BUSINESS REVIEW

30 JUNE 2019

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

1.1.1 A unique model

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[34].

Leading property developer in France

With a total of 675 secured projects, the Group has secured the largest portfolio of projects in France, all product categories combined, with almost 4.5 million m² under development and a potential value of €19.4 billion as of June 30th, 2019.

Secured pipeline (by product)	Surface area (m²) (a)	Potential value (€m)(b)
Residential	2,713,900	12,416
Business Property	1,425,600	5,246
Retail	341,700	1,783
Total	**4,481,200**	**19,445**
Change 31/12/2018	*+7%*	*+8%*

(a) Retail: GLA surface area created (in m²). Residential: SHAB: properties for sale + future offering. Business property: surface area (floor area or usable area).
(b) Market value on date of delivery. Retail: potential market value inclusive of duties of projects on delivery (net rental income capitalised at market rates) at 100%, and sales excluding VAT for development programmes. Residential: properties for sale + future offering including VAT. 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.

These projects are carried mostly in a “developer” business model (development for sale). In terms of commitments, the Group applies a rigorous policy:

• the project portfolio is mostly 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 risk.

As of June 30th, 2019, commitments[35] across the pipeline amounted to €1.35 billion (Group share), of which €770 million already paid out and €580 million yet to be paid out.

Most of the invested capital is allocated to the Investor activity. The Group acts as a REIT for specific retail formats (with assets of €4.8 billion including transfer duties at end-June 2019, or €3.2 billion in Group share) and as a medium-term developer-investor for some significant office locations.

This “REIT-Investor” model offers a high level of recurrent 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 reshaping local 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. Its property infrastructure is becoming outdated and must be revisited to meet the challenges of densification.

By providing urban solutions to help these areas in their transformation, Altarea Cogedim contributes to recreating the urban bond between the periphery and downtown areas. Almost all of the projects in the portfolio relate to rehabilitations or redevelopments: industrial sites, retail spaces, commercial complexes, residential buildings, low-density housing, etc. Thus, Group's projects contribute to the creation of proximity, diversity and the social bonds that citizens ask to their elected officials.

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.

Altarea Cogedim directly or indirectly supports 56,600 jobs in many sectors of French economy. Positive fallouts are particularly significant at a local level, with the creation of long-term jobs.

[34] 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.

[35] 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.

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.

As of June 30th, 2019, Altarea Cogedim managed 11 major Mixed-use projects representing a potential value of approximately €3.5 billion.

Large projects at 100%	Total surface area (m²)(a)	Residential (units)	Serviced Residences	Offices	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	2019-2021
Joia Meridia (Nice)	47,000	600	x	-	x	-	x	-	2020-2023
Coeur de Ville (Bezons)	67,000	730	-	-	x	x	-	-	2021
Belvédère (Bordeaux)	140,000	1,275	x	x	x	-	x	x	2021-2024
Fischer (Strasbourg)	37,000	490	x	-	x	x	-	x	2021-2024
La Place (Bobigny)	104,000	1,265	x	x	x	x	-	x	2021-2024
Cœur de Ville (Issy-les-Moulineaux)	105,000	610	x	x	x	x	x	x	2022
Quartier Guillaumet (Toulouse)	101,000	1,200	x	x	x	-	-	-	2022-2023
Les Simonettes (Champigny-sur-Marne)	56,000	450	-	x	x	-	-	-	2022-2023
Quartier des Gassets (Val d'Europe)(b)	131,000	n.d.	x	x	x	-	x	-	2024
Total (11 projects)	**920,000**	**>9,000**							

(a) *Floor area.*

(b) *Detailed timetable pending finalisation.*

1.1.2 Highlights of first half of fiscal year

Large Mixed-use projects

As the French leader in terms of large Mixed-use projects, the Group reconfirmed its position in early 2019 by winning the competition to deliver a mixed-use project of 56,000 m² in the *Les Simonettes* neighbourhood of Champigny-sur-Marne (Department 94). Located next to future line 15 of the *Grand Paris Express* metro, this development will include 28,000 m² of housing, 900 m² of shops and services, 12,000 m² allocated to tertiary activities and 15,000 m² dedicated to other activities, including 9,000 m² for an artisanal centre of the "Compagnons du Tour de France".

During the first half of 2019, there was significant progress in Issy Cœur de Ville project: the launch in June of the construction works of the future 'EcoQuartier' and sale of 41,000 m² of offices to CNP Assurances which plans to locate its future head office there. The enthusiasm for this project is evident both for Residential (610 units over time), which is selling very well, including to local people, and for Business property where the 3 office buildings have been acquired by CNP36 Assurances in order to house their future head office. Carried out in a single phase, the works should be completed in 2022.

Residential: €1,482 million in new orders (+16%)

As of June 30th, 2019, the Group recorded very strong sales results and continued to gain market share in a slightly decreasing market over the year. Housing reservations increased by +16% in value year-on-year to reach €1,482 billion. Reserved units increased[37] by +2% to 5,336 units ordered. This performance confirms the relevance of the Group's offer located exclusively in high-demand areas eligible for the Pinel scheme[38].

During the first half of the year, the Group won a number of iconic projects thanks to its multi-brand platform:

• Cogedim and Histoire & Patrimoine jointly won two major restucturing projects: Tours Aillaud ("Cloud Towers") at the foot of the La Défense neighbourhood (1,000 units) and the former IBM campus in Gaude overlooking the city of Nice (950 units);

• Cogedim and Pitch Promotion distinguished themselves by winning 5 of the 23 projects put out to tender during the second edition of the "Inventons la métropole du Grand Paris" competition.

In terms of development, the Residential pipeline (offering and land portfolio) amounted to €12.4 billion (an increase of 10% compared to end-2018).

[36] *Completion of the sale will be effective by the end of the third quarter 2019*

[37] *Including Histoire & Patrimoine (at 100%) and Sévérini, a developer of new housing active mainly in Nouvelle Aquitaine, in which the Group acquired a 85% stake on January 4th, 2019.*

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

Business property: refilling the pipeline

As both a developer and an investor in business property, Altarea Cogedim has confirmed its ability to generate large-scale over-the-counter projects. In association with the Caisse des Dépôts et Consignations, the Group signed in March 2019 two sale agreements with CNP Assurances to:

• sell the office buildings in the project "Issy Cœur de Ville" to CNP Assurances which wishes to move its head office there by 2022;

• acquire the current CNP Assurances head office located above Paris-Montparnasse train station to undertake major redevelopment works. This project will bolster the Group's investment pipeline.

During the first half of the year, Altarea Cogedim also:

• delivered Kosmo, the future *Parfums Christian Dior* head office in Neuilly-sur-Seine, recognised as the "Best Redeveloped Building" by the MIPIM Award;

• won the Early Makers Hub competition for the EM Lyon Business School located in the heart of the Gerland neighbourhood. This project, with delivery planned for 2022, will meet the highest environmental standards and is expected to obtain HQE Excellent and BREEAM Very Good certifications;

Thus, at end-June 2019, the Group had a portfolio of 62 projects (of which 29 under construction) representing a potential value of €5.2 billion.

Retail: excellent performance

The Group is positioned as a developer, buyer and seller of retail properties and targets the most lucrative formats: large shopping centres, travel retail outlets, retail parks and local shops as part of large Mixed-use projects.

As of June 30th,2019, the Group's Retail pipeline included 12 shopping centre creation/extension projects (including a growing proportion of travel retail outlets in railway stations) and 9 retail projects developed as part of large Mixed-use projects, with almost 342,000 m² in total surface area.

During the first half of 2019, the Group:

• accelerated its development in travel retail with the acquisition (under concession agreements) of five Italian railway stations and ongoing work on the 2nd phase of shops in the Paris-Montparnasse station;

• entered the final phase of Cap 3000 expansion, which, after five years of works will provide a seafront offer on an unprecedented scale in Europe, including fashion, leisure, services and restaurants;

• sold 3 assets[39] for a total amount of €122 million including transfer duties, i.e 1.9% higher than the end-2018 appraisal values.

At end-June 2019, Group's Retail portfolio was worth €4.8 billion inclusive of duties (€3.2 billion in Group share) and included 40 assets.

The portfolio's operating indicators (financial vacancy rate at 1.3% and bad debt ratio of 1.6%) remain excellent, with growth of 2.7% in fully expensed net rental income on a like-for-like basis. The Group thus proves its ability to create value across all its business divisions, including the retail segment.

During the first half of the year, Altarea Cogedim recorded +€71.6 million in value creation (Group share) on its retail assets of which: +€65.8 million in portfolio (+€81.8 million on deliveries partly offset by -€16.0 million on other asset classes) and +€5.8 million of proceeds from disposals.

Extra-financial performance

Number 1 in the GRESB ranking[40]

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.

"Re-elected Best Customer Service of the Year"[41]

For the 2nd year in a row, Cogedim received this award that illustrates "the Cogedim difference": a state of mind, a unique way of designing housing and exacting quality in the services and relationships offered to customers.

Social and Solidarity Economy

Altarea Cogedim is also committed to the Social and Solidarity Economy. After creating the "SoCo" social and community real estate enterprise alongside the Baluchon Group and the Crédit Coopératif in 2018, the Group received the special "Support for Innovation" award [42] from Innovapresse for its "Reemployment Village" in early 2019. The purpose of this community area of 1,750 m² is to promote the offer of second hand products and repair and recycling activities. It is part of an urban renewal project in the Volpelier neighbourhood of Montreuil (Department 93). Won through tender, this project combines renovation and construction of new buildings: 61 housing units used as main residence are offered for sale as well as 22 social housing units and co-living accommodation for young workers and single parent families, built around a 900 m² garden devoted to urban agriculture.

Talents

Placed 2nd in the 2019 rankings for the "500 best employers" in the Real Estate category published by the magazine *Capital*, Altarea Cogedim also received the Gold Trophy in

[39] Okabe in Kremlin-Bicêtre, a traditional mall in Châlons-en-Champagne and a retail park in Herblay (non-binding offer received) .

[40] 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.

[41] The "Élu 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.

[42] Every year, the Developer Rankings published by Innovapresse analyse and compare business volumes, the number of housing units or square metres of offices produced, and the financial results of the principal private property developers. The 31st edition included 60 of the main players in the sector.

category "Growing Group" during the 4th edition of U-Spring, the "spring of company universities", organised by Leaders League. The latter prize is awarded for actions taken for employees and HR innovations.

To support its strong growth, the Group has a very active recruitment policy and has a strong focus on effective integration and development of talents throughout their professional career. At end-June 2019, 1,964 employees were contributing to the Group's growth, compared to 1,874 at end-2018.

1.1.3 2018 dividend: equity bolstered by €93.8 million

The General Meeting held on 23 May 2019 voted for the distribution of a dividend of €12.75 per share for the 2018 financial year (+2%) and gave the shareholders a choice between a 100% cash payment or a payment 50% in cash and 50% in shares.

At the end of the option period, open from May 31st to June 26th 2019, 92.6% of the shareholders had opted for the partial payment of the dividend in shares thus allowing the Group to increase its equity by €93.8 million.

The payment of the dividend in cash for a total amount of €108.8 million, and the delivery and listing on Euronext Paris of the 599,267 new shares thus created[43], took place on July 4th, 2019.

1.1.4 2019/2020 guidance

For 2019, Altarea Cogedim aims at FFO per share ranging from €17.50 to €17.70 after taking into account the dilutive effect of the 2018 dividend payment in shares. The Group will recommend a dividend of €13.00 per share for 2019 with a payment in 2020 (subject to the approval of the General Meeting).

As for 2020, the Group confirms its trajectory and maintains its FFO target of €300 million, taking into account the increase in taxes paid on non-SIIC activities and changes in accounting standards (IFRS 15 & 16 and IAS 23).

43 The price of the newly issued shares was set on 23 May 2019 at €156.55 per share. This price is equal to the average opening price of the twenty trading sessions preceding the General Meeting of 23 May 2019, less the amount of the dividend (€12.75 per share and a discount of 10% (€18.81 per share).

1.2 Business

1.2.1 Retail

1.2.1.1 THE MARKET

In-depth transformation of the market

Consumer motives and purchasing patterns have been profoundly disrupted over the past decade with the rise of multichannel commerce, circular economy and the comeback of local consumption habits. The retail landscape is undergoing tremendous change.

In a sluggish consumption environment, retail banners have adopted a common strategy leading to an increased concentration of brands in attractive locations with a strong focus on fashion brands. 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.

New need 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 pedestrian dedicated spaces 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.

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 limited number of projects, with a significant share in travel retail (railway stations). At end-June 2019, the Group was thus working on a pipeline of 12 projects representing slightly over €1.2 billion in potential value.

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 end-June 2019, the Retail component of large Mixed-use projects represented a pipeline with potential value of approximately €631 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, especially 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 (housing, officies…).

1.2.1.3 PIPELINE AT 30 JUNE 2019

The Group's Retail pipeline breaks down into:

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

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

Pipeline Retail	GLA (in m²)	Potential value (€m)[(a)]
Creations / extensions	188,900	1,152
Large Mixed-use projects	152,800	631
Total	**341,700**	**1,783**

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

"Retail – creations/extensions" pipeline

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 that entered the portfolio this semester, of the retail units of five railway stations located in [44]Italy's main cities.

The development plan calls for a near doubling of the retail area of the five stations that will provide their 70 million users, over time, with an offering of 170 shops and restaurants on close to 22,400 m².

Paris-Montparnasse railway station

The project to redevelop the station's retails areas, undertaken in three successive phases to reduce the impact on users, calls over time for 130 fashion, beauty and decoration shops, as well as restaurants and services. The site will benefit from a unique, natural annual footfall of 90 million travellers (compared to 70 million currently) and will also become a new living space for local residents.

The 1st phase of the project (8,500 m²), opened at end-2018, has met with the approval of both the public and the existing stores (Levi's, The Kooples, Sweet-pants, Sephora, Lush, Marks & Spencer Food/Fnac, Nespresso and Hema).

The 2nd phase, currently pending delivery, which was included in the value of the portfolio at 30 June 2019, will open end-2019 and the final phase, end-2020.

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

The Group has entered the final phase of the project to extend this iconic site, which after five years of works will have doubled in surface area (135,000 m² in total) and will provide a seafront offer on an unprecedented scale in Europe, including fashion, leisure, services and restaurants with 300 shops.

Notably, Cap 3000 will be hosting the first Victoria's Secret outlet in the south of France. The 700 m² lingerie shop will open its doors in the west mall at end-2019.

On the seafront, the terraces of the south mall will provide a new selection of restaurants: participation of great chefs and presence of international restaurants with original concepts, including Superlobster, but also a McDonald's restaurant concept unique in France.

The ongoing extension has been included in the value of the portfolio as of June 30th, 2019 and will open by end 2019.

The 'Corso' mail, currently under construction will open by end 2020.

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
Committed	311	34%	215
o/w paid out	*175*	*56%*	*139*
o/w to be paid out	*136*	*44%*	*75*
Secured not committed	616	66%	570
Total	**927**	**100 %**	**785**

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

"Retail – Creations/extensions" pipeline		Group share	GLA (in m²) (a)	Gross rental income	Net invest-ment	Yield	Potential value (€m)(c)	Progress
Cap 3000 - Corso (Nice)	Expansion	33%	8,600					Under
Sant Cugat (Barcelone)	Redev./Exp.	100%	8,000					Under
Ferney-Voltaire (Geneva area)	Creation	100%	46,400					Secured
Ponte Parodi (Genoa)	Creation	100%	36,700					Secured
Subtotal: Large shopping centres (4 projects)			**99,700**					
Paris-Montparnasse station (Phase 3)	Creation	100%	4,400					Secured
Paris-Austerlitz station	Creation	100%	25,000					Secured
Paris-Est station	Expansion	51%	5,000					Secured
Italian stations (5)	Expansion	100%	13,800					Secured
Travel retail subtotal (4 projects)			**48,200**					
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 June 30th, 2019 (12 projects)			**188,900**	**78.9**	**929**	**8.5%**	**1,152**	
o/w Group share			-	*69.3*	*785*	*8.8%*	*988*	

(a) Total GLA created (in m²). For renovation/extension projects, figures represent additional GLA created.
(b) Total budget including financing expenses and internal costs.
(c) Potential market value inclusive of duties of the projects on delivery (net rental income capitalised at market rates).

"Retail component – Large Mixed-use projects" pipeline

"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
Aerospace (Toulouse)	64,000	11,800		Under
Fischer (Strasbourg)	37,000	3,900		Under
Belvédère (Bordeaux)	140,000	11,300		Secured
La Place (Bobigny)	104,000	13,300		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)	47,000	9,100		Secured
Total at June 30th, 2019 (9 projects)	**796,000**	**152,900**	**661**	

(a) GLA (in m²).
(b) Revenue excluding VAT or potential value inclusive of duties for projects on delivery.

1.2.1.4 PORTFOLIO

Figures at 100%	No.	GLA (in m²)	Current gross rental income (€m) [d]	Appraisal value (€m) [e]
Controlled assets [a]	35	724,900	213.5	4,437
Equity assets [b]	5	97,200	27.7	404
Total portfolio assets	**40**	**822,100**	**241.2**	**4,905**
o/w Group share	*n/a*	*628,202*	*163.2*	*3,265*
Management for third parties [c]	7	150,700	30.2	
Total assets under management	**47**	**972,800**	**271.4**	

[a] Assets in which Altarea Cogedim holds shares and over which the Group exercises operational control. Fully consolidated in the consolidated financial statements.

[b] Assets in which Altarea Cogedim is not the majority shareholder, but for which Altarea Cogedim exercises joint operational control or a significant influence. Consolidated using the equity method in the consolidated financial statements.

[c] Assets held entirely by third parties who entrusted Altarea Cogedim with a management mandate for an initial period of three to five years, renewable.

[d] Rental value of leases signed as at July 1st, 2019.

[e] Appraisal value including transfer duties.

Change in the portfolio

€ millions	100%		Group share	
31/12/2018	4,623		3,090	
Investments / Capex	314		178	
Sales	(119)		(99)	
Value creation	**24**		**66**	
30/06/2019	**4,841**	*+4.7%*	**3,235**	*+4.7%*

Centres opened and acquisitions

During the first half of 2019, the following entered the portfolio:

• the south extension of Cap 3000, excluding the Corso Mall;

• the 2nd phase of the shops in the Paris-Montparnasse railway station (5,300 m²)

During this semester, the following also entered the portfolio:

• the retail areas of the five Italian railway stations under concession (8,600 m² in total);

• a traditional mall 'Reflets Compans' located in Toulouse and developed by Pitch Promotion (14,000 m²).

Disposals

During the first semester, the Group either sold or signed sales agreements for a total of €122 million (including transfer duties) for three assets of which a retail park sold at a cap rate of 4.50% proving the strong investors' appetite for this of asset class.

Overall, these sales were made at above the appraisal values of end-2018 (+1.9%).

Value creation in group share

During the first half of 2019, the Group recorded a gain in value in its EPRA NAV. As of June 30th,2019 in group share, value creation breaks down as follows: +€71.6 million in Retail of which +€65.8 million in portfolio (+€81.8 million due to deliveries and -€16.0 million on other assets) and +€5.8 million in proceeds from disposals.

Breakdown of the portfolio by asset type

The Group now holds 40 assets, with an average unit value of €121 million.

At 100% (€m)	30/06/2019		31/12/2018	
Regional shopping centres	2,761	*57%*	2,637	*57%*
Travel retail	476	*10%*	292	*6%*
Retail parks	943	*19%*	1,004	*22%*
Traditional malls	661	*14%*	690	*19%*
Total	**4,841**	*100%*	**4,623**	*100 %*

Group share (€m)	30/06/2019		31/12/2018	
Regional shopping centres	1,459	*45%*	1,427	*46%*
Travel retail	417	*13%*	233	*8%*
Retail parks	809	*25%*	867	*25%*
Traditional malls	549	*17%*	561	*21%*
Total	**3,235**	*100%*	**3,088**	*100%*

Change in the property exit rate[45]

At 100%	30/06/2019	31/12/2018
Regional shopping centres	4.47%	4.35%
Retail parks	5.33%	5.16%
Traditional malls	5.97%	5.99%
Weighted average	**4.91%**	**4.84%**

[45] 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.

Group share	30/06/2019	31/12/2018
Regional shopping centres	4.69%	4.58%
Retail parks	5.36%	5.18%
Traditional malls	6.19%	6.22%
Weighted average	**5.20%**	**5.11%**

NB: as travel retail assets are operated under a concession, there is no capitalisation rate.

Operational performance

Economic environment

2019 is expected to witness an improvement over 2018 thanks to the range of measures taken by the government to support purchasing power as part of the Emergency Law, for example. According to OFCE, these measures should help to improve purchasing power by an average of €850 per household [46] (+2.5% over a year), thus encouraging consumption. At the same time, the rise in the consumer price index in France should be more modest, dropping from +1.9% in 2018 to +1.3% in 2019.

At end-June, improved purchasing power seems to have benefited savings more than consumption. The impact on consumption is expected to occur in the second half of the year and to last for some time.

Lastly, the growth of French GDP, for which the forecast was reviewed slightly downwards in June in view of the global context, is expected to be +1.3% [47] in 2019, followed by approximately +1.4% for the next two years, thus making it possible to reduce the level of unemployment to 8.1% by 2021[48].

Tenants' revenue[49] and footfall[50]

	Sales (incl. tax)	Footfall
France	2.9%	1.5%
Benchmark France (CNCC)	*(1.0%)*	*(1.0%)*

Net consolidated rental income[51]

	In €m	*Change*
Net rental income at 30 Juin 2018	**82.3**	
Deliveries / Acquisitions	7.4	
Redevelopment	(0.5)	
Sales	(1.4)	
Like-for-like change	**2.0**	**+2.7%**
IFRS 16 impacts	2.8	
Net rental income at Juin 30th, 2019	**92.6**	***+12.5%***

During the first half of 2019, rents went up by +12.5% owing to the opening of the shops in Paris-Montparnasse station in 2018 and thanks to the acquisition of the Italian railway stations at the beginning of the year which largely offset the disposals of assets over the same period[52].

To improve its net rental income, the Group prefers to reduce the vacancy rates of the shopping centres and the operating costs. This strategy is beneficial both for the Group (improved net rental income) and for the retail customers (occupancy costs under control). On a like-for-like basis, this strategy accounted for an 2.7% net rental income increase.

Occupancy cost ratio, bad [53] debt ratio and [54] financial vacancy rates[55]

	30/06/2019	31/12/2018	31/12/2017
Occupancy cost ratio	10.8%	11.2%	10.8%
Bad debt ratio	1.6%	1.1%	1.2%
Financial vacancy	1.3%	1.3%	2.4%

Leasing (leases signed)

At 100%	Number of leases	New rent
France	99	€10.7 million
International	27	€2.3 million
Total portfolio	**126**	**€13.0 million**
Pipeline	41	€5.7 million
Total	**167**	**€18.7 million**

During the first half of 2019, the teams worked on a total volume of 167 leases for an overall rental income of €18.7 million.

• 126 leases were signed on portfolio assets;

• 41 leases were also signed on assets in the pipeline.

[46] Source: "Observatoire français des conjonctures économiques" (Policy Brief - 16 April 2019).
[47] Source: Banque de France ("Projections économiques" - June 2019).
[48] Source: INSEE ("Informations rapides" - 26 June 2019).
[49] Change in merchant sales on a same-site basis in 2018.
[50] Change in footfall, measured by Quantaflow in equipped shopping centres, and by counting cars for the retail parks (excluding travel retail outlets) and CNCC data (12 month rolling figure at end-May 2019).
[51] 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.
[52] In addition to the 3 sales made in the first half 2019, are those of 2018 (Les Tanneurs in Lille, Porte Jeune in Mulhouse, Espace Saint Christophe in Tourcoing, Espace Grand'Rue in Roubaix, a set of shops in Toulon and an asset in Satory).
[53] Ratio of billed rents and expenses to tenants (including reductions) to sales revenue. Calcul (incl. tax) and at 100%. France and International, excluding assets under redevelopment.
[54] 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, excluding assets under redevelopment.
[55] Estimated rental value (ERV) of vacant units as a percentage of total estimated rental value. France excluding assets under redevelopment.

Portfolio at 30 June 2019

Asset and type	GLA (in m²)	Gross rental income	Value (€m)	Group share	Group share (€m)
Cap 3000 (Nice)	97,000			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)	43,000			100%	
Bercy Village (Paris)	23,500			51%	
Large shopping centres (6 assets)	**317,000**	**120.6**	**2,808**		**1,475**
Montparnasse station - Phases 1 & 2 (Paris)	13,800			100%	
Gare de l'Est (Paris)	6,800			51%	
Italian railway stations (5 assets)	8,600			100%	
Oxygen (Belvédère 92)	2,900			100%	
Travel retail (8 assets)	**32,100**	**27.7**	**459**		**410**
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%	
Marques Avenue A13 (Aubergenville)	12,900			100%	
Pierrelaye	10,000			100%	
Retail parks (11 assets)	**252,600**	**37.5**	**780**		**728**
Le Due Torri (Bergamo – Stezzano, Italy)	30,900			100%	
Corte Lombarda (Bellinzago, Italy)	21,200			100%	
Massy -X%	18,400			100%	
Reflets Compans (Toulouse)	14,000			100%	
C. C. de Flins (Flins)	9,800			100%	
Grand Place (Lille)	8,300			100%	
Jas de Bouffan (Aix-en-Provence)	4,500			100%	
Others (3 assets)	16,100			100%	
Traditional malls (10 assets)	**123,200**	**27.7**	**437**		**437**
Controlled assets [(a)] (35 assets)	**724,900**	**213.5**	**4,501**		**3,044**
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%	
Others (2 assets)	3,000			49%	
Equity assets[(b)] (5 assets)	**97,200**	**27.7**	**404**		**220**
Total portfolio assets (40 assets)	**822,100**	**241.2**	**4,841**		**3,235**
Assets managed for third parties [(c)] (7 assets)	**150,700**	**30.2**			
Total assets under management (47 assets)	**972,800**	**271.4**			

[(a)] *Assets in which Altarea Cogedim holds shares and over which the Group exercises operational control. Fully consolidated in the consolidated financial statements.*

[(b)] *Assets in which Altarea Cogedim is not the majority shareholder, but for which Altarea Cogedim exercises joint operational control or a significant influence. Consolidated using the equity method in the consolidated financial statements.*

[(c)] *Assets held entirely by third parties who entrusted Altarea Cogedim with a management mandate for an initial period of three to five years, renewable.*

1.2.2 Residential

Housing market

Large metropolitan areas are subject to a forever increasing shortage of housing; This shortage is responsible for the high increase in prices in the wake of historically low interest rates paired with the increased willingness to make financial efforts on the buyers' side.

Projects located at the core of strained urban areas are more and more complex to set up (notably in terms of administrative approval). On the other side, as a result of the high demand exceeding production capacity, units are selling very quickly.

In the short term, the incoming municipal elections tend to increase the pressure on the housing market by delaying to the second half of 2020 the issuance of administrative permits.

A winning strategy

Facing the high demand in strained urban areas, Altarea Cogedim has decided to develop its offer with the ultimate objective to gain market shares. The Group aims at 15,000 units per year and embarked on a investment campaign to boost its production tool.

In that regard, over the last twelve months the Group has:

• increased the size of its property portfolio which went up from 40,000 units to 48,000 units (+20%), exclusively located in high-demand areas;

• improved its operational capacity with 220 new hires (net of all resignations) with operational profiles such as developers, sellers, program managers…

• increased its commercial investments (+35% during the first semester); mainly advertising content;

• deepened its geographic presence within large metropolis thanks to the Mixed-use projects turning Altarea Cogedim into a key intermediary for all local authorities whishing to transform urban areas;

• widen its product offer by acquiring Histoire & Patrimoine (specialized in historical buildings) and took a 50% stake in Woodeum, leading developer of low-carbon housing in France.

Those investments are weighing on the short term financial performance of the Group but this audacious strategy is already showing results: Altarea Cogedim is now the 2nd residential developer in France[56], up by one slot.

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 in addition to a catalogue of 200 technical and decorative options. Customers can personally select their own options at Cogedim Stores, where they can wander through show apartments, browse the choice of materials and enjoy an immersive digital experience. The Group has so far opened six stores in large French cities (Paris, Toulouse, Bordeaux, Lyon, Nantes and Marseilles);

• "mon-cogedim.com", is a platform allowing buyers to receive customised 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. So far, over 4,000 clients have connected to this service;

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

A commitment to quality

Over the last 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.

In addition, 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.

Innovative programmes rooted in the 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 away from public transport.

In June 2019, Altarea Cogedim distinguished itself by winning 5 of the 23 projects awarded during the second edition of the competition "Inventons la métropole du Grand Paris".

In 2018 Cogedim thus became the top property developer in terms of "Awarded Customer Service for the Year" for the level of service and quality of its customer relationship, a distinction repeated in 2019. The Group is also the number 1 French developer in the "Top 10 for Customer Reception" rankings created by Les Echos / HCG, and ranks 6th all sectors included.

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

[56] Each year, the Classement des Promoteurs (ranking of developers) conducted by Innovapresse, analyses and rank volumes, quantity of units or squared meters of offices built or the financial performance of the main developers. The 31st release reviewed the 60 main players of the sector.

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 [57], targeting high-demand areas where the need for residential units is the highest. The renewal of the Pinel law for 4 years (2018 to end of 2021) and its focus on these high-demand areas has provided a boost for the regional strategy of the Group, whose pipeline (offer and land portfolio) is exclusively located in the eligible zones.

A multi-brand and multi-product strategy

The Group operates nation-wide, 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, backed up 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 (Historical Monuments). Since July 2019, new competences have been brought to the Group thanks to Woodeum (low carbon residential promotion).

In early January 2019, the Group also finalised the acquisition of 85% of the developer Severini, strengthening its presence in Nouvelle Aquitaine.

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

• High-end[58]: products defined by demanding requirements in terms of location, architecture and quality. As of June 30th 2019, these represented 27% of the Group's new orders (in units);

• Entry level / mid-range [59]: these programmes, which accounted for 63% of the Group's new orders, are specifically designed to address:

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

- 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 (7%): the Group is developing a wide range of residences for students, business tourism, and exclusive residences. It is also designing and managing, under the Cogedim Club® brand, serviced residences for active senior citizens, combining a town centre location with a range of customised services;

• 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. During the first half of 2019, Histoire & Patrimoine and Altarea Cogedim Grands Projets won the Call for Expressions of Interest for the restructuring and conversion of the Aillaud Towers ("Cloud Towers") located in Nanterre right next to the La Défense neighbourhood and certified as an example of "Remarkable Contemporary Architecture". The Group also added to its portfolio with a major development project on the old IBM campus in La Gaude near Nice, which will eventually offer 250 units refurbished by Histoire & Patrimoine and 700 units developed by Cogedim;

• 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[60]: €1,482 million (+16%)

New orders	H1 2019		H1 2018		Change
Individuals - Residential	503	€m	463	€m	+9%
Individuals - Investment	589	€m	469	€m	+25%
Block sales	390	€m	351	€m	+11%
Total in value (incl. tax)	**1,482**	**€m**	**1,282**	**€m**	**+16%**
o/w equity-method (Group	*75*	*€m*	*143*	*€m*	
Individuals - Residential	1,438	units	1,489	units	(3)%
Individuals - Investment	2,285	units	1,998	units	+14%
Block sales	1,613	units	1,719	units	(6)%
Total in units	**5,336**	**units**	**5,206**	**units**	**+2%**

Reservations by product range

Number of units	H1 2019	%	H1 2018	%	Change
Entry-level/mid-range	3,379	63%	3,900	75%	(13)%
High-end	1,422	27%	1,005	19%	+41%
Serviced Residences	366	7%	225	4%	+63%
Renovation/Rehabilitation	169	3%	77	1%	x2.2
Total	**5,336**		**5,207**		**+2%**

Notarised sales

€ millions incl. tax	H1 2019	%	H1 2018	%	Change
Entry-level/mid-range	637	65%	662	72%	-
High-end	242	25%	228	25%	+6%
Serviced Residences	53	5%	23	3%	+130
Renovation/Rehabilitation	41	4%	5	1%	x8.2
Total	**973**		**918**		**+6%**

[57] 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.
[58] Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions.

[59] Programmes under €5,000 per m² in the Paris Region and under €3,600 per m² in other regions.
[60] 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 consolidated since 1 July 2018 and Severini since 1 January 2019.

Revenue by percentage of completion: +12%

In € millions (excl. tax)	H1 2019	%	H1 2018	%	
Entry-level/mid-range	646	72%	563	71%	+15%
High-end	202	23%	209	26%	(3)%
Serviced Residences	29	3%	25	3%	+16%
Renovation/Rehabilitation	17	2%	–	0%	na
Total	**894**		**798**		**+12%**

Outlook

Supply[61]

Supply	H1 2019	H1 2018	Change
€ millions (incl. tax)	2,637	1,990	+33%
Number of units	11,123	8,074	+38%

Commercial launches

Launches	H1 2019	H1 2018	Change
Number of units	7,205	5,316	+36%
Number of transactions	117	96	+22%
Revenue incl. Tax (€m)	**1,995**	**1,296**	**+54%**

Residential backlog[62]

In €m (excl. tax)	30/06/2019	31/12/2018	Change
Notarised revenues not recognised on a % of completion basis	1,276	1,388	
Revenues reserved but not notarised	2,234	1,781	
Backlog	**3,510**	**3,169**	**11%**
o/w equity-method (Group share)	*255*	*270*	*(6)%*
Number of months	*22*	*25*	

The Housing backlog remains at a very high level giving very strong visibility for the next few financial years.

Properties for sale[63] and future offering[64]: 48 months of pipeline

In €m incl. tax potential sales	30/06/2019	No. of month	31/12/2018	
Properties for sale	2,531	10	2,103	+20%
Future offering	9,885	38	9,192	+8%
Pipeline	**12,550**	**48**	**11,295**	**+10%**
In no. of units	*47,993*		*44,835*	*+7%*
In m²	*2,713,900*		*2,510,800*	*+8%*

The Residential pipeline represents 4 years of business with 48,000 units, exclusively located in high-demand areas eligible for the Pinel scheme.

Risk management

As of June 30th, 2019, the Group's properties for sale amounted to €2.5 billion incl. tax (or 10 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	**177**	**622**	**23**	**821**
Of which already paid out (a)	*177*	*289*	*23*	*488*
Properties for sale incl. tax (b)	**1,647**	**669**	**38**	**2,354**
In %	*70%*	*28%*	*2%*	*100 %*
o/w to be delivered	*in 2019*	*99*		
	in 2020	*197*		
	≥ 2021	*373*		
Histoire & Patrimoine				172
Measurement products				5
Group properties for sale (b)				**2,531**

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

Management of real estate commitments

70% of properties for sale (i.e. €1,647 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.

28% of the offering is currently under construction, including a limited share (€99 million or 4% 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 agreement, marketing, land acquisition and launch of construction;
- strong pre-commercialisation required when acquiring land;
- abandonment or renegotiation of projects having generated inadequate take-up rates.

[61] Sale agreements for land signed and valued as potential residential orders (incl. taxes).
[62] 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.
[63] Units available for sale (incl. taxes value, or number count).
[64] Future offering consisting of secured projects (through an option on the land, mostly in unilateral form) whose launch has not yet occurred (value including taxes of potential revenue when expressed in euros).

1.2.3 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 is currently the number one business property developer in France[65]. On this market, the Group has developed a unique model allowing it to undertake significant operations with a controlled risk:

• as a developer[66] 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[67], as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redeveloped.[68]

The Group is systematically the developer of projects in which it acts as co-investor and Manager.[69]

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 in a new line of products, further extending its platform of expertise.

An attractive market

In the first half of 2019, investment in office property was €9.2 billion[70] in France, up +10% over a year. The Paris Region market, which notably benefited from the signing of two major deals in inner Paris, remains particularly dynamic in the West Crescent and in the South, attracting both French and international investors.

In the regions, the investment market slowed to reach €610 million in the first half (-26% over a year), but it is still dynamic in prime locations and in the gateway cities.

With regard to the rental market, demand placed in the Paris Region was 1.1 million m² according to Immostat[71], down 19% over a year. Immediate supply continues to fall and dropped below 2.9 million m² (-7%). In this context of rare quality supply in the most sought-after zones (Paris CBD and West Crescent), the rise in nominal rents continues (+5% over a year for new or redeveloped assets and +4% for old assets).

1.2.3.1 A VERY ACTIVE SEMESTER

Closing of two major transactions

In association with the Caisse des Dépôts et Consignations, in March the Group signed two sale agreements with CNP Assurances, with a view to:

• selling the 3 office buildings of the "Issy Cœur de Ville" project (Issy-les-Moulineaux) to CNP Assurances, which would like to transfer its head office there by about 2022 in order to offer its employees in the Paris region a high-quality working environment in this future eco-neighbourhood;

• acquiring the current headquarters of CNP Assurances located above Paris-Montparnasse station ("PRD-Montparnasse" building), which, once the premises have been vacated, will undergo significant redevelopment with a view to creating an office building with the highest quality and comfort standards.

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;[72]

• sale of assets in the investment business, at sale price including tax.[73]

€ millions incl. tax	30/06/2019	30/06/2018	*Change*
Signing of property development or off-plan sales	186	260	
Asset sales (Group share)	183	72	
Total	**369**	**332**	***+11%***

In the first half of 2019, the Group registered orders of €369 million including tax, of which:

• the signing of development contracts including the PDA of the Early Makers Hub project of the EM Lyon Business School. Located in Lyon-Gerland, this 29,000 m² project is

65 Every year, the Developer Rankings published by Innovapresse analyse and compare business volumes, the number of housing units or square metres of offices produced, and the financial results of the principal private property developers. The 31st edition included 60 of the main players in the sector.
66 This development activity does not present any commercial risk: Altarea Cogedim carries only a measured amount of technical risk.
67 AltaFund is a discretionary investment fund, created in 2011, of which Altarea Cogedim is one of the contributors alongside leading institutional investors.
68 Resold rented or not.
69 Through marketing, sale, asset and fund management contracts.
70 Source: Knight Frank – 4 July 2019.
71 Source: Immostat (economic interest group (GIE) made up of BNP Paribas Real Estate, CBRE, JLL and Cushman & Wakefield) - 5 July 2019.
72 New orders at 100%, with the exception of projects under joint control (equity-accounted) for which new orders are shown in Group share.
73 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.

aiming at the HQE Excellent and BREAM Very Good certifications, for delivery in 2022. Investments also include three PDAs relating to logistics operations, including Grands Champs des Fontaines in Nantes (46,500 m²);

• the sale of the three Issy Cœur de Ville office buildings to CNP Assurances (additional investment amounts in Group share).

Pipeline: 62 projects under way

As of June 30th, 2019, the portfolio of projects includes 62 projects under construction or secured for a potential value of over €5.2 billion (at 100%).

At 30/06/2019	No.	Surface area (m²) at 100%	Potential value at 100% (€m excl. tax)
Investments (a)	7	265,450	2,916
Property developer (prop. development or off-plan sales contracts) (b)	53	1,146,200	2,272
o/w offices – Paris Region	*7*	*133,100*	*700*
o/w offices – Regions	*37*	*394,400*	*1,176*
o/w logistics	*9*	*618,700*	*397*
DPM (c)	2	13,950	58
Total	**62**	**1,425,600**	**5,246**
Change vs. 31/12/2018	*+2*	*+11%*	*+19%*

(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
(c) Potential value: capitalised fees for delegated projects.

Commitments at 30 June 2019

In €m, Group share	Investment	Property	Total
Already paid out	116	26	142
To be paid out	170	–	170
Total commitments	**286**	**26**	**312**

On investment transactions, the Group's commitments correspond to the obligations of equity contributions in operations. As of June 30th,, the Group was committed for a total of €286 million in Group share, of which €107 million relating to already let projects (Bridge let to Orange) or in the process of being disposed of (Issy Cœur de Ville buildings).

As for new developments, commitments are limited to the amount of studies for projects being arranged. Regarding projects under construction, financial commitments are covered by calls for funds (except "blank" transactions). As of June 30th, total commitments were €26 million, spread over 22 projects.

1.2.3.2 INVESTMENT

A new emblematic project in the portfolio and 2 projects in the process of being sold to CNP Assurances

As of June 30th, the Group's development - investment portfolio (held with leading institutional investors) has 7 projects, including the 2 projects being developed at Issy Cœur de Ville (3 buildings), covered by the commitment to sell to CNP Assurances. It also includes the project to redevelop the current head office of CNP Assurances located above the Paris-Montparnasse station.

The cost price of these projects is €2.2 billion at 100% (€703 million in Group share) with a potential value of over €2.9 billion (estimated sale price), i.e. an expected gain of about €200 million in Group share.

Delivery of these transactions will be staggered from 2020 to 2022, and 2026 for PRD-Montparnasse.

The Group's development-investment projects as of June 30th, 2019

Transaction	Group share	Surface area (m²)	Estimated rents (€m) (a)	Cost price (€m) (b)	Potential value at 100% (€m excl. tax) (c)	Progress (d)
Bridge (Issy-les-Moulineaux)	25%	57,900				Under construction
Landscape (La Défense)	15%	67,400				Under construction
Tour Eria (La Défense)	30%	25,000				Under construction
Issy Cœur de Ville – Hugo (Issy-les-Moulineaux)	26%	25,700				Under construction
Issy Cœur de Ville – Leclerc & Vernet (Issy-les-M.)	50%	15,150				Under construction
Cocktail (La Défense)	30%	18,100				Secured
PRD-Montparnasse (Paris)	50%	56,200				Secured
TOTAL at 100%	**31% (e)**	**265,450**	**130**	**2,219**	**2,916**	
o/w Group share			*39*	*703*	*904*	

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

1.2.3.3 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 developer-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	7	265,450	1,013
"100% external" projects	53	1,146,200	2,272
o/w offices – Paris Region	*7*	*133,100*	*700*
o/w offices – Regions	*37*	*394,400*	*1,176*
o/w logistics	*9*	*618,700*	*397*
Delegated project management	2	13,950	58
Management Portfolio 30/06/2019	**62**	**1,425,600**	**3,343**
o/w under construction	*29*	*463,400*	*1,649*
o/w secured projects	*33*	*962,200*	*1,694*

(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 4 new Office projects for a total of 98,000 m², including the EM Lyon Business School. The Group has also added a tranche of 46,500 m² to a logistics hub project being developed in Bordeaux, bringing it up to 170,000 m².

Deliveries

Altarea Cogedim has delivered 2 small Logistics projects (8,700 m²) in the Paris Region.

Projects started

Altarea Cogedim has launched 63,300 m² of projects, including:

• les Carrés du Golf in Aix-en-Provence, a programme of 4 buildings (11,500 m²), in two tranches, the first tranche of which, of 7,500 m², has been sold off-plan;

• the Issy Cœur de Ville office buildings (40,900 m²), covered by a sale commitment by CNP Assurances;

• and Eknow, an 11,000 m² building in Nantes Chantrerie, partially let to Generali.

Residential and Property offices Backlog[74] (VEFA/CPI and MOD)

In €m	30/06/2019	31/12/2018	
Off-plan, PDC	739	855	*(8)%*
o/w equity-method (Group share)	*65*	*84*	*+30%*
Fees (DPM)	7	7	*+0%*
Total	**746**	**862**	***(8)%***

The Business Property backlog remains at a very high level giving very strong visibility for the next few financial years.

[74] Backlog (Residential and Property offices) 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 Impact of the application of IAS 23 and IFRS 16

Twos evolutions in IFRS accounting standards impact the consolidated statements of the Group on June 30th 2019.

IAS 23 – Borrowing Costs

After clarification, IAS 23 consists of directly entering the financial expenses on development projects, previously in inventory, under charges.

With retrospective application being obligatory since January 1st, 2018, this clarification leads to reclassifications of income statement lines, with an impact on the 2018 financial year which must be restated for comparison.

IFRS 16 – Leases.

Since January 1st,2019, Altarea Cogedim has applied IFRS 16 (Leases) which puts an end to the distinction between finance and operating leases.

On the balance sheet, this standard leads to the recognition of an intangible asset corresponding to the value of the right of use of the leased asset, over the firm duration of the contract. As a balancing entry, a rental obligation is entered on the liabilities side under the heading "Borrowings and financial liabilities".

On the income statement, rents from rental contracts (previously entered under operating charges) are replaced by, on the one hand, allocations to amortisation of the right to use, and on the other by notional financial expenses relating to the rental obligation (financial amortisation of the rental obligation).

For the Group, this standard concern two types of contract with fundamentally different economic characteristics:

• rentals of offices and vehicles used by employees of the Group (debt leases of €34.3 million);

• temporary occupation authorisations and construction leases on retail assets, mainly railway stations (contractual royalties on investment properties amounted to €141.5 million). As for railway stations, the right-of-use asset equals the net present value of discounted royalties owed to SNCF.

1.3.2 Consolidated results

As of June 30th; 2019, consolidated revenues amounted to €1,279.3 million up by +16.8% year-on-year. All activities witnessed an increase in revenues: +7.7% for the Retail unit, +12.6% for Residential and +39.1% for Business Property.

Funds from operations (FFO), Group share, reached €110.2 million for the first half 2019. Contribution by activities breaks down as follows:

- growth in Retail of €5.2 million, resulting from both newly started operations and recent acquisitions (stations) and the solid performance of the portfolio on a like-for-like basis.
- stable Residential (-€0.4 million), for which the 12.6% improvement in revenue was offset by the development costs in high-demand areas;
- a decrease of €13.5 million in Business Property, linked to a basis effect change: performance related fees for AltaFund is not recurrent by nature (€18.0 million in S1 2018 and €4.2 million in S1 2019), Business Property FFO is stable (+€0.3 million)

Apart from the basis effect for Business Property, 2019 has been marked by a notable seasonality for Residential (with the expected contribution for the second half representing roughly double that of the first half). Overall, the Group expects the full year 2019 FFO to be up in comparison to both the published and the adjusted 2018 FFO.

In €m	Retail	Residential	Business Property	Other Corporate	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**113.3**	**899.2**	**266.7**	**0.1**	**1,279.3**	**–**	**1,279.3**
Change vs. 30/06/2018 published	*+7.7%*	*+12.6%*	*+39.1%*	*n.a.*	*+16.8%*		*+16.8%*
Net rental income	92.6	–	–	–	92.6	–	92.6
Net property income	–	88.0	17.4	–	105.4	–	105.4
External services	11.3	5.3	6.7	0.1	23.4	–	23.4
Net revenue	**103.9**	**93.4**	**24.1**	**0.1**	**221.4**	**–**	**221.4**
Change vs. 30/06/2018 published	*+11.2%*	*+15.9%*	*(21.6)%*	*n.a.*	*+8.0%*		*+8.0%*
Own work capitalised and production held in	3.1	58.2	5.0	–	66.3	–	66.3
Operating expenses	(21.8)	(105.0)	(15.4)	(3.1)	(145.3)	–	(145.3)
Net overhead expenses	**(18.7)**	**(46.8)**	**(10.4)**	**(3.1)**	**(79.1)**	**–**	**(79.1)**
Share of equity-method affiliates	3.4	9.4	14.7	–	27.5	(8.0)	19.5
Income/loss on sale of assets Retail						2.7	2.7
Changes in value Retail – Investment properties						43.2	43.2
Calculated expenses and transaction costs						(24.2)	(24.2)
Other provisions Corporate						(1.2)	(1.2)
Operating income	**88.6**	**56.0**	**28.4**	**(3.1)**	**169.9**	**12.5**	**182.3**
Change vs. 30/06/2018 published	*+9.2%*	*+10.1%*	*(33.2)%*	*n.a.*	*(3.8)%*		
Net borrowing costs	(19.3)	(8.3)	(1.4)	–	(28.9)	(6.6)	(35.5)
Gains/losses in the value of financial instruments	–	–	–	–	–	(60.3)	(60.3)
Others	0.5	–	–	–	0.5	(1.6)	(1.1)
Corporate income tax	0.2	(1.6)	(0.9)	–	(2.3)	(11.3)	(13.6)
Net income	**70.0**	**46.2**	**26.1**	**(3.1)**	**139.1**	**(67.3)**	**71.9**
Non-controlling interests	(19.9)	(9.0)	(0.0)	–	(28.9)	36.9	8.0
Net income, Group share	**50.2**	**37.2**	**26.0**	**(3.1)**	**110.2**	**(30.5)**	**79.8**
Of which IFRS 16	*3.1*	*8.8*	*1.1*	*0.3*	*13.3*	*(13.8)*	*(0.6)*
Change vs. 30/06/2018 published	*+11.5%*	*(1.1)%*	*(34.1)%*	*n.a.*	*(11.2)%*		
Change vs. 31/12/2018 adjusted	*+11.5%*	*+0.3%*	*(23.2)%*	*n.a.*	*(6.6)%*		
Diluted average number of shares					*16,049,167*		
Net income, Group share per share					**6.87**		
Change vs. 30/06/2018 published					*(11.6%)*		
Change vs. 31/12/2018 adjusted					*(7.0)%*		

1.3.2.1 FFO GROUP SHARE[75]

The main indicator of the Group's results, FFO (or funds from operations) represents operating income after net borrowing costs, corporate income tax and non- controlling interests, for all Group activities. In financial terms, it corresponds to IFRS net income after deduction of changes in value, calculated expenses and transaction costs.

FFO Retail

In €m	H1 2019 released	H1 2018 restated	H1 2018 released
Rental income	101.9	93.6	93.6
Rental costs and other expenses	(9.3)	(11.3)	(9.4)
Net rental income	92.6	82.3	84.2
% of rental income	*90.8%*	*87.9%*	*90.0%*
Contribution of EM associates	3.4	8.5	8.5
Net borrowing costs	(19.3)	(15.7)	(15.7)
Others	0.5		
Corporate income tax	0.2	(0.4)	(0.4)
Non-controlling interests	(19.9)	(20.1)	(20.1)
FFO Retail REIT	57.6	54.7	56.6
External services	11.3	8.5	8.5
Net property income		0.8	0.8
Own work capitalised & production	3.1	3.0	3.0
Operating expenses	(21.8)	(21.9)	(23.9)
FFO Retail Services	(7.4)	(9.7)	(11.6)
FFO Retail	**50.2**	**45.0**	**45.0**
Of which Semmaris	0.5	5.0	5.0

Retail FFO for the first half 2019 was driven mainly by the entry into operation of the second tranche of the Paris-Montparnasse station project at end-2018 and by the acquisition of the 5 Italian stations in January 2019.

On a like-for-like basis, net rental income increased by 2.7%.

Semmaris, sold in July 2018, had contributed €5.0 million to the 2018 first half results.

FFO Residential

In €m	H1 2019 released	H1 2018 restated	H1 2018 released
Revenue by % of completion	893.9	797.8	797.8
Cost of sales and other expenses	(805.9)	(715.1)	(717.9)
Net property income Residential	88.0	82.7	79.8
% of revenue	*9.8%*	*10.4%*	*10.0%*
External services	5.3	0.7	0.7
Production held in inventory	58.2	60.5	60.5
Operating expenses	(105.0)	(94.5)	(94.5)
Contribution of EM associates	9.4	4.3	4.3
Operating income Residential	56.0	53.8	50.9
% of revenue	*6.3%*	*6.7%*	*6.4%*
Net borrowing costs	(8.3)	(6.5)	(2.9)
Others	-	0.1	0.1
Corporate income tax	(1.6)	(2.2)	(2.2)
Non-controlling interests	(9.0)	(8.0)	(8.3)
FFO Residential	**37.2**	**37.0**	**37.6**

Revenue growth of 12.6% during the first half of 2019 was offset by development costs in high-demand areas and by an increased seasonality effect.

This seasonality was due to the combination of several factors:

- the timetable for the acquisition of land at year-end, linked to approvals by social housing providers, and the closeness to the end of the financial year;
- slower progress with works in the first half (cold snap).

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, asset management, leasing and performance (promote) fees;
- contribution from equity-method associates: profits made on partnership projects (including AltaFund).

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).

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

In €m	H1 2019 released	H1 2018 restated	H1 2018 released
Revenue by % of completion	260.0	169.5	169.5
Cost of sales and other expenses	(242.6)	(160.6)	(161.1)
Net property income Business	17.4	8.9	**8.4**
% of revenue	*6.7%*	*5.3%*	*5.0%*
External services	6.7	22.3	22.3
Production held in inventory	5.0	9.4	9.4
Operating expenses	(15.4)	(19.1)	(19.1)
Contribution of EM associates	14.7	15.5	21.5
Operating income Business property	28.4	36.9	**42.5**
% of (revenue + ext. serv. prov.)	*10.6%*	*19.2%*	*22.1%*
Net borrowing costs	(1.4)	(1.1)	(1.1)
Corporate income tax	(1.6)	(1.9)	(1.9)
Non-controlling interests	(0.0)	(0.0)	(0.0)
FFO Business Property	**26.0**	**33.9**	**39.5**
Of which AltaFund	4.2	18.0	*18.0*

During the first half of 2018, the Group had received performance fees related to AltaFund transactions, in the amount of €18.0 million.

Excluding these fees, by nature non-recurrent, Business Property FFO is flat (+€0.3 million).

FFO per share: €6.87

The diluted average number of shares at 30 June 2019 was 16,049,167, compared to 15,973,562 at 30 June 2018. The difference of +75,605 shares takes into account the impact of 599,267 new shares created at the end of the option period for partial payment of the 2018 dividend in shares, pro rata temporis.

1.3.3 Net asset value (NAV)

1.3.3.1 DILUTED GOING CONCERN NAV[76]: €166.5/SHARE

EPRA NAV - GROUP	30/06/2019		30/06/2018 released		31/12/2018 released	
	in €m	€/share	in €m	€/share	in €m	€/share
Consolidated equity, Group share	**1,979.5**	**118.8**	**1,822.4**	**113.5**	**2,007.9**	**125.0**
Other unrealised capital gains	661.5		763.2		641.1	
Restatement of financial instruments	124.6		43.0		64.4	
Deferred tax on the balance sheet for non-SIIC	29.7		29.1		25.2	
EPRA NAV	**2,795.2**	**167.8**	**2,657.8**	**165.6**	**2,738.6**	**170.5**
Market value of financial instruments	(124.6)		(43.0)		(64.4)	
Fixed-rate market value of debt	(37.9)		0.1		(7.8)	
Effective tax for unrealised capital gains on non-SIIC	(23.7)		(30.0)		(24.5)	
Optimisation of transfer duties (b)	92.5		90.0		87.7	
Partners' share (c)	(19.3)		(19.8)		(20.2)	
EPRA NNNAV (NAV liquidation)	**2,682.2**	**161.0**	**2,655.2**	**165.4**	**2,709.4**	**168.7**
Estimated transfer duties and selling fees	92.8		92.9		91.5	
Partners' share (c)	(0.7)		(0.7)		(0.7)	
Diluted Going Concern NAV	**2,774.3**	**166.5**	**2,747.3**	**171.2**	**2,800.2**	**174.3**
Number of diluted shares:	*16 660 596*		*16 051 842*		*16 061 329*	

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

1.3.3.2 CHANGE IN GOING CONCERN NAV OVER THE SEMESTER

	Going concern Nav (fully diluted)		EPRA NAV	
	in €m	€/share	in €m	€/share
As of December 31st, 2018 - released	**2,800.2**	**174.3**	**2,738.6**	**170.5**
Change of accounting standards	(7.4)	(0.4)	(7.4)	(0.4)
As of December 31st, 2018 - restated	**2,792.8**	**173.9**	**2,731.2**	**170.1**
Dividend	(205.7)	(12.75)	(205.7)	(12.75)
Dividend in shares (a)	93.8	(0.5)	93.8	(0.4)
As of December 31st, 2018 (excl. dividend)	**2,680.9**	**160.7**	**2,619.3**	**157.0**
FFO S1 2019	110.2	6.9	110.2	6.9
Value creation in Retail	71.6	4.3	66.1	4.0
Financial instruments (b)	(90.0)	(5.4)	0.4	0.0
Other (c)	1.5	0.1	(0.7)	(0.0)
As of June 30th, 2019	**2,774.3**	**166.5**	**2,795.2**	**167.8**
vs. December 31st 2018 restated	*(0.7)%*	*(4.2)%*	*2.3%*	*(1.3)%*
vs. December 31st 2018 excl. dividend	*+3.5%*	*+3.6%*	*+6.7%*	*+6.9%*

(a) Option of dividend payment in share, incl. dilutive effect on the EPRA NAV per share.
(b) Of which market value of fixed rate debt.
(c) Of which D&A, transaction fees, debt issuance expenses and share of the General Partners.

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

Dividend

Dividend option payment in shares allowed the Group to strengthen its equity by €93.8 million and led to the issuance of 599,267 shares at €156.55 which in turn led to a €0.5 per share dilution of EPRA NAV.

Excludind payment of the dividend which occurred in Mai 2019 (€12.75 per sahre), EPRA NAV / share[77] (excluding impact of financila instruments) is up by +6.9% and going-concern NAV on a fully diluted basis[78] is up by +3.6%.

EPRA NAV benefited from the significant value creation in Retail:

Value creation Retail (in €m)	
Proceeds from disposals	**5.8**
Value creation from deliveries	81.8
Change of value (like for like basis)	(16.0)
Value creation on the Portfolio	**65.8**
Retail value creation	**71.6**

The Group has thus shown its ability to generate value on all its rage of assets and specifically in Retail.

All in all, the FFO recorded during the semester and the significant value cration in Retail (+€71.6 million in group share) which was partly offset by the loss in value of financial instruments due to the decrease in interest rates. The Goup's debt is hedged around 90% to 95%.

1.3.3.3 CALCULATION BASIS

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 Housing 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	42%
Cushman & Wakefield	France & International	58%

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

77 Dilutive effect resulting from the 2018 dividend partially paid in shares allowing the Group to strengthen its equity by €93.8 million and led to the issuance of 599,267 shares at €156.55.

78 Market value of equity with the approach of maintaining the Group's activity and considering the potential dilutive effect resulting from the SCA status.

valuation based on listed peer group comparables. Eight Advisory uses a multi-criteria DCF-based approach, an approach using multiples from listed peer Group comparables and multiples from comparable transactions.

At 30 June 2019, the value of development in the NAV was unchanged compared with 31 December 2018 (value of equity).

Tax

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

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

Transfer Taxes

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

Partners' share

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

1.4 Financial resources

1.4.1 Highlights

Strengthening of equity by €93.8 million

With a subscription rate of 92.6%, the success of the option for the partial payment of the dividend in shares has enabled the Group to strengthen its equity by €93.8 million.

Confirmation of the BBB credit rating

On July 12th, 2019 the S&P Global ratings agency confirmed the rating Investment Grade, BBB, with a stable outlook for the Altarea Cogedim Group.

S&P Global also confirmed the BBB Outlook Stable credit rating for Altareit, the 99.85% held listed subsidiary which groups Property Development activities.

1.4.2 Financial position

Consolidated net debt: €2,479 million

As of June 30th, 2019, the Group's net financial debt stood at €2,479 million, up €30 million compared with December 31st, 2018.

The average duration was 4 years and 7 months (excluding NEU CP[79], NEU MTN[80] and property development debt).

In €m	30/06/2019	31/12/2018
Corporate and bank debt	229	186
Credit markets (a)	1,802	1,663
Mortgage debt	936	1,020
Debt on property development	261	258
Total gross debt	**3,228**	**3,128**
Cash and cash equivalents	(749)	(679)
Total net debt	**2,479**	**2,449**

(a) This amount includes bond debt and €509.5 million of NEU CP and NEU MTN.

In €m	REIT division	Property Development	Total
Corporate and bank debt	78	151	229
Credit markets (a)	1,167	636	1,802
Mortgage debt	936	–	936
Debt on property development programmes	–	261	261
Total gross debt	**2,180**	**1,048**	**3,228**
Cash and cash	(154)	(595)	**(749)**
Total net debt	**2,026**	**453**	**2,479**

(a) This amount includes bond debt and €509.5 million of NEU CP and NEU MTN.

€395 million in new long-term financing

Since the start of the year, the Group has put in place bank financing for a total of €395 million including €315 million in the form of renewable loans with an average term of 5 years.

At the same time, the Group repaid €229 million of bank financing with shorter maturities and at a higher cost.

Short and medium-term negotiable securities

The Group has two NEU CP programmes (maturity under or equal to 1 year, formerly called commercial paper and two NEU MTN programmes (maturity above 1 year, formerly called medium term negotiable notes) for the Altarea and Altareit companies. As of June 30th, 2019, the amounts outstanding broke down as follows:

• €229.5 million of NEU CP for Altarea;

• €250 million of NEU CP and €30 million of NEU MTN for Altareit.

Available liquidity

As of June 30th, 2019, available liquidity, to be drawn at any time and immediately, consisted of:

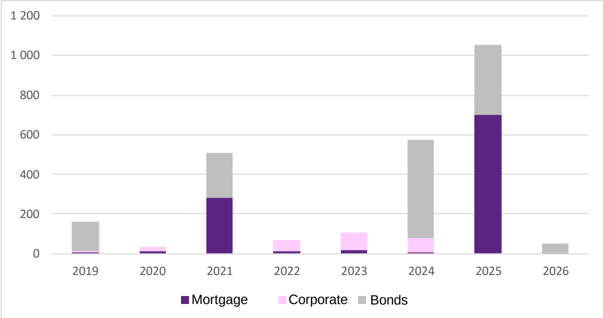
• €341 million in cash;

• €958 million of unused revolving credit lines.

This available liquidity includes €509.5 million in commercial paper with an average duration of about 7 days.

Maturity schedule for Group debt by maturity[81]

The chart below (in €m) presents the Group's debt by maturity as of June 30th, 2019.



The Group has no significant loan repayment due before 2024 except for the mortgage repayment due in 2021 corresponding to the debt on Cap 3000, which will have concluded its transformation in 2020. Debt due in 2024 corresponds to the term of the bond issued in 2017 by Altarea SCA. The 2025 maturity corresponds to the mortgage

[79] *Negotiable European Commercial Paper.*
[80] *Negotiable European Medium Term Note.*

[81] *Debt drawn at 30 June 2019, excluding property development debt, NEU C and NEU MTM.*

financing put in place for a portfolio of shopping centres in 2015 and the bond issued in 2018 by Altareit SCA.

1.4.3 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[82] 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 0.39% 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 (€m) (a)	Fixed-rate debt (€m) (a)	Total (€m) (a)	Average swap rate (b)
2019	1,443	883	2,325	0.39%
2020	2,034	743	2,776	0.87%
2021	2,072	740	2,811	0.93%
2022	1,964	737	2,701	0.94%
2023	1,963	734	2,697	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.

Average cost of debt: 2.06%[83]

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 (2.06% at June 30th vs. 1.94% at 31 December 2018) 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.

1.4.4 Financial ratios and ratings

Loan to Value (LTV)

The LTV ratio compares consolidated net bond and bank debt to the consolidated market value of Group assets. As of June 30th, 2019, its was 34.1% (compared to 34.9% at 31 December 2018) in line with the overall long-term objective of the Group, which is about 40%.

At 30/06/2019	In €m
Gross debt	3,228
Cash and cash equivalents	(749)
Consolidated net debt	**2,479**
Shopping centres at value (FC) (a)	4,440
Shopping centres at value (EM affiliates' securities) (b)	199
Investment properties valued at cost (c)	470
Business Property investments(d)	224
Enterprise value of Property Development	1,936
Market value of assets	**7,266**
LTV Ratio	**34.1%**

(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) Market value (including transfer taxes) of shares in companies consolidated using the equity method holding investments in Office Property and other Office Property assets.

Covenants

	Covenant	30/06/2019	31/12/2018	Delta
LTV (a)	≤ 60%	34.1%	34.9%	(0.8) pt
ICR (b)	≥ 2.0 x	5.9x	9.2x	(3.3x)

(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").

As of June 30th,2019the financial position of the Group fully satisfied all of the covenants of its various credit contracts.

[82] *Including fixed-rate bonds.*

[83] *Including related fees (commitment fees, non-use fees, etc.).*

Consolidated income statement by segment

€millions	30/06/2019 Funds from operations (FFO)	30/06/2019 Changes in value, estimated expenses and transaction costs	30/06/2019 Total	31/12/2018 restated Funds from operations (FFO)	31/12/2018 restated Changes in value, estimated expenses and transaction costs	31/12/2018 restated Total
Rental income	101.9	–	101.9	188.9	–	188.9
Other expenses	(9.3)	–	(9.3)	(21.8)	–	(21.8)
Net rental income	**92.6**	**–**	**92.6**	**167.1**	**–**	**167.1**
External services	11.3	–	11.3	19.9	–	19.9
Own work capitalised and production held in inventory	3.1	–	3.1	5.3	–	5.3
Operating expenses	(21.8)	(1.7)	(23.5)	(48.5)	(3.7)	(52.2)
Net overhead expenses	**(7.4)**	**(1.7)**	**(9.1)**	**(23.4)**	**(3.7)**	**(27.1)**
Share of equity-method affiliates	**3.4**	**(2.3)**	**1.1**	**11.7**	**(8.6)**	**3.1**
Net allowances for depreciation and impairment	**–**	**(2.8)**	**(2.8)**	**–**	**(2.5)**	**(2.5)**
Income/loss on sale of assets	**–**	**2.7**	**2.7**	**0.8**	**180.3**	**181.1**
Income/loss in the value of investment property	**–**	**43.2**	**43.2**	**–**	**(99.4)**	**(99.4)**
Transaction costs	**–**	**(0.4)**	**(0.4)**	**–**	**(5.1)**	**(5.1)**
RETAIL INCOME	**88.6**	**38.6**	**127.2**	**156.3**	**61.1**	**217.4**
Revenue	893.9	–	893.9	1844.1	–	1844.1
Cost of sales and other expenses	(805.9)	–	(805.9)	(1662.3)	–	(1662.3)
Net property income	**88.0**	**–**	**88.0**	**181.8**	**–**	**181.8**
External services	5.3	–	5.3	4.1	–	4.1
Production held in inventory	58.2	–	58.2	135.3	–	135.3
Operating expenses	(105.0)	(7.0)	(111.9)	(200.6)	(11.8)	(212.4)
Net overhead expenses	**(41.5)**	**(7.0)**	**(48.5)**	**(61.1)**	**(11.8)**	**(72.9)**
Share of equity-method affiliates	**9.4**	**(2.6)**	**6.9**	**12.6**	**19.1**	**31.7**
Net allowances for depreciation and impairment	**–**	**(8.6)**	**(8.6)**	**–**	**(4.1)**	**(4.1)**
Transaction costs	**–**	**(0.8)**	**(0.8)**	**–**	**(1.7)**	**(1.7)**
RESIDENTIAL INCOME	**56.0**	**(18.9)**	**37.1**	**133.2**	**1.5**	**134.8**
Revenue	260.0	–	260.0	317.7	–	317.7
Cost of sales and other expenses	(242.6)	–	(242.6)	(298.7)	–	(298.7)
Net property income	**17.4**	**–**	**17.4**	**19.0**	**–**	**19.0**
External services	6.7	–	6.7	27.5	–	27.5
Production held in inventory	5.0	–	5.0	20.0	–	20.0
Operating expenses	(15.4)	(1.6)	(16.9)	(47.1)	(2.4)	(49.6)
Net overhead expenses	**(3.6)**	**(1.6)**	**(5.2)**	**0.4**	**(2.4)**	**(2.0)**
Share of equity-method affiliates	**14.7**	**(3.1)**	**11.6**	**74.6**	**(12.8)**	**61.8**
Net allowances for depreciation and impairment	**–**	**(1.3)**	**(1.3)**	**–**	**(1.4)**	**(1.4)**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**
BUSINESS PROPERTY INCOME	**28.4**	**(6.0)**	**22.4**	**94.0**	**(16.6)**	**77.4**
Others (Corporate)	**(3.1)**	**(1.2)**	**(4.3)**	**(3.0)**	**(10.0)**	**(13.0)**
OPERATING INCOME	**169.9**	**12.5**	**182.3**	**380.4**	**36.1**	**416.6**
Net borrowing costs	**(28.9)**	**(6.6)**	**(35.5)**	**(47.5)**	**(9.6)**	**(57.1)**
Other financial results	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Discounting of debt and receivables	**–**	**(0.0)**	**(0.0)**	**–**	**(0.2)**	**(0.2)**
Change in value and income from disposal of financial instruments	**–**	**(60.3)**	**(60.3)**	**–**	**(38.2)**	**(38.2)**
Proceeds from the disposal of investments	**–**	**(1.6)**	**(1.6)**	**–**	**(2.2)**	**(2.2)**
Dividends	**0.5**	**–**	**0.5**	**0.0**	**–**	**0.0**
PROFIT BEFORE TAX	**141.5**	**(56.0)**	**85.4**	**333.0**	**(11.9)**	**321.0**
Corporate income tax	**(2.3)**	**(11.3)**	**(13.6)**	**(8.4)**	**(28.0)**	**(36.4)**
NET INCOME	**139.1**	**(67.3)**	**71.8**	**324.6**	**(40.0)**	**284.6**
Non-controlling interests	**(28.9)**	**36.9**	**8.0**	**(52.2)**	**19.8**	**(32.4)**
NET INCOME, GROUP SHARE	**110.2**	**(30.5)**	**79.8**	**272.4**	**(20.2)**	**252.3**
Diluted average number of shares	*16,049,167*	*16,049,167*	*16,049,167*	*15,992,352*	*15,992,352*	*15,992,352*
NET INCOME PER SHARE (€/SHARE) GROUP SHARE	**6.87**	**(1.90)**	**4.97**	**17.03**	**(1.26)**	**15.77**

Consolidated balance sheet

€millions	30/06/2019	31/12/2018 restated
Non-current assets	**5,586.7**	**5,289.0**
Intangible assets	331.6	313.7
o/w Goodwill	*211.1*	*194.3*
o/w Brands	*100.7*	*100.7*
o/w Client relations	–	–
o/w Other intangible assets	*19.8*	*18.8*
Property plant and equipment	21.0	20.6
Right-of-use on tangible and intangible fixed assets	34.2	–
Investment properties	4,739.0	4,526.2
o/w Investment properties in operation at fair value	*4,133.7*	*3,931.3*
o/w Investment properties under development and under construction at cost	*466.9*	*594.9*
o/w Right-of use on Investment properties	*138.4*	–
Securities and investments in equity affiliates and unconsolidated interests	421.9	387.4
Loans and receivables (non-current)	10.5	10.6
Deferred tax assets	28.5	30.5
Current assets	**2,976.0**	**2,730.3**
Net inventories and work in progress	1,003.9	986.6
Trade and other receivables	1,054.3	1,011.0
Income tax credit	12.8	14.6
Loans and receivables (current)	41.6	37.4
Derivative financial instruments	3.9	2.2
Cash and cash equivalents	749.1	678.5
Assets held for sale	110.2	–
TOTAL ASSETS	**8,562.7**	**8,019.3**
Equity	**3,187.3**	**3,229.4**
Equity attributable to Altarea SCA shareholders	**1,979.5**	**2,000.1**
Capital	254.6	245.4
Other paid-in capital	306.7	407.9
Reserves	1,338.4	1,094.6
Income associated with Altarea SCA shareholders	79.8	252.3
Equity attributable to minority shareholders of subsidiaries	**1,207.9**	**1,229.3**
Reserves associated with minority shareholders of subsidiaries	1,020.7	1,001.8
Other equity components, Subordinated Perpetual Notes	195.1	195.1
Income associated with minority shareholders of subsidiaries	(8.0)	32.4
Non-current liabilities	**2,753.6**	**2,629.3**
Non-current borrowings and financial liabilities	2,668.4	2,560.6
o/w Participating loans and advances from associates	*65.0*	*76.3*
o/w Bond issues	*1,118.4*	*1,117.4*
o/w Borrowings from lending establishments	*1,301.4*	*1,367.0*
o/w Negociable European Commercial Paper	*30.0*	–
o/w Lease obligations	*16.5*	–
o/w Contractual fees on investment properties	*137.0*	–
Long-term provisions	21.8	21.6
Deposits and security interests received	35.2	32.6
Deferred tax liability	28.3	14.5
Current liabilities	**2,621.8**	**2,160.6**
Current borrowings and financial liabilities	948.5	741.9
o/w Bond issues	*174.3*	*164.9*
o/w Borrowings from lending establishments	*122.7*	*94.1*
o/w Negociable European Commercial Paper	*479.5*	*381.0*
o/w Bank overdrafts	*1.7*	*3.5*
o/w Advances from Group shareholders and partners	*147.9*	*98.4*
o/w Lease obligations	*17.8*	–
o/w Contractual fees on investment properties	*4.5*	–
Derivative financial instruments	126.9	67.2
Trade and other payables	1,363.8	1,345.5
Tax due	2.6	6.0
Debts with Altarea SCA shareholders and minority shareholders of subsidiaries	111.9	0.0
Liabilities linked to assets held for sale	68.1	–
TOTAL LIABILITIES	**8,562.7**	**8,019.3**