year on year), and 85% of employees took at least one of the courses offered in 2018.

The Group also received this year the "Happy Index®/Trainee" label for its interns and work-study students.

Working for Altarea Cogedim means choosing a Group with strong values and innovative projects, where results obtained are recognised and the value created is shared. With the "Tous en actions !" scheme, nearly 576,000 free shares (i.e. approximately 3.6% of the share capital) have been awarded over the last four years as part of a programme of free share grants through various plans accompanied by agreements bearing on increased working time and individual and collective performance criteria.

1.1.3 Outlook

Dividend for the 2018 financial year

A dividend of €12.75 per share (up +2%) will be proposed at the General Meeting of Shareholders on 28 June 2019, for the 2018 financial year.

Shareholders will also be offered the option to partially convert the dividend into shares. They will be free to choose between:

• full payment in cash;

• 50% in shares, and 50% in cash.

2020 guidance

The Group confirms its FFO target of around €300 million by 2020 (Group share), taking into account the increase in tax on the non-SIIC activity and changes in accounting standards (IFRS 15, 16). 2019 FFO is expected to be consistent with this path.

The dividend policy will be maintained in line with that of recent years.

[48] This prize, awarded by the Ministry for the Environment and Ademe, rewards exemplary actions and projects carried by companies in the field of the environment.

1.2 Business

1.2.1 Retail

1.2.1.1 THE MARKET

In-depth transformation of the market

Consumer motivations and purchasing patterns have been profoundly disrupted over the past decade with the rise of multichannel commerce, the circular economy and the return of proximity. The retail landscape is undergoing unprecedented change.

In an environment of sluggish consumption, we have seen a surge in consolidation among retail banners, with considerable polarisation on certain concepts (especially fashion). Meanwhile, hypermarkets, which were long the driving force behind most French shopping centres, are increasingly tending to downsize their formats, especially in their non-food offer.

While France's total offer of retail space is below the average of the major Western countries, the best catchment areas are generally well provided for, and the opening of new space undermines the performance of existing stores.

Growing needs for retail space

Paradoxically, there is a great need for new retail areas, and players in the sector (retailers, lessors, developers, public authorities) are only just beginning to measure its scale. These needs are centred in the greater cities, and stem from their growing population density.

Communities formerly located on the outskirts of greater cities are experiencing an influx of people. Their real estate infrastructure (industrial, retail, low-density housing) is now inadequate, and must be reshaped in order to meet the challenges brought by a growing population. Redevelopment of this nature most often involves the launch of major projects covering all asset classes (residential, retail, public infrastructure, hotels, serviced residences, offices, etc.).

The retail offer is often key to the success of these large mixed-use developments. The concept underlying retail developments of this type needs to combine in a pedestrian and landscaped environment:

- integrated design of the commercial offering (coordinated merchandising);
- an offer of local services: health, food and gastronomy, family services, leisure (cinema, restaurants);
- around equipment and services traditionally present in shopping centres: events, digital tools, safety.

These retail areas offer much cheaper rents than shopping centres for the same banner.

1.2.1.2 GROUP STRATEGY

Shopping centres: a market of experts

Historically the Group's model has been to develop through the acquisition, creation or extension of assets, with a focus on certain formats: large shopping centres, large retail parks and travel retail.

Today, the Group's pipeline is focused on a small number of projects, with a significant share in travel retail (railway stations). At the end of 2018, the Group was working on a pipeline of 12 projects with potential value of €1.7 billion.

Retail component of large mixed-use projects: a booming activity

Its unique combination of real estate expertise allows the Group to provide an unmatched solution to communities facing the challenges of metropolisation. Altarea Cogedim is the undisputed leader in large mixed-use projects in France.

At the end of 2018, the Retail component of such projects represents a pipeline with potential value of approximately €685 million, in which the Group acts either as investor (alone or in partnership) or pure developer. The Group has developed a specific approach for such assets with convenience stores and even local traders (bakers, restaurants, etc.).

This market segment is set to enjoy particularly strong growth in the coming years, particularly on traditional retail sites that are well suited for urban redevelopment. A systematic study of all French commercial areas by the Group's teams identified 120 sites potentially suitable for a transformation of this nature.

The Group is already working on several existing sites for which it has secured the property (Bobigny, Orgeval, Massy, etc.). Exploratory discussions are also under way with several owners of retail sites with a view to assessing their potential for redevelopment.

1.2.1.3 PIPELINE AT 31 DECEMBER 2018

The Group's Retail pipeline breaks down into:

• creations/extensions of retail areas ("Retail – Creations/extensions");

• the retail component of large mixed-use urban projects ("Retail component – Large mixed-use projects").

Pipeline Retail	GLA (in m²)	Potential value (€m) [(a)]
Retail – Creations/extensions	231,200	1,730
Retail component – Large mixed-use projects	156,100	685
Total	**387,300**	**2,415**

[(a)] Retail – Creations/extensions: potential market value incl. transfer duties of projects on delivery, at 100%. Retail component – Large mixed-use projects: revenue excl. tax or potential value including transfer duties.

Projects removed

The Group has removed from the "Retail – Creations/extensions" pipeline two projects for which administrative issues now preclude a satisfactory financial outcome: L'Illiade in Chartres and a large retail park in the PACA (South-East) region.

Projects recasted as large mixed-use developments

Three developments initially envisaged in the form of "Retail – Creations/extensions" are currently the subject of assessments with a view to their reclassification as large mixed-use projects. These are Orgeval, Massy (redevelopment of the centre – X%) and Villeneuve-la-Garenne (site adjacent to the Qwartz shopping centre). These sites, which to date have solely offered retail space, have been identified as candidates for mixed-use urban redevelopments.

They will join the "Retail component – Large mixed-use projects" pipeline as soon as the planning details have been finalised.

"Retail – creations / extensions" pipeline

Bid won: Italian railway stations

Leader in travel retail in railway stations in France, the Group was selected by Ferrovie Dello Stato Italiane and Rete Ferroviaria Italiana for the management and renovation-extension, through a concession, of the retail units of five railway stations located in Italy's main cities[49].

The Group's plan is to double the retail space of these stations, ultimately bringing their surface area to 25,000 m², with 170 shops and restaurants serving 70 million users annually.

Paris-Montparnasse railway station

The Group will eventually develop 130 shops, restaurants and amenities on this exceptional site, offering a hub for users and residents, with an extremely diverse range of fashion, beauty, decoration and services. For food, the project provides for the implementation of a unique offer bringing together renowned chefs (Pierre Hermé, Christophe Gontran, Christophe Adam, Yann Couvreur) and original concepts (YO! Sushi, Bubbleology, Papa Boun, Pegast, Mardi Crêpes, Clasico Argentino and Noglu).

The site will ultimately benefit from captive footfall of 90 million passengers each year (70 million currently).

The work is being carried out in three successive phases to limit the impact for station users. The project's first phase opened at the end of 2018. The second phase is scheduled to open at the end of 2019 and the third at the end of 2020.

Paris-Austerlitz railway station

The transformation the Paris-Austerlitz railway station aims to create a new hub around vast public spaces, with shops, residential units (including a student residence), offices (40,000 m²), a hotel and public parking.

Altarea Cogedim is developing the 26,000 m² of retail space in the station's historic core, including the large passenger hall.

In September 2018, the project cleared a milestone with a presentation of the final design studies the City of Paris Steering Committee, earning plaudits in the process. The project's declaration of intent, jointly signed by the various building owners, was filed in October 2018. The next step will be the filing of a single building permit application in the first half of 2019.

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

The extension of this exceptional centre continues with the inauguration in April 2018 of the ground floor of the western hub, which includes the centre's iconic new entrance, plus 20 new shops including Victoria's Secret, Søstrene Grene, Levi's, Mount White and other internationally renowned brands.

The centre's transformation will be completed at the end of 2019, the year of its 50th anniversary, with the delivery of the southern hub. The new Cap 3000 will be double in size, with 300 stores covering 135,000 m². It will offer:

• a premium area (western hub) on the city side for high-end international "fashion and trend" brands that are new or not widely present in France;

• new restaurant options in the central areas and seaside terraces (southern hub), through the participation of master chefs and the presence of international restaurants with original concepts;

• services dedicated to improving the customer experience (concierge, personal shopper, geoguidance, etc.).

At the end of 2018, the site received the "Entreprise et Environnement 2018" award from the Ministry for the Ecological and Inclusive Transition and ADEME, acknowledging efforts made in terms of environmental aspects and biodiversity.

[49] Management of the Milano Porta Garibaldi, Padova Centrale, Torino Porta Susa, Roma Ostiense and Napoli Fragola railway stations under concessions running for more than 20 years.

Commitments

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

in €m	At 100%	%	Group share
Committed	568	46%	329
o/w paid out	*403*	*71%*	*242*
o/w to be paid out	*165*	*29%*	*87*
Secured not committed	659	54%	609
Total	**1,227**	**100%**	**938**

"Retail – Creations/extensions" pipeline		Group share	GLA (in m²) (a)	Gross rent (€M)	Net investment (€m) (b)	Return	Potential value (€m) (c)	Progress
Cap 3000 (Nice)	Expansion	33%	34,400					Under construction
Sant Cugat (Barcelone)	Redev./Exp	100%	8,000					Under construction
Ferney-Voltaire (Geneva area)	Creation	100%	46,400					Secured
Ponte Parodi (Genoa)	Creation	100%	36,700					Secured
Subtotal: Large shopping centres (4 projects)			**125,500**					
Gare Paris-Montparnasse (Ph. 2 & 3)	Creation	100%	9,700					Under construction
Gare de Paris-Austerlitz	Creation	100%	25,000					Secured
Gare de Paris-Est	Expansion	51%	5,000					Secured
Italian railway stations	Redev./Exp	100%	25,000					Secured
Travel retail subtotal (4 projects)			**64,700**					
La Vigie (Strasbourg) – RP	Expansion	100%	10,000					Secured
Aubergenville 2 – RP	Expansion	100%	9,400					Secured
Ollioules (Toulon) – TM	Expansion	50%	13,600					Secured
Le Due Torri (Lombardy) – TM	Redev./Exp	100%	8,000					Secured
Subtotal: Other (4 projects)			**41,000**					
Total at 31 December 2018 (12 projects)			**231,200**	**99.5**	**1,227**	**8.1%**	**1,730**	
o/w Group share			-	*78.8*	*938*	*8.4%*	*1,282*	

(a) Total GLA created (m²) For renovation/extension projects, figures represent additional GLA created.
(b) Total budget including interest expenses and
(RP) : Retail park – (TM) : Traditional malls

"Retail component – Large mixed-use projects" pipeline

Bid won: Quartier des Gassets (Marne-la-Vallée)

In June 2018, Altarea Cogedim won the tender launched by Euro Disney for an open-air development in Les Gassets, at the entrance to Val d'Europe and near the RER A train line. Ideally located and benefiting from the best infrastructure, Marne-la-Vallée is at once Europe's leading tourist destination thanks to Disneyland® Paris, home for residents and an emerging economic hub.

Altarea Cogedim has put forward an innovative project of 130,000 m² with a predominantly retail focus. It is currently in the final planning stages.

"Retail component – Large mixed-use projects" pipeline	Total surface area of projects	Surface area created (a)	Potential value (€m) (b)	Progress
Coeur de Ville (Bezons)	67,000	18,300		Under construction
Aerospace (Toulouse)	64,000	11,800		Under construction
Gif sur Yvette	68,000	5,100		Under construction
Fischer (Strasbourg)	37,000	3,900		Under construction
Belvédère (Bordeaux)	140,000	9,300		Secured
La Place (Bobigny)	104,000	13,800		Secured
Cœur de Ville (Issy les Moulineaux)	105,000	17,300		Secured
Quartier Guillaumet (Toulouse)	101,000	5,800		Secured
Quartier des Gassets (Val d'Europe)	131,000	62,000		Secured
Joia Meridia (Nice)	48,000	8,800		Secured
Total at 31 December 2018 (10 projects)	**865,000**	**156,100**	**685**	

(a) In GLA (in m²)
(b) Revenue excl. tax or potential value including transfer duties from projects on delivery.

1.2.1.4 PORTFOLIO

Figures at 100%	No.	GLA (in m²)	Current gross rent (€m) (d)	Appraisal value (€m) (e)
Controlled assets (a)	31	690,500	195.1	4,212
Equity assets (b)	6	102,500	28.4	411
Total portfolio assets	**37**	**793,000**	**223.5**	**4,623**
o/w Group share	*n/a*	*n/a*	156.1	*3,089*
Management for third parties (c)	7	150,700	30.2	
Total assets under management	**44**	**943,700**	**253.7**	

(a) Assets in which Altarea Cogedim holds shares and over which the Group exercises operational control. Fully consolidated in the consolidated financial statements.
(b) Assets in which Altarea Cogedim is not the majority shareholder, but for which Altarea Cogedim exercises joint operational control or significant influence. Consolidated using the equity method in the consolidated financial statements.
(c) Assets held entirely by third parties who entrusted Altarea Cogedim with a management mandate for an initial period of three to five years, renewable.
(d) Rental values on signed leases at 1 January 2019.

Change in the portfolio

€ millions, at 100 %	Number	Value (a)	*Change*
Total at 31 December 2017	**40**	**4,686**	
Centres opened	2	176	
Disposals	-5	(77)	
Like-for-like change		**(163)**	***(3.5)%***
o/w France		*(135)*	
o/w International		*(28)*	
Total at 31 December 2018	**37**	**4,623**	***(1.3)%***
o/w Group share		*3,089*	*0.1%*

(a) Assets controlled (fully consolidated) and assets consolidated by the equity method

Centres opened

Two deliveries increased the value of the portfolio in 2018:

• Paris-Montparnasse railway station: opening of the first phase, with new and innovative fashion and beauty brands (Levi's, The Kooples, Sweet Pants, Sephora, Lush, etc.), an innovative Marks & Spencer Food/Fnac bi-concept, a unique Nespresso concept store dedicated to travel retail and the largest Hema store in France;

• Oxygen (Paris-La Défense): opening of a flexible event space of 2,900 m² consisting of a restaurant bar in collaboration with Michelin-starred chef Michel Rostang (Octopus scheduled to open in spring 2019) and two fast-food brands (Biogurger and Prairie).

Disposals

The Group reduced the number of its assets, with the disposal of retail units in Toulon, and a portfolio of four small assets[50].

Breakdown of the portfolio by asset type

Breakdown by asset type (€m)	2018		2017	
Large shopping centres	2,637	*57%*	2,719	*58%*
Travel retail	292	*6%*	120	*3%*
Retail parks	834	*18%*	842	*18%*
Traditional malls	860	*18%*	1,005	*21%*
Total	**4,623**	*100%*	**4,686**	*100%*

The Group now holds 37 assets, with an average unit value of €125 million.

In Group share (€m)	2018		2017	
Large shopping centres	1,427	*46%*	1,497	*49%*
Travel retail	233	*8%*	59	*2%*
Retail parks	782	*25%*	761	*25%*
Traditional malls	646	*21%*	769	*25%*
Total	**3,089**	*100%*	**3,086**	*100%*

Change in the property exit rate[51]

Average capitalisation rate at 100%	31/12/2018	31/12/2017
Regional shopping centres	4.35%	4.22%
Retail parks	5.16%	5.11%
Traditional malls	5.99%	5.85%
Weighted average	**4.84%**	**4.74%**

NB: as travel retail assets are operated under a concession, there is no capitalisation rate (equivalent rates for fully owned sites are roughly 3%).

Average capitalisation rate (Group share)	31/12/2018	31/12/2017
Large shopping centres	4.58%	4.34%
Retail parks	5.18%	5.13%
Traditional malls	6.22%	6.20%
Weighted average	**5.11%**	**5.01%**

Operational performance

Economic environment

In 2018, the main economic indicators in the retail segment were impacted by weather (very hot summer and autumn) and protest movements (transport strike in spring and "yellow vests" movement during the Christmas and New Year holidays). French GDP growth was weaker than expected at 1.5% in 2018. At the same time, the unemployment rate improved in the 4th quarter of 2018[52], with a rate below 9% (8.8%), the first since 2009.

In January, household sentiment bounced back to its November level, while still remaining below its long-term average. The business climate, which deteriorated in 2018,

[50] Les Tanneurs in Lille, Porte Jeune in Mulhouse, Espace Saint Christophe in Tourcoing and Espace Grand'Rue in Roubaix.

[51] The exit rate (or "capitalisation rate") is used by appraisers to capitalise rents in the terminal period of their DCF models. It reflects the fundamental medium- to long-term quality of assets.
[52] Source: INSEE ("Informations rapides" dated 14 February 2019).

is stable and slightly above its long-term average[53]. In this context, the government's end-of-year announcement of measures to boost purchasing power can be expected to buoy household consumption in the first quarter, despite the impact of the transition to pay-as-you-earn tax in January.

Tenants' revenue[54] and footfall[55]

	Sales (incl. tax)	Footfall
France	+2.3%	+1.5%
Benchmark France (CNCC)	*-1.5%*	*-1.7%*

Although some sites (notably retail parks) were impacted by end-of-year protest movements, Altarea Cogedim assets posted very good operating performances in 2018.

Occupancy cost ratio, bad [56]debt ratio and[57] financial vacancy rates[58]

	31/12/2018	31/12/2017	31/12/2016
Occupancy cost ratio	11.2%	10.8%	10.3%
Bad debt ratio	1.1%	1.2%	2.3%
Financial vacancy	1.3%	2.4%	2.7%

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

The financial vacancy rate stands at 1.3%, reflecting the quality of assets in the portfolio and the success of the letting and re-letting campaigns.

Net consolidated rental income[59]

	in €m	*Chang*
Net rental income at 31 December 2017	**172.4**	
Redevelopment	(8.7)	
Deliveries	3.9	
Disposals	(3.1)	
Like-for-like change	**2.6**	***+1.7%***
Net rental income at 31 December 2018	**167.1**	

2017 net rental income included an indemnity related to the departure of Marks & Spencer from Qwartz. At the end of 2018, all surface areas had been re-let.

In addition, the delivery of the first phase of retail at the Paris-Montparnasse railway station amply offset asset disposals in 2017 and 2018.

On a like-for-like basis, net rental income increased by 1.7%.

Leasing (leases signed)

At 100%	Number of leases	New rent
France	241	€23.1m
International	74	€4.9m
Total portfolio	**315**	**€28.0m**
Pipeline	84	€20.0m
Total	**399**	**€48.0m**

Over the past three years, retail activity has increased sharply. In 2018, the teams worked on a total volume of 399 leases representing total rental income of €48 million, an increase of more than 8% by volume compared with 2017 (368 leases signed in 2017 and 310 in 2016).

• 315 leases were signed on portfolio assets, including Søstrene Grene in Bercy Village and Vapiano on L'Avenue 83, many renewals on retail parks, and the remarketing of the space left vacant by Marks & Spencer at Qwartz with the signing of Kiabi, France's leading ready-to-wear brand and NewYorker, which will open in 2019;

• 84 leases were also signed on assets in the pipeline, including Søstrene Grene, Vapiano, Sweet Pants, The Kooples, Victoria Magdalena, Moleskine, as well as prestigious international brands opening for the first time in France.

Lease expiry schedule

Lease expiry at 100%	€ millions at 100 %	% of total	3-year termination option	% of total
Past	19.0	*8.5%*	19.0	*8.5%*
2019	9.9	*4.4%*	33.7	*15.1%*
2020	16.2	*7.3%*	46.4	*20.8%*
2021	15.0	*6.7%*	48.5	*21.7%*
2022	16.6	*7.4%*	20.5	*9.2%*
2023	20.4	*9.1%*	17.6	*7.9%*
2024	25.7	*11.5%*	8.5	*3.8%*
2025	30.9	*13.8%*	9.3	*4.2%*
2026	23.7	*10.6%*	4.5	*2.0%*
2027	21.3	*9.5%*	4.5	*2.0%*
2028	17.6	*7.9%*	6.1	*2.7%*
2029	3.9	*1.7%*	2.5	*1.1%*
> 2029	3.2	*1.4%*	2.3	*1.0%*
Total	**223.4**	**100%**	**223.4**	**100%**

Excluding assets managed for third parties, the Group manages a total of approximately 1,750 leases in France and internationally.

53 Source: INSEE ("Informations rapides" dated 23 and 29 January 2019).
54 Change in merchant sales on a same-site basis in 2018.
55 Change in footfall, measured by Quantaflow on equipped shopping centres, and by counting cars for retail parks (excluding travel retail outlets) and CNCC data (over 12 months in 2018).
56 Ratio of billed rents and expenses to tenants (including reductions) to sales revenue. Calcul (incl. tax) and at 100%. France and International.
57 Net amount of allocations to and reversals of provisions for bad debt plus any write-offs during the period as a percentage of total rent and expenses charged to tenants, at 100 %. France and International
58 Estimated rental value (ERV) of vacant units as a percentage of total estimated rental value. France and International. Excluding property being redeveloped.
59 The Group now reports net rental income including the contribution to the marketing fund, the rebilling of work and investments as lessor, that are not included in the EPRA definition of net rental income. This computation has also been applied to 2017. By comparison, net rental income based on the EPRA definition amounted to €174.7 million, an increase of 1.8% on a like-for-like basis compared with 2017.

Detail of assets managed at 31 December 2018

Asset and type	GLA (in m²)	Gross rent (€m) [d]	Value (€m)	Group share	Group share (€m)
Cap 3000 (Nice)	71,200			33%	
Espace Gramont (Toulouse)	56,700			51%	
Avenue 83 (Toulon-La Valette)	53,500			51%	
Qwartz (Villeneuve-la-Garenne)	43,300			100%	
Sant Cugat (Barcelona, Spain)	33,000			100%	
Bercy Village (Paris)	23,500			51%	
Large shopping centres (6 assets)	**281,200**	**102.3**	**2,637**		**1,427**
Paris-Montparnasse railway station – Phase	8,500			100%	
Gare de l'Est (Paris)	6,800			51%	
Oxygen (Belvédère 92)	2,900			100%	
Travel retail (3 assets)	**18,200**	**21.9**	**273**		**226**
Family Village (Le Mans-Ruaudin)	30,500			100%	
Family Village (Limoges)	29,000			100%	
Family Village (Nîmes)	28,800			100%	
Les Portes de Brest Guipavas	28,600			100%	
Family Village (Aubergenville)	27,800			100%	
Espace Chanteraines (Gennevilliers)	23,700			51%	
Thiais Village	22,800			100%	
Les Portes d'Ambresis (Villeparisis)	20,300			100%	
La Vigie (Strasbourg)	18,200			100%	
XIV Avenue (Herblay)	14,300			100%	
Marques Avenue A13 (Aubergenville)	12,900			100%	
Pierrelaye	10,000			100%	
Retail parks (12 assets)	**266,900**	**40.1**	**834**		**782**
Le Due Torri (Bergamo - Stezzano, Italy)	30,900			100%	
Corte Lombarda (Bellinzago, Italy)	21,200			100%	
Massy -X%	18,400			100%	
Okabé (Le Kremlin-Bicêtre)	15,000			65%	
C. C. de Flins (Flins)	9,800			100%	
Grand Place (Lille)	8,300			100%	
Jas de Bouffan (Aix-en-Provence)	4,500			100%	
Miscellaneous (3 assets)	16,100			100%	
Traditional malls (10 assets)	**124,200**	**30.7**	**468**		**430**
Controlled assets [a] (31 assets)	**690,500**	**195.1**	**4,212**		**2,864**
Les Boutiques Gare du Nord (Paris)	4,600			40%	
Carré de Soie (Lyon)	51,000			50%	
Le Parks (Paris)	33,300			50%	
Jas de Bouffan extension (Aix-en-Provence)	5,300			50%	
Hôtel de Ville (Châlons)	5,300			40%	
Miscellaneous (2 assets)	3,000			49%	
Equity assets [b] (6 assets)	**102,500**	**28.4**	**411**		**224**
Total portfolio assets (37 assets)	**793,000**	**223.5**	**4,623**		**3,089**
Assets managed for third parties [c] (7 assets)	**150,700**	**30.2**			
Total assets under management (44 assets)	**943,700**	**253.7**			

[a] Assets in which Altarea Cogedim holds shares and over which the Group exercises operational control. Fully consolidated in the consolidated financial statements.
[b] Assets in which Altarea is not the majority shareholder, but for which it exercises joint operational control or significant influence. Consolidated using the equity method in the consolidated financial statements.
[c] Assets held entirely by third parties who entrusted Altarea Cogedim with a management mandate for an initial period of three to five years, renewable.
[d] Rental value on signed leases at 1 January 2019.

1.2.2 Residential

The market and outlook in 2018

In 2018, the residential market in France amounted to 155,000[60]; it registered a slight dip compared with the record 165,000 units placed in 2017.

Metropolisation, the end of urban sprawl and the refocusing of the Pinel mechanism on high-demand areas particularly affected the units located in zones B2 and C, in which the Group is almost absent.

The Home Buyers market is still buoyant with structural housing needs in France. Demand fundamentals are still good and the historically low interest rates, whose rise seems to be a receding prospect, continues to stimulate sales to private individuals.

From a legislative point of view, the adoption of the ELAN law on the development of the housing, development and digital sectors in November 2018 should help increase and improve the residential offer. Several measures in particular are very encouraging: the creation of new development tools ("grande opération d'urbanisme (GOU)": great urban planning operations, "projet partenarial d'aménagement (PPA)": planning partnership project), the simplification of construction rules with "ready-to-finish" (evolving housing, off-plan, transformation of offices into residential) or the facilitation of procedures (fighting abusive appeals and framework for decision times). The law also includes measures relating to the organisation of the social housing sector, the treatment of deteriorated co-owned properties and letting (particularly the mobility lease, the framework for tourism lets, the observatory and framework for rents).

A winning strategy

With a market share of 7.6% at the end of 2018 (11,782 units reserved for €2.9 billion value) and growth which continues compared with 2017 (+5% in volume and +11% in value), the Group confirmed its position amongst the top 3 residential developers in France.

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

Customers are at the core of the process

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

Comprehensive customer support

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

• customisation of the offer: four collections featuring turnkey packs ("ready to live", "ready to rent", "connected", "security"), in addition to a catalogue of 200 technical and decorative options. Customers can personally select their own options at Cogedim Stores, where they can wander through show apartments, browse the choice of materials and enjoy an immersive digital experience. After an initial store opened in Bercy Village in 2016, then in Toulouse in 2017, the Group opened 3 stores in Bordeaux, Lyon and Marseille in 2018;

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

• assistance in financing and rental management assistance for individual investors.

These actions undertaken by the Group for the satisfaction of its customers have been rewarded: for instance, Cogedim became the first property developer to win the "Customer Service of the Year" award for the level of service and quality of its customer relations in 2018, a distinction repeated in 2019. The Group is still the number 1 French developer in the "Top 10 for customer hospitality" produced by Les Echos / HCG and has risen 2 places (to 6th place) amongst national companies.

A commitment to quality

For 3 years, 100% of Group operations have been NF Habitat certified, a veritable mark of quality and performance, guaranteeing users improved comfort and energy savings. The Group is looking to combine this quality certification with an architectural and landscape requirement, with 50% of NF Habitat certified projects also having an environmental certification.

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

Programmes rooted in their city

The Group strives to develop projects that fit seamlessly into their environment and match the end-needs of customers as closely as possible: close to shops, public transport and schools. 99% of surface areas under development are located less than 500 metres from public transport.

An efficient geographical strategy

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

Against this backdrop, the Group is implementing a geographical development strategy with a view to holding strong positions in the most dynamic gateway cities,[61] targeting high-demand areas where the need for residential units is the highest. The renewal of the Pinel law for 4 years (2018 to the end of 2021) and its focus on these high-demand areas has provided a boost for the regional strategy of the

[60] Based on 155,000 units reserved in France (-6.1% vs 2017) – Source: Ministry of Territorial Cohesion and Relations with Local Authorities for retail sales and FPI (Fédération des Promoteurs Immobiliers), for block sales (estimated for block sales 2018).

[61] Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Grand Lyon Toulouse Métropole, , Grenoble-Annecy, Nantes Métropole, Bordeaux Métropole, Métropole européenne de Lille, Eurométropole de Strasbourg, Montpellier Méditerranée Métropole, Rennes Métropole.

Group, whose pipeline (offer and land portfolio) is exclusively located in the eligible zones[62].

A multi-brand and multi-product strategy

The Group operates all over France, offering products meeting all residential pathways, as well as expectations of local authorities (secured prices, social housing etc.).

It operates through its national brand Cogedim, aided in the main French gateway cities by Pitch Promotion and complemented in terms of products by Cogedim Club (residences for senior citizens) and Histoire & Patrimoine[63] (Historical Monuments).

At the start of January 2019, the Group also finalised the acquisition of 85% of the developer Severini[64], strengthening its presence in Nouvelle Aquitaine.

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

• high-end[65]: products defined by demanding requirements in terms of location, architecture and quality. In 2018, these represented 19% of the Group's new orders (in units);

• entry level/mid-range[66]: these programmes, which accounted for 72% of the Group's new orders, are specifically designed to address:

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

- the challenges faced by social housing providers, with which the Group is developing genuine partnerships to help them increase their rental stock and upgrade some ageing assets;

• Serviced Residences (6%): the Group develops a wide range of student residences, business tourism residences and exclusive residences. Under the Cogedim Club® brand, it also designs serviced residences for active senior citizens, combining locations in the heart of the city with a broad range of bespoke services. In 2018, the Group opened a Cogedim Club® residence in Arras (62) and Enghien (95), bringing the number of residences in operation to 12, and began work on two construction projects in Salon de Provence (13) and Marseille (13);

At the end of the year, Cogedim Club® "Terre de Seine", located in Greater Paris, became one of the first residences for senior citizens with the VISEHA[67] label in France. The Benodet programme "Le Domaine du Phare" for its part received the trophy for best "value for money" amongst Serviced Residences, in the MDRS (retirement homes selection) rankings for 2018-2019.

• renovation of historical sites (3%): under the Histoire & Patrimoine brand, the Group has a range of products for Historical Monuments, Malraux Law properties and Real Estate Tax schemes. The residence "les Jardins d'Artois à Arras" (62) received the Grand Prix SIMI 2018 in the category "Serviced Properties" a project managed by Cogedim Club® and Histoire & Patrimoine;

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

New orders[68]: 11,782 units (+5%) for €2.9 billion (+11%)

New orders (€ millions)	2018		2017		Change
Individuals - Residential	897		764		+17%
Individuals - Investment	1,032		1,016		+2%
Block sales	988		857		+15%
Total in value (incl. tax)	**2,917**		**2,636**		**+11%**
o/w equity-method (Group share)	*259*		*277*		*(6)%*
Individuals - Residential	2,755	unit	2,338	unit	+18%
Individuals - Investment	4,227	unit	4,354	unit	(3)%
Block sales	4,800	unit	4,497	unit	+7%
Total in units	**11,782**	**unit**	**11,189**	**unit**	**+5%**

The Group's strategy is clearly orientated towards the development of products designed for first-time buyers. This takes the form of a very strong progression of new orders from first-time buyers in terms of number of units and value, of +18% and +17% respectively.

Block sales to institutional investors (+7%), notably social landlords, also registered a strong increase.

Reservations by product range

Number of units	2018	%	2017	%	Change
Entry-level / mid-range	8,497	72%	8,703	78%	(2)%
High-end	2,181	19%	1,680	15%	+30%
Serviced Residences	723	6%	537	5%	+35%
Renovation/Rehabilitation	381	3%	269	2%	+42%
Total	**11,782**		**11,189**		**+5%**

Notarised sales

€ millions incl. tax	2018	%	2017	%	Change
Entry-level / mid-range	1,718	71%	1,613	61%	+7%
High-end	526	22%	855	32%	(38)%
Serviced Residences	96	4%	104	4%	(8)%
Renovation/Rehabilitation	84	3%	90	3%	(6)%
Total	**2,425**		**2,663**		**(9)%**

[62] The "high-demand areas" correspond to areas A bis, A and B1. At 31 December 2018, only 60 units (i.e. 0.1% of the Residential pipeline) are located in zone B2.
[63] On 17 July 2018, the Group acquired the remaining capital of Histoire & Patrimoine, having already acquired 55% of its capital in June 2014.
[64] Created in 1984, Severini has 35 employees and generated revenue of €55 million in its financial year ended 31 March 2018.
[65] Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions.
[66] Programmes under €5,000 per m² in the Paris Region and under €3,600 per m² in other regions, as well as exclusive programmes.
[67] At the initiative of two professional organisations (SNRA and SYNERPA) and with the participation of Afnor Certification, "VISEHA, Vie Seniors & Habitat" is the first quality label for serviced residences for senior citizens. It is based on 13 criteria, relating to both the property and the services, plus a set of pre-requisites relating to the financial health and reliability of the operator in order to ensure the long-term future of the home.
[68] Reservations net of withdrawals, in euros including tax when expressed in value. New orders at 100%, with the exception of projects under joint control (Group share of placements). Histoire & Patrimoine up to the share of the Group's holding (55%) in the 1st half and at 100% au 2nd half of 2018.

Revenue by percentage of completion: +30%

€millions excl. tax	2018 (a)	%	2017 (b)	%	Change
Entry-level / mid-range	1,277	*69%*	900	*63%*	
High-end	455	*25%*	441	*31%*	
Serviced Residences	78	*4%*	81	*6%*	
Renovation/Rehabilitation	33	*2%*	–	*0%*	
Total	**1,844**		**1,422**		**+30%**

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

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

Outlook

Supply[69]

Supply	2018	2017	Change
€ millions (incl. tax)	5,094	4,016	*+27%*
Number of units	20,237	17,889	*+13%*

Commercial launches

Launches	2018	2017	Change
Number of units	12,255	12,841	*(5)%*
Number of transactions	202	177	*+14%*
Revenue incl. tax (€m)	**3,179**	**2,901**	**+10%**

Residential backlog[70]

€millions excl. tax	2018	2017	Change
Notarised revenues not recognised on a % of completion basis	1,388	1,956	
Revenues reserved but not notarised	1,781	1,317	
Backlog	**3,169**	**3,273**	**(3)%**
o/w equity-method (Group share)	*270*	*281*	*(4)%*
Number of months	*25*	*28*	

The adoption of IFRS 15 has led to a reduction in the residential backlog of about €630 million, the margin on which was taken to equity at the opening of the financial year for +€51.0 million (of which €45.7 million Group share).

Despite the negative impact of IFRS 15, the Residential backlog remains at a very high level giving very strong visibility over the next few financial years.

Project under construction

254 projects were under construction at 31 December 2018, compared with 210 at the end of 2017.

Properties for sale[71] and future offering[72]: 47 months

In €m incl. tax of potential revenue	2018	No. of month	2017	Change
Properties for sale	2,103	*9*	*1,581*	*+33%*
Future offering	9,192	*38*	*7,624*	*+21%*
Pipeline	**11,295**	**47**	**9,205**	**+23%**
In no. of units	*44,835*		*38,985*	*+15%*
In m²	*2,510,800*		*2,183,100*	*+15%*

The Residential pipeline represents almost 4 years of business with over 44,800 units, almost exclusively located in high-demand areas eligible for the Pinel scheme.

Risk management

At 31 December 2018 the Group's properties for sale amounted to €2.1 billion incl. tax (or 9 months of activity), with the following breakdown according to the stage of completion of the programmes:

In €m

	Project not yet started	Project under construction	In stock	Total
Amounts committed excl. tax	**196**	**632**	**22**	**851**
Of which already paid (a)	*196*	*256*	*22*	*474*
Properties for sale incl.	**990**	**1,014**	**37**	**2,041**
In %	*48%*	*50%*	*2%*	*100%*
o/w to be delivered	*in 2019*	*131*		
	in 2020	*573*		
	≥ 2021	*310*		
Histoire & Patrimoine				57
Measurement products				5
Group properties for sale (b)				**2 103**

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

Management of real estate commitments

48% of properties for sale (i.e. €990 million) relates to programmes whose construction has not yet been launched and for which the amounts committed correspond essentially to studies, advertising, and loss of use indemnities (or guarantees) paid within the framework of promises on land, and cost of land where applicable.

50% of the offering is currently under construction, including a limited share (€131 million or 6% of total properties for sale) representing units to be delivered by the end of 2019.

The stock amount of finished products is insignificant (2%).

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

- the choice to prioritise unilateral preliminary sale agreements rather than bilateral sale and purchase agreements;
- requiring the consent of the Commitments Committee at all stages of the transaction: signature of the purchase

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

agreement, marketing, land acquisition launch of construction;

• strong pre-commercialisation required when acquiring land;

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

1.2.3 Business Property

A rapidly changing segment

Business Property must adapt to new uses and employees' expectations in the area of quality of life in the work place (collaborative work, attractive areas inspired by residential codes).

In order to guarantee the value of its project over time, the Group has decided to prioritise central locations which are hyperconnected and open towards the city. Its projects also include the office component of mixed-use programmes (which also include retail and residential units), thus meeting the expectations of local authorities.

An investor developer model

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

• as a developer[73] in off-plan sales, off-plan leases and property development contracts, with a particularly strong position on the turnkey users market, or as a service provider under delegated project management contracts; and

• as a medium-term investor (directly or through AltaFund[74]) as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redeveloped.[75]

The Group is systematically the developer of projects in which it acts as co-investor and manager[76].

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

With the creation of the logistics investment fund at the end of 2017, Altarea Cogedim (through Pitch Promotion) replicated its investor-developer model to a new line of Business property products: logistics platforms.

An attractive market

Whilst there are tensions on supply and demand of offices in the Greater Paris (about 75% of the national market), the French office property market remains very attractive for investors.

In the Greater Paris[77], investments in 2018 amounted to €23.1 billion (+19%), €10.1 billion of which in the fourth quarter, and the average price rose by +1% to 6,510 €/m².

Demand placed was 2.5 million m², a level still well above the decade average of 2.3 million m², despite a fall of 5% over a year. Immediate supply fell below 3 million m², the 4th consecutive year it has fallen (-10% in 2018). In this context of scarcity of quality supply in the most sought-after business districts (Paris CBD and Western Crescent), headline rents continue to progress (+3% over a year for new or redeveloped buildings and +8% for old buildings).

In the other gateway cities, demand for buildings with a prime location and higher quality (comfort, environmental standards, connectivity) is also growing rapidly. It is expected to generate redevelopment projects in greater cities.

Solid new orders

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

• PDA contracts and VEFA/BEFA off-plan contracts signed in the Property development activity, at contract price including tax[78];

• sale of assets in the Investment business, at sale price including tax[79].

€ millions incl. tax	2018	2017
Signing of property development or off-plan sales contracts	418	1,073
Asset sales (Group share)	347	-
Total	**765**	**1,073**
o/w equity-method (Group share)	*468*	*75*

In 2018, the Group recorded a solid level of new orders, €765 million including taxes:

• €418 million relating to the signing of property development contracts (off-plan and PDA), including the Bassins à Flot project in Bordeaux or the future Danone head office in Rueil-Malmaison. Remember, the record level of new orders in 2017 was mainly linked to the PDAs signed for four large projects (Bridge - the future Orange global head office, Richelieu in Paris CBD, and the Eria and Landscape towers in La Défense);

• in 2018, the Group sold two iconic office building projects for a 100% net selling price of €975 million (i.e. €347 million group share, after taking into account property development agreements previously signed with the Group on these assets). These operations involved Kosmo, the future head office of Parfums Christian Dior located in Neuilly-sur-Seine acquired by Sogecap (Société Générale Insurance) in June and delivered in early 2019 and Richelieu, the future head office of Altarea Cogedim located in Paris, rue Richelieu, sold off-plan to CNP Assurances.

[73] This development activity does not present any commercial risk: Altarea Cogedim carries only a measured amount of technical risk.
[74] AltaFund is a discretionary investment fund, created in 2011, of which Altarea Cogedim is one of the contributors alongside leading institutional investors.
[75] Resold rented or not.
[76] Through marketing, sale, asset and fund management contracts.
[77] Source: Immostat (economic interest group [GIE] made up of BNP Paribas Real Estate, CBRE, JLL and Cushman & Wakefield) - January 2019.
[78] New orders at 100%, with the exception of projects under joint control (equity-accounted) for which new orders are shown in Group share.
[79] New orders in Group share, net of the amount of the PDA when the assets sold were covered by a PDA signed with the Group, so that the same amount is not counted twice for the same asset.

Pipeline: 60 projects under way

At 31 December 2018, the project portfolio included 60 operations, six of which are part of the medium term investment strategy. The potential value at 100% of these projects under construction or secured is €4.4 billion.

At 31/12/2018	No.	Surface area (m²) at 100%	Potential value (€m)
Investments [a]	6	209,400	2,276
Property developer (property development or off-plan sales contracts) [b]	52	1,060,650	2,068
Offices - Paris Region	*7*	*131,700*	*698*
Offices - Regions	*34*	*348,100*	*967*
Logistic Share	*11*	*580,850*	*403*
Delegated project management [c]	2	13,950	56
Total	**60**	**1,284,000**	**4,400**

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

Commitments at 31 December 2018

In €m, Group share	Investment	Property development	Total
Already paid out	72	24	96
To be paid out	86	–	86
Total commitments	**158**	**24**	**182**

On investment transactions, the Group's commitments correspond to the obligations of equity contributions in operations. At 31 December 2018, the Group was committed for a total of €158 million Group share, of which €64 million relating to projects already let (notably the Bridge building let to Orange).

For new developments, commitments are limited to the amount of studies for projects being arranged. For projects under construction, financial commitments are covered by calls for funds (except "blank" transactions). At 31 December 31, total commitments amounted to €24 million, in 19 projects.

1.2.3.1 INVESTMENT

Six investment projects under way

The Group is developing six medium-term investment projects, held jointly with leading institutional investors. These projects cover the development or restructuring of office buildings in exceptional locations, offering high potential once delivered.

The cost price of these transactions is €1.6 billion at 100% (€413 million in Group share) for a potential value of close to €2.3 billion (estimated sales price), i.e. an expected gain in excess of €160 million in Group share.

Delivery of these transactions will be staggered from 2020 to 2022.

Group investment projects at 31 December 2018

Project	Group share	Surface area (m²)	Estimated rental income (€m) [a]	Cost price (€m) [b]	Potential value at 100% (€m excl. tax) [c]	Progress [d]
Bridge (Issy-les-Moulineaux)	25%	56,800				Under construction / leased
Landscape (La Défense)	15%	67,400				Under construction
Tour Eria (La Défense)	30%	25,000				Under construction
Issy Coeur de Ville – Hugo (Issy-les-Moulineaux)	26%	25,750				Secured
Issy Cœur de Ville – Leclerc & Vernet (Issy-les-M.)	50%	15,150				Secured
Cocktail (La Défense)	30%	19,300				Secured
TOTAL at 100%	**25% [e]**	**209,400**	**103**	**1,639**	**2,276**	
o/w Group share			*25*	*413*	*574*	

(b) Gross rent before supporting measures.
(b) Including acquisition of land.
(c) Potential market value excluding project rights at the date of sale, held directly or via AltaFund.
(d) Secured projects: projects either fully or partly authorised, where the land has been acquired or for which contracts have been exchanged, but on which construction has not yet begun.
(e) Weighted average of group share on cost price.

1.2.3.2 PROPERTY DEVELOPMENT

Property Development portfolio

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

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

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

PDC/off-plan sales/DPM	No.	Surface area (m²)	Revenue excl. tax (€m) [a]
Group investments	6	209,400	779
"100% external" projects	52	1,060,650	2,068
Offices - Paris Region	*7*	*131,700*	*698*
Offices - Regions	*34*	*348,100*	*967*
Logistic Share	*11*	*580,850*	*403*
Delegated project management	2	13,950	56
Portfolio 31/12/2018	**60**	**1,284,000**	**2,903**
o/w under construction	*30*	*426,200*	*1,743*
o/w secured projects	*30*	*857,800*	*1,160*

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

Supply

Altarea Cogedim has incorporated 13 new Office operations (130,000 m²) and 2 new logistics operations (380,000 m²), including a 260,000 m² project located in Bollène.

Deliveries

Altarea Cogedim has delivered 8 projects (115,000 m²), including:

• the "42 boulevard de Vaugirard" building (29,000 m²), entirely refurbished for Crédit Agricole Assurances;

• The 4* Hôtel Courtyard Paris-Gare de Lyon, redevelopment under delegated project management of an old 12,400 m² office building for Axa and Marriott;

• the iconic mixed-use building at 52 Champs-Elysées (delegated project management) which will house Galeries Lafayette in the Spring of 2019.

The Kosmo building was delivered in early January 2019.

Projects started

Altarea Cogedim has launched 8 projects (96,000 m²), including:

• the Convergence building in Rueil-Malmaison (25,300 m²), for which an off-plan lease was signed with Danone for its largest global head office and for which the construction work was launched at the end of the year; and

• the "4 Caps" in the Bassins à Flot project in Bordeaux: almost 40,000 m² of offices, retail and hotel accommodation.

Backlog[80] (off-plan, property development contracts and delegated project management)

In €m	2018	2017	*Change*
Off-plan, PDC	855	906	
o/w equity-method (Group share)	*84*	*8*	
Fees (DPM)	*7*	3	
Total	**862**	**908**	***(5)%***

Despite the negative impact of IFRS 15, the business property backlog remains at a very high level giving very strong visibility over the next few financial years.

Development portfolio at 31 December 2018

	Type	Surface area (m²)	Revenue excl. tax (€m) [a]	Progress [b]
Group investment projects (6 developments)		**209 400**	**779**	
Bassins à Flot (Bordeaux)	Off-plan sales	37,800		Under construction
Richelieu (Paris)	Off-plan sales	31,800		Under construction
Convergence (Rueil Malmaison)	Off-plan sales	25,300		Under construction
Orange (Lyon)	PDA	25,900		Under construction
Other Office projects (13 transactions)	PDA/Off-plan sales	103,900		Under construction
Belvédère (Bordeaux)	Off-plan sales	50,000		Secured
Other Office projects (23 transactions)	PDA/Off-plan sales	205,100		Secured
Logistics projects in progress (5 transactions)	PDA/Off-plan sales	27,000		Under construction
Logistics projects secured (6 transactions)	PDA/Off-plan sales	553,850		Secured
"100% external" projects (52 transactions)		**1,060,650**	**2,068**	
Total off-plan, property development contracts portfolio (58 projects)		**1,270,050**	**2,847**	
Delegated project management portfolio (2 projects)		**13,950**	**56**	
Total development portfolio (60 projects)		**1,284,000**	**2,903**	

(a) Property development agreements/off-plan sales: amount excl. tax of signed or estimated contracts, at 100%. Delegated project management contracts: fees capitalised.
(b) Secured projects: projects either fully or partly authorised, where the land has been acquired or for which contracts have been exchanged, but on which construction has not yet begun.

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

1.3 Consolidated results and Net Asset Value

1.3.1 Consolidated results

Altarea Cogedim revenue at 31 December 2018 amounted to €2.4 billion, up by 24%.

Funds from operations (FFO), Group share increased by 7.8% to €276.2 million. Per share FFO rose by 5.2% to €17.27 including the effect of the increase in the average number of shares[81].

In € millions	Retail	Residential	Business Property	Other Corporate	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**211.9**	**1,848.2**	**345.2**	**0.2**	**2,405.6**	**–**	**2,405.6**
Change vs. 31/12/2017	*+1.8%*	*+29.8%*	*+12.6%*	*N/A*	*+24.0%*		*+24.0%*
Net rental income	167.1	–	–	–	167.1	–	167.1
Net property income	0.8	176.0	18.2	–	195.1	–	195.1
External services	19.9	4.1	27.5	0.2	51.8	–	51.8
Net revenue	**187.8**	**180.1**	**45.8**	**0.2**	**414.0**	**–**	**414.0**
Change vs. 31/12/2017 adjusted	*(1.4)%*	*+36.5%*	*(18.0)%*	*N/A*	*+9.3%*		*+10.9%*
Own work capitalised and production held in inventory	5.3	135.3	20.0	–	160.6	–	160.6
Operating expenses	(48.5)	(200.6)	(47.1)	(3.2)	(299.5)	–	(299.5)
Net overhead expenses	**(43.2)**	**(65.2)**	**(27.1)**	**(3.2)**	**(138.8)**	**–**	**(138.8)**
Share of equity-method affiliates	11.7	12.8	78.2	–	102.7	(3.0)	99.7
Income/loss on sale of assets Retail						180.3	180.3
Changes in value Retail - Investment properties						(99.4)	(99.4)
Calculated expenses and transaction costs						(32.6)	(32.6)
Other provisions Corporate						(10.0)	(10.0)
OPERATING INCOME	**156.3**	**127.7**	**96.9**	**(3.0)**	**377.9**	**35.3**	**413.2**
Change vs. 31/12/2017	*(19.6)%*	*+9.0%*	*+123.5%*	*N/A*	*+6.2%*		*(22.2)%*
Net borrowing costs	(30.6)	(6.1)	(4.3)	–	(41.0)	(9.6)	(50.5)
Other financial results	–	–	–	–	–	2.1	2.1
Gains/losses in the value of financial instruments	–	–	–	–	–	(38.2)	(38.2)
Others	(0.0)	0.1	–	–	0.0	(2.4)	(2.4)
Corporate Income Tax	(2.4)	(4.0)	(2.0)	–	(8.4)	(28.0)	(36.4)
Net income	**123.2**	**117.7**	**90.7**	**(3.0)**	**328.6**	**(40.7)**	**287.8**
Non-controlling interests	(38.1)	(14.3)	0.0	–	(52.4)	19.8	(32.6)
Net income, Group share	**85.1**	**103.4**	**90.7**	**(3.0)**	**276.2**	**(20.9)**	**255.3**
Change vs. 31/12/2017	*(30.5)%*	*6.2%*	*+156.2%*	*N/A*	*+7.8%*		
Diluted average number of shares					*15,992,352*		
Net income, Group share per share					**17.27**		
Change vs. 31/12/2017					*+5.2%*		

[81] *The average number of shares at 31 December 2018 was 15,992,352 vs. 15,608,950 at end 2017 (a difference of an additional 383,402 shares mainly due to the effect of the full year impact of the payment of the scrip dividend for the 2016 financial year in 2017).*

1.3.1.1 FFO[82] GROUP SHARE: €276.2 MILLION (+7.8%)

FFO Group share (or funds from operations) represents operating income after net borrowing costs, corporate income tax and non-controlling interests, for all Group activities.

This is the Group's main indicator of income. In financial terms, it corresponds to IFRS net income after deduction of changes in value, calculated expenses and transaction costs.

FFO Retail

In € millions	2018	2017	
Rental income	184.8	180.2	+2.6%
Rental costs and other expenses	(21.6)	(15.8)	
Net rental income	**163.2**	**164.4**	(0.7)%
% of rental income	*88.3%*	*91.2%*	(2.9) pt
Contribution of EM associates	6.7	8.5	
Net borrowing costs	(30.6)	(29.1)	
Corporate income tax	(0.3)	(0.5)	
Non-controlling interests	(37.9)	(40.5)	
FFO Retail REIT	**101.0**	**102.8**	(1.7)%
External services	19.9	17.8	
Net property income	0.8	0.4	
Own work capitalised and production	5.3	6.4	
Operating expenses	(48.5)	(52.0)	
FFO Retail Services	**(22.5)**	**(27.5)**	+18.0%
Recurring FFO	**78.5**	**75.4**	+4.2%
Net income Promenade de Flandre - Roncq	–	26.3	
Disposals 2017-2018 (including Semmaris)	6.6	16.7	
Other financial results	–	4.0	
FFO Retail	**85.1**	**122.4**	(30.5)%

Net rental income[83]

Net rental income includes all the expenses relative to the assets (lessor's contributions to marketing costs and the cost of non-capitalised works not reinvoiced to tenants). On a like-for-like basis, net rental income grew by 1.7% (see Chapter "Retail" in this report).

Base effect

In 2017, FFO Retail included the following items:

• gains from hedging instruments against the resolution of a dispute (other financial income) of €4 million;

• net property income from the Promenade de Flandre project of €26.3 million after tax.

Disposals

Over the past two years, the Group has sold six assets (L'Aubette in 2017, and five small shopping centres in 2018).

The Group also sold in July 2018, its stake in Semmaris, operator of the Rungis national food market (MIN) for a amount of €250 million (for its share).

Recurring FFO

Excluding base effects and arbitrage, recurring FFO Retail grew by 4.2% in 2018.

FFO Residential

In € millions	2018	2017	
Revenue by % of completion	1,810.8	1,422.4	+27.3%
Cost of sales and other expenses	(1,645.1)	(1,292.5)	
Net property income (excl. H&P)	**165.7**	**129.9**	+27.5%
% of revenue	*9.1%*	*9.1%*	
External services	0.7	2.0	
Production held in inventory	132.1	138.0	(4.3)%
Operating expenses	(190.3)	(174.2)	+9.2%
Contribution of EM associates	15.4	15.9	
Operating income Residential	**123.5**	**111.6**	10.7%
% of revenue	*6.8%*	*7.8%*	(1.0) pt
Net borrowing costs	(6.1)	(6.0)	
Others	0.1	0.2	
Corporate income tax	(1.9)	(5.2)	
Non-controlling interests	(14.3)	(8.8)	
FFO Residential (excl. H&P)	**101.4**	**91.8**	10.4%
FFO Histoire & Patrimoine	**2.0**	**5.6**	
FFO Residential	**103.4**	**97.4**	6.2%

Histoire & Patrimoine

In July 2018, the Group acquired the balance of the share capital of Histoire & Patrimoine (of which it previously held 55%), which has been fully consolidated since (previously accounted for using the equity-method).

Histoire & Patrimoine is a specialist in renovation and redevelopment, with a niche offering in tax-relief products (Historical Monuments, Malraux Law Properties and Real Estate Tax Losses).

2018 is not representative of its normal performance due to the "blank tax year" effect related to the change to withholding tax.

FFO Business Property

The revenue model of the Business Property division is particularly diversified:

• net property income: CPI and off-plan;

• external services: delegated project management fees, asset management, leasing and performance (promote);

• contribution from equity-method associates: profits made on partnership projects (including AltaFund).

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[82] *Funds From Operations or operating cash flow from operations.*

[83] *The Group now reports net rental income including the contribution to the marketing fund, the rebilling of work and investments as lessor, that are not included in the EPRA definition of net rental income. This computation has also been applied to 2017. By comparison, net rental income based on the EPRA definition amounted to €174.7 million, an increase of 1.8% on a like-for-like basis.*

The volume of embedded value creation from the major projects sourced over the past few years is considerable (see Chapter "Business Property" in this report).

2018 is the first year to see a significant accounting impact from these major projects.

In € millions	2018	2017	
Revenue by % of completion	317.7	291.6	+9.0%
Cost of sales and other expenses	(299.4)	(263.1)	
Other income	–	12.4	
Net property income	**18.2**	**40.8**	(55.3)%
% of revenue	*5.7%*	*14.0%*	
External services	27.5	15.0	
Production held in inventory	20.0	22.0	
Operating expenses	(47.1)	(38.9)	
Contribution of EM associates	78.2	4.4	
OPERATING INCOME	**96.9**	**43.4**	x2.2
% of (revenue + ext. serv. prov.)	*28.1%*	*14.1%*	13.9 pt
Net borrowing costs	(4.3)	(3.3)	
Corporate income tax	(2.0)	(4.7)	
Non-controlling interests	0.0	0.1	
FFO Business Property	**90.7**	**35.4**	x2.6

In 2018, the strong growth of FFO Business Property (x 2.6) mainly resulted from the Kosmo project in Neuilly-sur-Seine and the Richelieu project in Paris (2nd Arrondissement), as well as the ramping up of property development programmes in other regions.

2018 income also saw the first part of performance fees related to AltaFund projects, in the amount of €17.2 million.

FFO per share: €17.27 (+5.2%)

The average number of shares at 31 December 2018 was 15,992,352, compared to 15,608,950 at 31 December 2017 (an increase of 383,402 shares). The increase stems mainly from the full year impact of the payment of the 2017 scrip dividend related to the 2016 financial year.

As a consequence, FFO per share was €17.27, up by 5.2%.

1.3.2 Impacts of the application of IFRS 15

Since 1st January 2018, Altarea Cogedim records its revenue according to IFRS 15 (Revenue from Contracts with Customers). The application of this standard affects the percentage of technical completion used to recognise the revenue from property development programmes, the calculation of which now includes the cost of land, whereas it did not in the past. In effect, this means recognising revenue at a faster pace.

At 31 December 2018, the impact of this change was a positive €26.0 million on revenue and a positive €17.1 million on FFO Group share, which almost exclusively derived from Business property revenue.

As a reminder, the impact on opening equity was an increase of €51.0 million (of which €45.7 million in Group share). From a business viewpoint, this impact corresponds to €630 million in revenue, which is now deemed to have been recognised prior to 1 January 2018.

In terms of presentation of the financial statements, the Group has opted to apply the cumulative catch-up method: publication of the 2018 financial year according to the new method and 2017 accounts not restated (former method). A version of the 2018 statements under the former method is provided for the purposes of illustration, to enable the comparison with the 2017 accounts as published.

	31/12/2018			Impact of IFRS 15			31/12/2018 - old method			31/12/2017		
In € millions	Funds from operations (FFO)	Changes in value, calculated expenses and transaction costs	TOTAL	Funds from operations (FFO)	Changes in value, calculated expenses and transaction costs	TOTAL	Funds from operations (FFO)	Changes in value, calculated expenses and transaction costs	TOTAL	Funds from operations (FFO)	Changes in value, calculated expenses and transaction costs	TOTAL
NET RETAIL INCOME	**156.3**	**61.1**	**217.4**	**–**	**–**	**–**	**156.3**	**61.1**	**217.4**	**194.3**	**202.1**	**396.4**
Revenue	1,844.1	–	1,844.1	(2.6)		(2.6)	1,846.7	–	1,846.7	1,422.4	–	1,422.4
Cost of sales and other expenses	(1,668.1)	–	(1,668.1)	2.9		2.9	(1,671.0)	–	(1,671.0)	(1,292.5)	(2.9)	(1,295.3)
Net property income	**176.0**	**–**	**176.0**	**0.3**		**0.3**	**175.7**	**–**	**175.7**	**129.9**	**(2.9)**	**127.1**
Net overhead expenses	**(61.1)**	**(11.8)**	**(72.9)**	**–**		**–**	**(61.1)**	**(11.8)**	**(72.9)**	**(34.2)**	**(9.9)**	**(44.1)**
Share of equity-method affiliates	**12.8**	**19.1**	**31.9**	**1.4**	**(0.5)**	**0.9**	**11.4**	**19.6**	**31.0**	**21.5**	**(0.3)**	**21.2**
Net allowances for depreciation and impairment	**–**	**(4.1)**	**(4.1)**	**–**		**–**	**–**	**(4.1)**	**(4.1)**	**–**	**(1.8)**	**(1.8)**
Transaction costs	**–**	**(1.7)**	**(1.7)**	**–**		**–**	**–**	**(1.7)**	**(1.7)**	**–**	**(0.6)**	**(0.6)**
NET RESIDENTIAL INCOME	**127.7**	**1.5**	**129.2**	**1.7**	**(0.5)**	**1.3**	**126.0**	**2.0**	**128.0**	**117.2**	**(15.5)**	**101.7**
Revenue	317.7	–	317.7	28.6		28.6	289.0	–	289.0	291.6	–	291.6
Cost of sales and other expenses	(299.4)	–	(299.4)	(28.0)		(28.0)	(271.4)	–	(271.4)	(263.1)	(2.7)	(265.8)
Other income	–	–	–	–		–	–	–	–	12.4	–	12.4
Net property income	**18.2**	**–**	**18.2**	**0.6**		**0.6**	**17.6**	**–**	**17.6**	**40.8**	**(2.7)**	**38.2**
Net overhead expenses	**0.4**	**(2.4)**	**(2.0)**	**–**		**–**	**0.4**	**(2.4)**	**(2.0)**	**(1.9)**	**(1.8)**	**(3.7)**
Share of equity-method affiliates	**78.2**	**(13.5)**	**64.7**	**16.5**	**(3.5)**	**13.0**	**61.7**	**(10.0)**	**51.7**	**4.4**	**2.0**	**6.4**
Net allowances for depreciation and impairment	**–**	**(1.4)**	**(1.4)**	**–**		**–**	**–**	**(1.4)**	**(1.4)**	**–**	**(0.4)**	**(0.4)**
Transaction costs	**–**	**–**	**–**	**–**		**–**	**–**	**–**	**–**	**–**	**–**	**–**
BUSINESS PROPERTY INCOME	**96.9**	**(17.3)**	**79.6**	**17.1**	**(3.5)**	**13.6**	**79.8**	**(13.8)**	**66.0**	**43.4**	**(2.9)**	**40.5**
Other (Corporate)	**(3.0)**	**(10.0)**	**(13.0)**	**–**	**–**	**–**	**(3.0)**	**(10.0)**	**(13.0)**	**1.1**	**(8.5)**	**(7.5)**
OPERATING INCOME	**377.9**	**35.3**	**413.2**	**18.9**	**(4.0)**	**14.9**	**359.0**	**39.3**	**398.3**	**355.9**	**175.2**	**531.1**
Net borrowing costs	**(41.0)**	**(9.6)**	**(50.5)**	**–**	**–**	**–**	**(41.0)**	**(9.6)**	**(50.5)**	**(38.4)**	**(5.9)**	**(44.3)**
Other financial results	**–**	**2.1**	**2.1**	**–**	**–**	**–**	**–**	**2.1**	**2.1**	**4.0**	**4.7**	**8.8**
Discounting of debt and receivables	**–**	**(0.2)**	**(0.2)**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.3)**	**(0.3)**
Change in value and income from disposal of financial instruments	**–**	**(38.2)**	**(38.2)**	**–**	**–**	**–**	**–**	**(38.2)**	**(38.2)**	**–**	**2.9**	**2.9**
Net gain/(loss) on disposal of investments	**–**	**(2.2)**	**(2.2)**	**–**	**–**	**–**	**–**	**(2.2)**	**(2.2)**	**–**	**0.1**	**0.1**
Dividend	**0.0**	**–**	**0.0**	**–**	**–**	**–**	**0.0**	**–**	**0.0**	**0.2**	**–**	**0.2**
PROFIT BEFORE TAX	**336.9**	**(12.7)**	**324.2**	**18.9**	**(4.0)**	**14.9**	**318.1**	**(8.7)**	**309.4**	**321.8**	**176.7**	**498.5**
Corporate income tax	**(8.4)**	**(28.0)**	**(36.4)**	**–**	**1.6**	**1.6**	**(8.4)**	**(29.6)**	**(38.0)**	**(15.4)**	**(7.0)**	**(22.5)**
NET INCOME	**328.6**	**(40.7)**	**287.8**	**18.9**	**(2.4)**	**16.5**	**309.7**	**(38.3)**	**271.4**	**306.4**	**169.7**	**476.1**
Non-controlling interests	**(52.4)**	**19.8**	**(32.6)**	**(1.8)**	**0.0**	**(1.8)**	**(50.6)**	**19.8**	**(30.8)**	**(50.1)**	**(102.9)**	**(153.1)**
NET INCOME, GROUP SHARE	**276.2**	**(20.9)**	**255.3**	**17.1**	**(2.4)**	**14.7**	**259.1**	**(18.5)**	**240.6**	**256.3**	**66.7**	**323.0**
Diluted average number of shares		*15,992,352*			*15,992,352*			*15,992,352*			*15,608,950*	
NET INCOME PER SHARE (€/SHARE), GROUP SHARE	**17.27**	**(1.31)**	**15.96**	**1.07**	**(0.15)**	**0.92**	**16.20**	**(1.16)**	**15.04**	**16.42**	**4.28**	**20.69**

1.3.3 Net asset value (NAV)

1.3.3.1 DILUTED GOING CONCERN NAV: €174.3/SHARE (+0.2%)

GROUP NAV	31/12/2018 In € millions	Change	€/share	Change/ share	31/12/2017 In € millions	€/share
Consolidated equity, Group share	**2,007.9**		**125.0**		**1,904.8**	**118.7**
Other unrealised capital gains	641.1				722.1	
of which Semmaris	*–*				*122.5*	
of which Property development	*548.4*				*548.4*	
of which Other assets [(a)]	*92.8*				*51.2*	
Restatement of financial instruments	64.4				26.2	
Deferred tax on the balance sheet for non-SIIC assets	25.2				30.2	
EPRA NAV	**2,738.6**	***+2.1%***	**170.5**	***+2.0%***	**2,683.3**	**167.2**
Market value of financial instruments	(64.4)				(26.2)	
Fixed-rate market value of debt	(7.8)				9.1	
Effective tax for unrealised capital gains on non-SIIC assets [(c)]	(24.5)				(29.5)	
Optimisation of transfer duties [(c)]	87.7				84.6	
Partners' share (d)	(20.2)				(20.2)	
EPRA NNNAV (NAV liquidation)	**2,709.4**	***+0.3%***	**168.7**	***+0.2%***	**2,701.2**	**168.3**
Estimated transfer duties and selling fees	91.5				92.8	
Partners' share (d)	(0.7)				(0.7)	
Diluted Going Concern NAV	**2,800.2**	***+0.2%***	**174.3**	***+0.2%***	**2,793.3**	**174.0**
Number of diluted shares:	*16,061,329*				*16,051,842*	

(a) Mainly Business property transactions.
(b) International assets.
(c) Depending on disposal structuring (asset deal or share deal).
(d) Maximum dilution of 120,000 shares.

1.3.3.2 CALCULATION BASIS

Asset valuation

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

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

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

• the Business Property Investment division (AltaFund, Richelieu and Bridge);

• a hotel going concern (Hotel Wagram).

These assets are appraised once per year by external appraisers on annual closing.

Altarea France is valued by Accuracy.

The Property Development division (Residential and Business Property) and the Business Property Investment division are valued by appraisers Accuracy and 8 Advisory.

Retail assets and goodwill for the going concern hotel are valued by Cushman & Wakefield and Jones Lang LaSalle.

The appraisers use two methods:

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

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

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

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

Appraiser	Portfolio	% of value, incl. transfer duties
Jones Lang LaSalle	France	38%
Cushman & Wakefield	France & International	62%

The methods used by JLL, C&W and Accuracy use the discounted cash flow method (DCF) in conjunction with a terminal value based on normalised cash flow. JLL and C&W

provide a single appraisal value, while Accuracy provides a range of values calculated using different scenarios. In addition to its DCF valuation, Accuracy also provides a valuation based on listed peer group comparables. Eight Advisory uses a multi-criteria DCF-based approach, an approach using multiples from listed peer Group comparables and multiples from comparable transactions.

Tax

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

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

Transfer Taxes

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

Partners' share

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

1.3.3.3 CHANGE IN GOING CONCERN NAV[84]

At the end of 2018, Diluted Going Concern NAV remained stable at €174.3 per share.

Diluted Going Concern NAV	In € millions	€/share
At 31/12/2017	**2,793.3**	**174.0**
2017 Dividend	**(200.8)**	**(12.5)**
2018 FFO	**276.2**	**17.3**
Change in real estate values	**27.2**	**1.7**
Business Property	57.5	3.6
Retail	(30.3)	(1.9)
Development	*95.5*	*5.9*
Disposals	*34.5*	*2.1*
Change in value standing assets	*(160.4)*	*(10.0)*
Change in value - Fin. instrument (a)	**(63.0)**	**(3.9)**
Deferred tax	**(38.2)**	**(2.4)**
Other	**5.5**	**0.2**
Share buyback	(12.9)	(0.8)
IFRS 15 impact and other (b)	18.4	1.0
At 31/12/2018	**2,800.2** *+0.2%*	**174.3** *+0.2%*

(a) o/w market value of fixed-rate debt.
(b) o/w free grants of shares (FGS), amortization, transactions and partners' share.

Change in real estate values

Business property

The €57.5 million value creation in Business property reflects the remainder of the expected value added on 2 major development-investment operations (Bridge and Richelieu) currently under works.

Retail

Retail recorded a loss of €30.3 million, breaking down as follows:

• a value creation on development of « new generation » retail, with the 1st phase of Paris-Montparnasse railway station retail delivery at the end of 2018;

• capital gains on disposals (including Semmaris), on average above appraisal values;

• a change in value of standing asset coming from an average 10 bps raise of capitalisation rate, and the downward revision of the rent assumptions used in the appraisals (traditional malls especially).

Property development division

In 2018, the range of valuations of the Property Development division improved (with an average level far superior to that of 2017) and tightened (reduction of the gap between the upper and lower estimates).

In the 2018 NAV, the Group decided to keep unchanged the unrealised gains in the Property Development division, the value of which now lies in the bottom part of the range.

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

1.4 Financial resources

1.4.1 Financial position

First BBB credit rating

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

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

S&P Global also assigned to Altareit[85], the listed subsidiary 99.85% held and controlled by the Altarea Cogedim Group, a BBB rating, with stable outlook.

The agency underscored the strength of Altareit's positions, which combine the Group's residential and commercial development activities in a market in which the fundamentals and trends reinforce the company's credit quality. The rating agency also underlines the company's prudent financial discipline in terms of commitments.

Consolidated net debt: €2,449 million

As at 31 December 2018, the Group's net financial debt stood at €2,449 million, down €77 million compared to 31 December 2017.

Average duration was five years and one month (excluding European Commercial Paper and debt on property development programmes).

In € millions	31/12/2018	31/12/2017
Corporate and bank debt	186	541
Credit markets(a)	1,663	1,769
Mortgage debt	1,020	1,071
Debt on property development	258	316
Total gross debt	3,128	**3,696**
Cash and cash equivalents	(679)	(1,169)
Total net debt	2,449	**2,526**

(a) This amount includes bond debt and €381 million in European Commercial Paper.

In € millions	REIT division	Property Development division	Total
Corporate and bank debt	78	108	186
Credit markets(a)	1,101	562	1,663
Mortgage debt	1,020	–	1,020
Debt on property development programmes	–	258	258
Total gross debt	**2,200**	**928**	**3,128**
Cash and cash equivalents	(157)	(522)	**(679)**
Total net debt	**2,043**	**406**	**2,449**

(a) This amount includes bond debt and €381 million in European Commercial Paper.

Long term financing

Over the twelve past months, the Group put in place corporate financing for an amount of €945 million:

- €595 million of bank financing, mainly in the form of revolving credits of an average term of 5 years;
- and €350 million in 7-year bonds with a fixed coupon of 2.875%, issued by the subsidiary Altareit (which thus becomes the first European developer to conduct a public bond issue).

At the same time, the Group redeemed its medium term loan and cancelled revolving credits for a total amount of €605 million and an average maturity of about 2.2 years.

European Commercial Paper

Altarea Cogedim has two European Commercial Paper programmes (maturities from one month to one year) for which the maximum amounts are €750 million for Altarea and €600 million for Altareit. At 31 December 2018, the outstanding amounts were €169 million and €212 million for Altarea and Altareit, respectively.

Available liquidity

As at 31 December 2018, available liquidity, to be drawn at any time and immediately, was composed of:

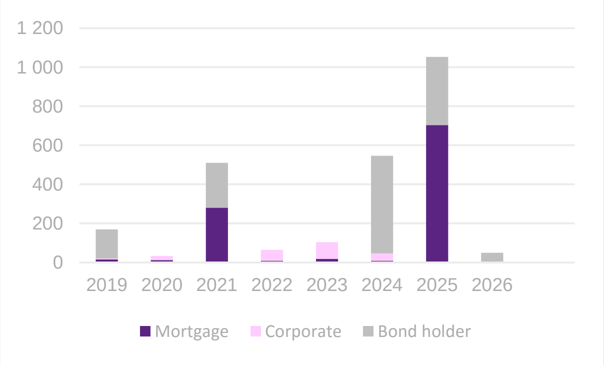
- €347 million in cash;
- €882 million in undrawn committed revolving credit facilities

This available liquidity includes €381 million in European Commercial Paper with an average duration of 105 days.

[85] *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.*

Maturity schedule for Group debt by maturity[86]

The chart below (in € millions) presents the Group's debt by maturity at 31 December 2018.



The settlement of 2021 mortgage debt corresponds to the debt on Cap 3000. Debt due in 2024 corresponds to the term of the bond issued in 2017 by Altarea. The 2025 maturity corresponds to the mortgage financing put in place for a portfolio of shopping centres in 2015 and the bond issued in 2018 by Altareit.

All coporate debt settled between 2019 and 2023 is largely covered by the existing authorisations not yet drawn.

1.4.2 Financing strategy

Hedging: nominal amount and average rate

The Group primarily borrows at a variable rate and sets a target hedge of 70% and 90% of the nominal value of its debt[87] with the balance exposed to the three months Euribor.

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

The average hedge rate now stands between 0.57% and 0.96% up to 2026. With this strategy, the Group has a strong visibility over its medium-term hedged cost of debt.

Maturity	Swap (€ millions) (a)	Fixed-rate debt (€ millions) (a)	Total (€ millions) (a)	Average swap rate (b)
2019	1,693	883	2,576	0.57%
2020	2,034	743	2,776	0.87%
2021	2,072	740	2,812	0.93%
2022	1,964	737	2,702	0.94%
2023	1,963	734	2,698	0.94%
2024	1,853	682	2,535	0.92%
2025	959	340	1,299	0.96%
2026	–	50	50	0.63%

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

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

[86] *Credit drawn at 31 December 2018 excluding debt on development projects and European Commercial Paper*
[87] *Including fixed-rate bonds.*

Average cost of debt: 1.94%[88]

The Group's optimised average cost of debt with long-term visibility is explained by combination of efficient hedging and significant recourse to mortgage financing. The slight increase in the average cost of debt (1.94% end 2018 vs. 1.75% at 31 December 2017) is due to the bond issues by Altarea and Altareit.

Altarea Cogedim anticipates to keep an average cost of debt under 2.50% over the coming years thanks to the tight control of its liabilities and to its hedging strategy, regardless of changes in interest rates.

1.4.3 Financial ratios and ratings

Net Debt to EBITDA ratio

At 31 December 2018, the Net Debt to EBITDA[89] ratio was 6.48x compared with 7.10x in 2017 and 8.83x in 2016.

This improvement is linked to the high profitability of capital employed by the Group.

Loan to Value (LTV)

The LTV ratio compares consolidated net bond and bank debt to the consolidated market value of Group assets. At 31 December 2018, its was 34.9% (compared to 36.1% at 31 December 2017) in line with the overall long-term objective of the Group, which is about 40%.

At 31/12/2018	In € millions
Gross debt	3,128
Cash and cash equivalents	(679)
Consolidated net debt	**2,449**
Shopping centres at value (FC) (a)	4,212
Shopping centres at value (EM affiliates' securities) (b)	184
Investment properties valued at cost (c)	595
Business Property investments (d)	208
Enterprise value of Property Development	1,814
Market value of assets	**7,014**
LTV Ratio	**34.9%**

(a) Market value (including transfer taxes) of shopping centres in operation recognised according to the fully consolidated method.
(b) Market value (including transfer taxes) of shares of equity-method affiliates carrying shopping centres and other retail assets.
(c) Net book value of investment properties in development valued at cost.
(d) Value of Business Property assets.

Covenants

	Covenant	31/12/2018	31/12/2017	Delta
LTV (a)	≤ 60%	34.9%	36.1%	(1.2) pt
ICR (b)	≥ 2.0 x	9.2x	9.3x	(0.1) x

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

At 31 December 2018, the financial position of the Group fully satisfied all of the covenants of its various credit contracts.

[88] *Including related fees (commitment fees, non-use fees, etc.).*
[89] *FFO Operating income over net bond and bank debt.*

Consolidated Income statement by segment at 31 December 2018

In € millions	31/12/2018 Funds from operations (FFO)	31/12/2018 Changes in value, estimated expenses and transaction costs	31/12/2018 Total	31/12/2017 Funds from operations (FFO)	31/12/2017 Changes in value, estimated expenses and transaction costs	31/12/2017 Total
Rental income	188.9	–	188.9	188.4	–	188.4
Other expenses	(21.8)	–	(21.8)	(16.0)	–	(16.0)
Net rental income	**167.1**	**–**	**167.1**	**172.4**	**–**	**172.4**
External services	19.9	–	19.9	17.8	–	17.8
Own work capitalised and production held in inventory	5.3	–	5.3	6.4	–	6.4
Operating expenses	(48.5)	(3.7)	(52.2)	(52.0)	(3.1)	(55.1)
Net overhead expenses	**(23.4)**	**(3.7)**	**(27.1)**	**(27.9)**	**(3.1)**	**(31.0)**
Share of equity-method affiliates	**11.7**	**(8.6)**	**3.1**	**49.4**	**(0.4)**	**49.0**
Net allowances for depreciation and impairment	**–**	**(2.5)**	**(2.5)**	**–**	**(1.4)**	**(1.4)**
Income/loss on sale of assets	**0.8**	**180.3**	**181.1**	**0.4**	**9.7**	**10.1**
Income/loss in the value of investment property	**–**	**(99.4)**	**(99.4)**	**–**	**197.3**	**197.3**
Transaction costs	**–**	**(5.1)**	**(5.1)**	**–**	**(0.0)**	**(0.0)**
NET RETAIL INCOME	**156.3**	**61.1**	**217.4**	**194.3**	**202.1**	**396.4**
Revenue	1,844.1	–	1,844.1	1,422.4	–	1,422.4
Cost of sales and other expenses	(1,668.1)	–	(1,668.1)	(1,292.5)	(2.9)	(1,295.3)
Net property income	**176.0**	**–**	**176.0**	**129.9**	**(2.9)**	**127.1**
External services	4.1	–	4.1	2.0	–	2.0
Production held in inventory	135.3	–	135.3	138.0	–	138.0
Operating expenses	(200.6)	(11.8)	(212.4)	(174.2)	(9.9)	(184.1)
Net overhead expenses	**(61.1)**	**(11.8)**	**(72.9)**	**(34.2)**	**(9.9)**	**(44.1)**
Share of equity-method affiliates	**12.8**	**19.1**	**31.9**	**21.5**	**(0.3)**	**21.2**
Net allowances for depreciation and impairment	**–**	**(4.1)**	**(4.1)**	**–**	**(1.8)**	**(1.8)**
Transaction costs	**–**	**(1.7)**	**(1.7)**	**–**	**(0.6)**	**(0.6)**
NET RESIDENTIAL INCOME	**127.7**	**1.5**	**129.2**	**117.2**	**(15.5)**	**101.7**
Revenue	317.7	–	317.7	291.6	–	291.6
Cost of sales and other expenses	(299.4)	–	(299.4)	(263.1)	(2.7)	(265.8)
Other income	–	–	–	12.4	–	12.4
Net property income	**18.2**	**–**	**18.2**	**40.8**	**(2.7)**	**38.2**
External services	27.5	–	27.5	15.0	–	15.0
Production held in inventory	20.0	–	20.0	22.0	–	22.0
Operating expenses	(47.1)	(2.4)	(49.6)	(38.9)	(1.8)	(40.8)
Net overhead expenses	**0.4**	**(2.4)**	**(2.0)**	**(1.9)**	**(1.8)**	**(3.7)**
Share of equity-method affiliates	**78.2**	**(13.5)**	**64.7**	**4.4**	**2.0**	**6.4**
Net allowances for depreciation and impairment	**–**	**(1.4)**	**(1.4)**	**–**	**(0.4)**	**(0.4)**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**
BUSINESS PROPERTY INCOME	**96.9**	**(17.3)**	**79.6**	**43.4**	**(2.9)**	**40.5**
Other (Corporate)	**(3.0)**	**(10.0)**	**(13.0)**	**1.1**	**(8.5)**	**(7.5)**
OPERATING INCOME	**377.9**	**35.3**	**413.2**	**355.9**	**175.2**	**531.1**
Net borrowing costs	**(41.0)**	**(9.6)**	**(50.5)**	**(38.4)**	**(5.9)**	**(44.3)**
Other financial results	**–**	**2.1**	**2.1**	**4.0**	**4.7**	**8.8**
Discounting of debt and receivables	**–**	**(0.2)**	**(0.2)**	**–**	**(0.3)**	**(0.3)**
Change in value and income from disposal of financial instruments	**–**	**(38.2)**	**(38.2)**	**–**	**2.9**	**2.9**
Net gain/(loss) on disposal of investments	**–**	**(2.2)**	**(2.2)**	**–**	**0.1**	**0.1**
Dividend	**0.0**	**–**	**0.0**	**0.2**	**–**	**0.2**
PROFIT BEFORE TAX	**336.9**	**(12.7)**	**324.2**	**321.8**	**176.7**	**498.5**
Corporate income tax	**(8.4)**	**(28.0)**	**(36.4)**	**(15.4)**	**(7.0)**	**(22.5)**
NET INCOME	**328.6**	**(40.7)**	**287.8**	**306.4**	**169.7**	**476.1**
Non-controlling interests	**(52.4)**	**19.8**	**(32.6)**	**(50.1)**	**(102.9)**	**(153.1)**
NET INCOME, GROUP SHARE	**276.2**	**(20.9)**	**255.3**	**256.3**	**66.7**	**323.0**
Diluted average number of shares	*15,992,352*	*15,992,352*	*15,992,352*	*15,608,950*	*15,608,950*	*15,608,950*
NET INCOME PER SHARE (€/SHARE), GROUP SHARE	**17.27**	**(1.31)**	**15.96**	**16.42**	**4.28**	**20.69**

Balance sheet at 31 December 2018

In € millions	31/12/2018	31/12/2017
Non-current assets	**5,296.9**	**5,437.9**
Intangible assets	313.7	258.5
o/w Goodwill	*194.3*	*155.3*
o/w Brands	*100.7*	*89.9*
o/w Client relations	–	–
o/w Other intangible assets	*18.8*	*13.3*
Property, plant and equipment	20.6	18.5
Investment properties	4,526.2	4,508.7
o/w Investment properties in operation at fair value	*3,931.3*	*3,983.8*
o/w Investment properties under development and under construction at cost	*594.9*	*525.0*
Securities and investments in equity affiliates and unconsolidated interests	395.3	564.0
Loans and receivables (non-current)	10.6	9.3
Deferred tax assets	30.5	79.0
Current assets	**2,730.2**	**3,154.8**
Net inventories and work in progress	986.4	1,288.8
Trade and other receivables	1,011.0	630.8
Income tax credit	14.6	8.6
Loans and receivables (current)	37.4	49.3
Derivative financial instruments	2.2	8.2
Cash and cash equivalents	678.5	1,169.1
TOTAL ASSETS	**8,027.1**	**8,592.8**
Total equity	**3,237.3**	**3,164.7**
Equity attributable to Altarea SCA shareholders	**2,007.9**	**1,904.8**
Capital	245.4	245.3
Other paid-in capital	407.9	563.2
Reserves	1,099.3	773.2
Income associated with Altarea SCA shareholders	255.3	323.0
Equity attributable to minority shareholders of subsidiaries	**1,229.4**	**1,259.9**
Reserves associated with minority shareholders of subsidiaries	1,001.8	911.8
Other equity components, Subordinated Perpetual Notes	195.1	195.1
Income associated with minority shareholders of subsidiaries	32.6	153.1
Non-current liabilities	**2,629.2**	**2,886.9**
Non-current borrowings and financial liabilities	2,560.6	2,826.1
o/w Participating loans and advances from associates	76.3	82.6
o/w Bond issues	*1,117.4*	*920.7*
o/w Borrowings from lending establishments	*1,367.0*	*1,822.9*
Long-term provisions	21.6	20.1
Deposits and security interests received	32.6	32.2
Deferred tax liability	14.4	8.6
Current liabilities	**2,160.6**	**2,541.1**
Current borrowings and financial liabilities	741.9	1,032.2
o/w Bond issues	*164.9*	*9.9*
o/w Borrowings from lending establishments	*94.1*	*103.3*
o/w Negotiable European Commercial Paper	*381.0*	*838.0*
o/w Bank overdrafts	*3.5*	*0.8*
o/w Advances from Group and shareholders	*98.4*	*80.2*
Derivative financial instruments	67.2	34.9
Accounts payable and other operating liabilities	1,345.5	1,460.3
Tax due	6.0	13.8
TOTAL LIABILITIES	**8,027.1**	**8,592.8**