

ALTAREA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

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1 Financial statements

Consolidated statement of comprehensive income

€millions	Note	30/06/2019	31/12/2018 restated	30/06/2018 restated
Rental income		101.9	188.9	93.6
Property expenses		(1.1)	(5.4)	(2.6)
Unrecoverable rental expenses		(5.4)	(11.1)	(6.3)
Expenses re-invoiced to tenants		30.0	–	–
Rental expenses		(35.4)	–	–
Other expenses		(0.2)	(2.5)	(1.0)
Net charge to provisions for current assets		(2.7)	(2.8)	(1.4)
Net rental income	5.1	92.6	167.1	82.3
Revenue		1,153.9	2,164.9	970.4
Cost of sales		(985.3)	(1,842.3)	(833.6)
Selling expenses		(55.9)	(111.7)	(43.4)
Net charge to provisions for current assets		(7.3)	(9.4)	(1.2)
Net property income	5.1	105.4	201.5	92.2
External services		23.4	51.8	31.7
Own work capitalised and production held in inventory		66.3	160.6	72.9
Personnel costs		(116.4)	(213.8)	(97.8)
Other overhead expenses		(38.1)	(96.7)	(42.1)
Depreciation expense on operating assets		(12.6)	(9.6)	(3.9)
Net overhead expenses		(77.4)	(107.6)	(39.2)
Other income and expenses		0.4	(10.6)	(2.8)
Depreciation expenses		(2.5)	(1.7)	(0.4)
Transaction costs		(1.5)	(8.9)	(2.6)
Others		(3.6)	(21.2)	(5.8)
Proceeds from disposal of investment assets		1.1	46.5	0.8
Carrying amount of assets sold		–	(42.1)	(0.8)
Net charge to provisions for risks and contingencies		1.5	–	–
Net gain/(loss) on disposal of investment assets		2.6	4.4	(0.0)
Change in value of investment properties	7.1	43.2	(89.7)	2.8
Net impairment losses on investment properties measured at cost		–	(9.7)	–
Net impairment losses on other non-current assets		(0.0)	(0.6)	0.0
Net charge to provisions for risks and contingencies		(0.0)	(0.2)	(0.8)
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		162.8	144.0	131.4
Share in earnings of equity-method affiliates	4.5	16.8	55.9	(1.6)
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		179.6	199.9	129.7
Net borrowing costs	5.2	(35.5)	(57.1)	(26.2)
Financial expenses		(41.1)	(73.3)	(33.7)
Financial income		5.6	16.2	7.5
Other financial results		–	2.1	–
Change in value and income from disposal of financial instruments	5.2	(60.3)	(38.2)	(16.8)
Discounting of debt and receivables		(0.0)	(0.2)	(0.1)
Proceeds from the disposal of investments		1.1	214.5	21.8
Dividends		0.5	0.0	0.0
Profit before tax		85.4	321.0	108.4
Income tax	5.3	(13.6)	(36.4)	(25.4)
NET INCOME		71.8	284.6	83.0
of which attributable to shareholders of Altarea SCA		79.8	252.3	67.7
of which Attributable to minority interests in subsidiaries		(8.0)	32.4	15.3
Average number of non-diluted shares		15,872,788	15,791,325	15,795,117
Net income per share attributable to shareholders of Altarea SCA (€)	5.4	5.03	15.97	4.29
Diluted average number of shares		16,049,167	15,992,352	15,973,562
Diluted net income per share attributable to shareholders of Altarea SCA (€)	5.4	4.97	15.77	4.24

Restated, at 31 December 2018 and 30 June 2018, for the clarification of "IAS 23 - Borrowing Costs" specifying the non-capitalisation of financial expenses in relation to property development operations.

And, at 30 June 2018, for the change of presentation of net rental income (cf. § 2.6 Change of presentation in notes to the consolidated financial statements for the financial year closed on 31 December 2018).

Statement of consolidated comprehensive income

€millions	30/06/2019	31/12/2018 restated	30/06/2018 restated
NET INCOME	71.8	284.6	83.0
Actuarial differences on defined-benefit pension plans	(0.7)	0.5	0.2
o/w Taxes	0.3	(0.1)	(0.0)
Subtotal of comprehensive income items that may not be reclassified to profit	(0.7)	0.5	0.2
OTHER ITEMS OF COMPREHENSIVE INCOME	(0.7)	0.5	0.2
COMPREHENSIVE INCOME	71.1	285.2	83.3
o/w Net comprehensive income attributable to Altarea SCA shareholders	79.0	252.8	67.9
o/w Net comprehensive income attributable to minority interests in subsidiaries	(8.0)	32.4	15.3

Consolidated balance sheet

€millions	Note	30/06/2019	31/12/2018 restated
Non-current assets		5,586.7	5,289.0
Intangible assets	7.2	331.6	313.7
<i>o/w Goodwill</i>		211.1	194.3
<i>o/w Brands</i>		100.7	100.7
<i>o/w Client relations</i>		–	–
<i>o/w Other intangible assets</i>		19.8	18.8
Property plant and equipment		21.0	20.6
Right-of-use on tangible and intangible fixed assets	7.3	34.2	–
Investment properties	7.1	4,739.0	4,526.2
<i>o/w Investment properties in operation at fair value</i>		4,133.7	3,931.3
<i>o/w Investment properties under development and under construction at cost</i>		466.9	594.9
<i>o/w Right-of use on Investment properties</i>		138.4	–
Securities and investments in equity affiliates and unconsolidated interests	4.5	421.9	387.4
Loans and receivables (non-current)		10.5	10.6
Deferred tax assets	5.3	28.5	30.5
Current assets		2,976.0	2,730.3
Net inventories and work in progress	7.4	1,003.9	986.6
Trade and other receivables	7.4	1,054.3	1,011.0
Income tax credit		12.8	14.6
Loans and receivables (current)		41.6	37.4
Derivative financial instruments	8	3.9	2.2
Cash and cash equivalents	6.2	749.1	678.5
Assets held for sale	7.1	110.2	–
TOTAL ASSETS		8,562.7	8,019.3
Equity		3,187.3	3,229.4
Equity attributable to Altarea SCA shareholders	6.1	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	6.2	2,668.4	2,560.6
<i>o/w Participating loans and advances from associates</i>		65.0	76.3
<i>o/w Bond issues</i>		1,118.4	1,117.4
<i>o/w Borrowings from lending establishments</i>		1,301.4	1,367.0
<i>o/w Negotiable European Commercial Paper</i>		30.0	–
<i>o/w Lease obligations</i>		16.5	–
<i>o/w Contractual fees on investment properties</i>		137.0	–
Long-term provisions		21.8	21.6
Deposits and security interests received		35.2	32.6
Deferred tax liability	5.3	28.3	14.5
Current liabilities		2,621.8	2,160.6
Current borrowings and financial liabilities	6.2	948.5	741.9
<i>o/w Bond issues</i>		174.3	164.9
<i>o/w Borrowings from lending establishments</i>		122.7	94.1
<i>o/w Negotiable European Commercial Paper</i>		479.5	381.0
<i>o/w Bank overdrafts</i>		1.7	3.5
<i>o/w Advances from Group shareholders and partners</i>		147.9	98.4
<i>o/w Lease obligations</i>		17.8	–
<i>o/w Contractual fees on investment properties</i>		4.5	–
Derivative financial instruments	8	126.9	67.2
Trade and other payables	7.4	1,363.8	1,345.5
Tax due	5.3	2.6	6.0
Debts with Altarea SCA shareholders and minority shareholders of subsidiaries	6.1	111.9	0.0
Liabilities linked to assets held for sale	6.2	68.1	–
TOTAL LIABILITIES		8,562.7	8,019.3

Restated at 31 December 2018 for the clarification of "IAS 23 - Borrowing Costs" specifying the non-capitalisation of financial expenses in relation to property development operations.

Consolidated cash flows statement

€millions	Note	30/06/2019	31/12/2018 restated	30/06/2018 restated
Cash flow from operating activities				
Net income		71.8	284.6	83.0
Elimination of income tax expense (income)	5.3	13.6	36.4	25.4
Elimination of net interest expense (income)		35.3	54.7	26.1
Net income before tax and before net interest expense (income)		120.8	375.7	134.5
Elimination of share in earnings of equity-method subsidiaries	4.5	(16.8)	(55.9)	1.6
Elimination of depreciation and impairment		14.8	12.5	5.5
Elimination of value adjustments	7.1/5.2	17.2	138.5	14.2
Elimination net gains / (losses) on disposals ^(a)		(3.7)	(221.1)	(22.1)
Elimination of dividend income		(0.5)	(0.0)	(0.0)
Estimated income and expenses associated with share-based payments	6.1	7.2	19.6	8.4
Net cash flow		139.0	269.4	142.0
Tax paid		(3.5)	(19.4)	(14.5)
Impact of change in operational working capital requirement (WCR)	7.4	(3.1)	(38.5)	(80.1)
CASH FLOW FROM OPERATIONS		132.4	211.4	47.4
Cash flow from investment activities				
Net acquisitions of assets and capitalised expenditures	7.1	(101.4)	(214.3)	(144.6)
Gross investments in equity-method subsidiaries and non-consolidated investments		(41.9)	(47.2)	(31.2)
Acquisitions of consolidated companies, net of cash acquired	4.3	(61.6)	(45.6)	(8.2)
Other changes in Group structure		–	2.4	2.0
Increase in loans and advances		(7.3)	(11.8)	(3.0)
Sale of non-current assets and reimbursement of advances and down-payments ^(a)		1.1	45.8	2.4
Disposals of holdings in equity-method subsidiaries and non-consolidated investments		13.4	170.8	60.5
Disposals of consolidated companies, net of cash transferred		0.0	202.3	24.1
Reduction in loans and other financial investments		8.2	13.9	17.0
Net change in investments and derivative financial instruments		0.1	(0.0)	(0.0)
Dividends received		(3.5)	29.1	6.7
Interest income		4.8	17.4	9.0
CASH FLOW FROM FINANCING ACTIVITIES		(188.2)	162.8	(65.4)
Cash flow from financing activities				
Capital increase		–	1.8	–
Minority interest share in capital increases in subsidiaries		(0.0)	1.2	0.0
Dividends paid to Altarea SCA shareholders	6.1	0.0	(200.8)	(200.8)
Dividends paid to minority shareholders of subsidiaries		(22.9)	(35.7)	(24.2)
Issuance of debt and other financial liabilities	6.2	643.0	1,190.4	667.0
Repayment of borrowings and other financial liabilities	6.2	(453.8)	(1,747.8)	(626.5)
Repayment of lease obligations	6.2	(9.3)	–	–
Net sales (purchases) of treasury shares	6.1	0.1	(18.6)	(11.3)
Net change in security deposits and guarantees received		2.3	0.4	0.7
Interest paid		(31.4)	(58.5)	(28.2)
CASH FLOW FROM FINANCING ACTIVITIES		128.1	(867.5)	(223.3)
CHANGE IN CASH BALANCE		(72.3)	(493.3)	(241.2)
Cash balance at the beginning of the year	6.2	675.0	1,168.3	1,168.3
Cash and cash equivalents		678.5	1,169.1	1,169.1
Bank overdrafts		(3.5)	(0.8)	(0.8)
Cash balance at period-end	6.2	747.4	675.0	927.1
Cash and cash equivalents		749.1	678.5	934.2
Bank overdrafts		(1.7)	(3.5)	(7.1)

Restated, at 31 December 2018 and 30 June 2018, for the clarification of IAS 23 - Borrowing Costs specifying the non-capitalisation of financial expenses in relation to property development operations.

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

Changes in consolidated equity

€millions	Capital	Other paid-in capital	Elimination of treasury shares	Reserves and retained earnings	Equity attributable to Altarea SCA shareholders	Equity attributable to minority shareholders of subsidiaries	Equity
At 1st January 2018	245.3	563.2	(54.0)	1,150.2	1,904.8	1,259.9	3,164.7
Impact on opening balances of first-time application of IFRS 15 and IAS 23				41.0	41.0	5.3	46.3
Net Income	–	–	–	67.7	67.7	15.3	83.0
Actuarial difference relating to pension obligations	–	–	–	0.2	0.2	0.0	0.2
Comprehensive income	–	–	–	67.9	67.9	15.3	83.3
Dividend distribution	–	(157.1)	–	(43.7)	(200.8)	(41.7)	(242.5)
Capital increase	–	–	–	0.0	0.0	0.0	0.0
Measurement of share-based payments	–	–	–	5.5	5.5	0.0	5.5
Elimination of treasury shares	–	–	6.0	(11.3)	(5.4)	–	(5.4)
Transactions with shareholders	–	(157.1)	6.0	(49.5)	(200.6)	(41.7)	(242.3)
Changes in ownership interests without taking or losing control of subsidiaries	–	–	–	–	–	(0.8)	(0.8)
Changes in ownership interests associated with taking or losing control of subsidiaries	0.0	–	–	(0.0)	(0.0)	(0.3)	(0.3)
Others	(0.0)	(0.0)	–	0.0	0.0	(0.0)	0.0
At 30 June 2018 restated	245.3	406.2	(48.0)	1,209.7	1,813.1	1,237.8	3,050.9
Net Income	–	–	–	184.6	184.6	17.0	201.6
Actuarial difference relating to pension obligations	–	–	–	0.3	0.3	0.0	0.3
Comprehensive income	–	–	–	184.9	184.9	17.0	201.9
Dividend distribution	–	–	–	(0.0)	(0.0)	(11.5)	(11.5)
Capital increase	0.1	1.7	–	(0.0)	1.8 (a)	1.2	3.1
Measurement of share-based payments	–	–	–	7.9	7.9	0.0	7.9
Elimination of treasury shares	–	–	(6.6)	(0.9)	(7.5)	–	(7.5)
Transactions with shareholders	0.1	1.7	(6.6)	7.0	2.2	(10.2)	(8.0)
Changes in ownership interests without taking or losing control of subsidiaries	–	–	–	(0.0)	(0.0)	(15.5)	(15.5)
Changes in ownership interests associated with taking or losing control of subsidiaries	0.0	–	–	0.0	0.0	0.2	0.2
Others	0.0	0.0	–	(0.0)	(0.0)	(0.0)	(0.0)
At 31 December 2018 restated	245.4	407.9	(54.6)	1,401.4	2,000.1	1,229.3	3,229.4
Impact of first-time application of IFRS 16 on the opening balances				0.3	0.3	(0.0)	0.3
Net Income	–	–	–	79.8	79.8	(8.0)	71.8
Actuarial difference relating to pension obligations	–	–	–	(0.7)	(0.7)	(0.0)	(0.7)
Comprehensive income	–	–	–	79.0	79.0	(8.0)	71.1
Dividend distribution	–	(185.8)	–	(19.8)	(205.7)	(15.0)	(220.6)
Capital increase	9.2	84.7	–	–	93.8 (b)	0.0	93.8
Measurement of share-based payments	–	–	–	4.9	4.9	0.0	4.9
Elimination of treasury shares	–	–	21.2	(14.3)	6.9	–	6.9
Transactions with shareholders	9.2	(101.2)	21.2	(29.2)	(100.1)	(14.9)	(115.0)
Changes in ownership interests without taking or losing control of subsidiaries	–	–	–	(0.0)	(0.0)	(0.2)	(0.2)
Changes in ownership interests associated with taking or losing control of subsidiaries	–	–	–	–	–	1.8	1.8
Others	–	–	–	0.1	0.1	(0.1)	(0.0)
At 30 June 2019	254.6	306.7	(33.4)	1,451.6	1,979.5	1,207.9	3,187.3

(a): Altarea SCA capital increase reserved on acquisition of the company SND in October 2018.

(b): Altarea SCA capital increase by partial conversion into shares of the dividend distributed in 2019 (option offered on 50% of the maximum dividend)

Restated, at 31 December 2018 and 30 June 2018, for the clarification of IAS 23 - Borrowing Costs specifying the non-capitalisation of financial expenses in relation to property development operations.

Consolidated income statement by segment

	30/06/2019			31/12/2018 restated			30/06/2018 restated		
	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total
<i>€millions</i>									
Rental income	101.9	–	101.9	188.9	–	188.9	93.6	–	93.6
Other expenses	(9.3)	–	(9.3)	(21.8)	–	(21.8)	(11.3)	–	(11.3)
Net rental income	92.6	–	92.6	167.1	–	167.1	82.3	–	82.3
External services	11.3	–	11.3	19.9	–	19.9	8.5	–	8.5
Own work capitalised and production held in inventory	3.1	–	3.1	5.3	–	5.3	3.0	–	3.0
Operating expenses	(21.8)	(1.7)	(23.5)	(48.5)	(3.7)	(52.2)	(21.9)	(1.7)	(23.6)
Net overhead expenses	(7.4)	(1.7)	(9.1)	(23.4)	(3.7)	(27.1)	(10.5)	(1.7)	(12.2)
Share of equity-method affiliates	3.4	(2.3)	1.1	11.7	(8.6)	3.1	8.5	(6.1)	2.4
Net allowances for depreciation and impairment	–	(2.8)	(2.8)	–	(2.5)	(2.5)	–	(0.8)	(0.8)
Income/loss on sale of assets	–	2.7	2.7	0.8	180.3	181.1	0.8	(0.3)	0.6
Income/loss in the value of investment property	–	43.2	43.2	–	(99.4)	(99.4)	–	2.8	2.8
Transaction costs	–	(0.4)	(0.4)	–	(5.1)	(5.1)	–	(1.3)	(1.3)
RETAIL INCOME	88.6	38.6	127.2	156.3	61.1	217.4	81.1	(7.3)	73.8
Revenue	893.9	–	893.9	1844.1	–	1844.1	797.8	–	797.8
Cost of sales and other expenses	(805.9)	–	(805.9)	(1662.3)	–	(1662.3)	(715.1)	–	(715.1)
Net property income	88.0	–	88.0	181.8	–	181.8	82.7	–	82.7
External services	5.3	–	5.3	4.1	–	4.1	0.7	–	0.7
Production held in inventory	58.2	–	58.2	135.3	–	135.3	60.5	–	60.5
Operating expenses	(105.0)	(7.0)	(111.9)	(200.6)	(11.8)	(212.4)	(94.5)	(5.0)	(99.5)
Net overhead expenses	(41.5)	(7.0)	(48.5)	(61.1)	(11.8)	(72.9)	(33.2)	(5.0)	(38.2)
Share of equity-method affiliates	9.4	(2.6)	6.9	12.6	19.1	31.7	4.3	(1.3)	2.9
Net allowances for depreciation and impairment	–	(8.6)	(8.6)	–	(4.1)	(4.1)	–	(3.1)	(3.1)
Transaction costs	–	(0.8)	(0.8)	–	(1.7)	(1.7)	–	(0.8)	(0.8)
RESIDENTIAL INCOME	56.0	(18.9)	37.1	133.2	1.5	134.8	53.8	(10.3)	43.5
Revenue	260.0	–	260.0	317.7	–	317.7	169.5	–	169.5
Cost of sales and other expenses	(242.6)	–	(242.6)	(298.7)	–	(298.7)	(160.6)	–	(160.6)
Net property income	17.4	–	17.4	19.0	–	19.0	8.9	–	8.9
External services	6.7	–	6.7	27.5	–	27.5	22.3	–	22.3
Production held in inventory	5.0	–	5.0	20.0	–	20.0	9.4	–	9.4
Operating expenses	(15.4)	(1.6)	(16.9)	(47.1)	(2.4)	(49.6)	(19.1)	(0.9)	(20.1)
Net overhead expenses	(3.6)	(1.6)	(5.2)	0.4	(2.4)	(2.0)	12.5	(0.9)	11.6
Share of equity-method affiliates	14.7	(3.1)	11.6	74.6	(12.8)	61.8	15.5	1.0	16.5
Net allowances for depreciation and impairment	–	(1.3)	(1.3)	–	(1.4)	(1.4)	–	(0.4)	(0.4)
Transaction costs	–	–	–	–	–	–	–	–	–
BUSINESS PROPERTY INCOME	28.4	(6.0)	22.4	94.0	(16.6)	77.4	36.9	(0.3)	36.6
Others (Corporate)	(3.1)	(1.2)	(4.3)	(3.0)	(10.0)	(13.0)	2.1	(2.8)	(0.6)
OPERATING INCOME	169.9	12.5	182.3	380.4	36.1	416.6	173.9	(20.7)	153.2
Net borrowing costs	(28.9)	(6.6)	(35.5)	(47.5)	(9.6)	(57.1)	(23.3)	(2.9)	(26.2)
Other financial results	–	–	–	–	2.1	2.1	–	–	–
Discounting of debt and receivables	–	(0.0)	(0.0)	–	(0.2)	(0.2)	–	(0.1)	(0.1)
Change in value and income from disposal of financial instruments	–	(60.3)	(60.3)	–	(38.2)	(38.2)	–	(16.8)	(16.8)
Proceeds from the disposal of investments	–	(1.6)	(1.6)	–	(2.2)	(2.2)	–	(1.7)	(1.7)
Dividends	0.5	–	0.5	0.0	–	0.0	0.0	–	0.0
PROFIT BEFORE TAX	141.5	(56.0)	85.4	333.0	(11.9)	321.0	150.6	(42.2)	108.4
Corporate income tax	(2.3)	(11.3)	(13.6)	(8.4)	(28.0)	(36.4)	(4.5)	(20.9)	(25.4)
NET INCOME	139.1	(67.3)	71.8	324.6	(40.0)	284.6	146.2	(63.1)	83.0
Non-controlling interests	(28.9)	36.9	8.0	(52.2)	19.8	(32.4)	(28.1)	12.8	(15.3)
NET INCOME, GROUP SHARE	110.2	(30.5)	79.8	272.4	(20.2)	252.3	118.0	(50.3)	67.7
<i>Diluted average number of shares</i>	16,049,167	16,049,167	16,049,167	15,992,352	15,992,352	15,992,352	15,973,562	15,973,562	15,973,562
NET INCOME PER SHARE (€/SHARE) GROUP SHARE	6.87	(1.90)	4.97	17.03	(1.26)	15.77	7.39	(3.15)	4.24

Restated, at 31 December 2018 and 30 June 2018, for the application of IAS 23 - Borrowing Costs specifying the non-capitalisation of financial expenses in relation to property development operations.

And, at 30 June 2018, for the change of presentation of net rental income cf. § 2.6 Change of presentation in notes to the consolidated financial statements for the financial year closed on 31 December 2018).

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

2 Notes to the consolidated financial statements

Detailed summary of notes to the consolidated financial statements

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NOTE 1 INFORMATION ABOUT THE COMPANY

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

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

Altarea and its subsidiaries, ("Altarea" or "the Company" or "the Group") together make up one of the leading players in the real estate sector.

Altarea Cogedim is the leading property developer in France.

As both a developer and an investor, the Group operates in the three main property markets (Retail, Residential and Business property), leading major mixed-use urban renewal projects in France. The Group has the required expertise in each sector to design, develop, market and manage made-to-measure property products.

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

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

The consolidated financial statements prepared for the financial period closed on 30 June 2019 were approved by the Management on 1 August 2019, having been examined by the Audit Committee and the Supervisory Board.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Accounting standards applied by the Company

The consolidated half-year financial statements of the Altarea Group at 30 June 2019 were prepared in accordance with IAS 34 – "Interim Financial Reporting". As these are summary financial statements, they do not include all of the information required by the IFRS for the annual financial statements and must be read together with the Altarea Group's consolidated financial statements for the financial year closed on 31 December 2018, which are presented in the Registration Document filed with the AMF on 2 April 2019 under number D.19-0253.

The accounting principles adopted for preparation of the half-year consolidated financial statements are in line with IFRS standards and interpretations from the IASB, as adopted by the European Union at 30 June 2019 and available at: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

Standards, interpretations and amendments applicable from the financial year starting 1 January 2019:

- IFRS 16 – Leases;
- IFRIC 23 – Uncertainty regarding fiscal treatments;
- Annual improvements to IFRS (2015-2017 cycle)
- Amendments to IFRS 9 – Prepayment clause with penalty;
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 – Plan reduction or liquidation amendment.

Standards and interpretations applied early at 30 June 2019, whose application is mandatory for financial years starting on or after 1 July 2019:

None.

Accounting standards and interpretations in effect at 1 January 2019 and mandatory after 30 June 2019:

None.

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

- Amendments to IAS 1 and IAS 8 – Defining materiality in the financial statements
- IFRS 17 – Insurance Contracts;
- Amendments to references within the standards' conceptual framework;
- Modifications IFRS 3 – New definition of a business.

2.2 Main estimations and judgements

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

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

Measurement of intangible assets not subject to amortisation

- measurement of goodwill and brands (see Notes 2.4.7 "Re-measurement of non-current assets (other than financial assets and investment properties) and impairment losses", and 7.2, "Intangible assets and goodwill").

Measurements of other assets and liabilities

- measurement of investment properties (see Notes 2.4.5 “Investment properties” and 7.1 “Investment properties”),
- measurement of right-of-use, lease obligations and contractual fees on investment properties (see “changes of method” paragraph below),
- measurement of inventories (see Note 2.4.8 “Inventories”),
- measurement of deferred tax assets (see Notes 2.4.16 “Taxes” and 5.3 “Income tax”); note that since 31 December 2016 the Group has applied the cut in tax rates programmed by the Finance Act currently in force,
- measurement of share-based payments (see Notes 2.4.12 “Share-based payments” and 6.1 “Equity”),
- measurement of financial instruments (see Note 8 “Financial risk management”).

Operating income estimates

- measurement of net property income and services using the percentage-of-completion method (see Note 2.4.17 “Revenue and revenue-related expenses”).

Non-current assets held for sale and discontinued operations

In accordance with the provisions of IFRS 5, the Group determines whether the criteria used to determine whether an asset or a group of assets should be classified as held for sale or if an operation is to be discontinued are met (see Note 2.4.6 “Non-current assets held for sale and discontinued operations” and 7.1 “Investment properties”).

The notes numbered 2.4.xx cited above refer to the notes to the consolidated financial statements for the financial year ended 31 December 2018.

2.3 Other principles for presenting the financial statements

Transactions eliminated in the consolidated financial statements

Balance sheet balances and income and expenses arising from intragroup transactions are eliminated when the consolidated financial statements are prepared.

Balance sheet classification

In accordance with IAS 1, the Company presents its assets and liabilities by distinguishing between current and non-current items.

Assets which must be realised, consumed or disposed of within the scope of the normal operating cycle or within 12 months following closure, are classed as “current assets”, as well as the assets held with a view to disposal and cash or cash equivalents. All other assets are classified as “non-current assets”.

Liabilities which have to be paid within the scope of the normal operating cycle or within 12 months following closure are classified as “current liabilities”, as well as the share of provisions arising from the normal operating cycle of the activity concerned due in less than one year.

Deferred taxes are always shown as non-current assets or liabilities.

2.4 Changes in methods in 2019

2.4.1 IFRS 16 – Leases.

On 31 October 2017 the European Union adopted IFRS 16, whose application is mandatory for financial years starting on or after 1 January 2019.

On the tenant side, this standard abandons the existing distinction between finance and operating leases.

The standard requires that for all leases previously considered operating leases, a right to use the leased asset (non-current asset) be recognised on tenants' balance sheets against a lease obligation (financial debt).

The Group has opted for the modified-retrospective transition approach. The effects of the transition are therefore included in equity at the opening of this financial year, i.e. on 1 January 2019. Therefore, the Group's financial statements presented in comparison with those of the period were not restated, in accordance with the standard. The impacts on the opening balance sheet are presented below.

A census of the leases was carried out. Leases entered into by the Group lying within the field of application of the standard mainly concern:

- property leases: the Group leases its offices in the majority of cities where it operates;
- vehicle leases;
- Temporary Occupation Authorisations (TOA) in the public domain, Construction Leases (CL) as part of its Retail activity.

For the Group, this standard concerns two types of contracts with fundamentally different economic natures: leases on property and vehicles used by employees of the Group and TOAs and CLs on Retail assets (mainly stations).

The key assumptions for determining the debt and therefore the right of use are the term of the contracts and the rate:

- the terms chosen on the date of transition are the residual terms of the current contracts. They correspond to the firm period of the commitment taking account of the optional periods for which there is a reasonable certainty that they will be exercised;
- the discount rates applied on the transition date are based on the marginal debt rate of each company holding a contract. These rates have been determined taking account of the residual terms of the contracts from the date first applied, i.e. 1 January 2019.

The Group did not apply simplification measures on the date of transition.

The implementation of the standard has a significant effect on the accounting of the lease contracts and on their presentation within the Group financial statements:

On the balance sheet, recognition of an asset in the form of a right of use against a rental liability. The Group thus recognises the rights of use on tangible and intangible fixed assets (linked to the lease contracts on its premises and vehicles) against lease obligations; and rights of use on investment properties (notably linked to TOA and CL contracts) against contractual fees on investment properties.

On the income statement, rents from office and vehicle leases (previously recognised under operating charges) are replaced by right of use amortisation charges and by interest charges; property charges (TOA and CL fees) are replaced by variations in values of investment properties and interest charges. Leases and lease expenses recorded as of June 30th 2019 are mostly the result of rent expenses attached to rent contracts en aggod(which, in accordance with IFRS 16, are not subject to any restatement).

With regard to the cash flow statement, cash flows linked to financing activities are impacted by repayments of lease obligations and contractual fees on investment properties (within a unique aggregate "Repayment of lease obligations") and by interest charges.

IFRS 16, for lessors, maintains the existing distinction between simple leases and finance leases. Its application

therefore has no impact on the accounts of the Group as a lessor.

Rental income from simple leases relate to rents from buildings / centres in operation.

Charges re-invoiced to tenants, excluded from revenue, will henceforth be presented on a specific line of the income statement.

2.4.2 IAS 23 – Borrowing Costs

IAS 23 imposes the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a cost of this asset.

In the context of changes in IFRS standards, the IASB took a stance in relation to the capitalisation of borrowing costs for property operations in the form of VEFA off-plan sales or in the form of Property Development Contracts.

The asset linked to these development programmes (both in Housing and Business Property) no longer meets the definition of a qualifying asset insofar as, stock in VEFA operations is due to be sold very quickly and therefore no period of time is needed for its development; the asset held in inventory is therefore in a sellable condition.

A clarification to IAS 23 has been published and is applicable retrospectively, i.e. from 1 January 2018 for the Group which presents the impacts on its opening equity.

The financial statements presented as a comparison with those of the period have therefore been restated.

2.4.3 IFRIC 23 interpretation – Uncertainty regarding fiscal treatments

The IFRIC 23 interpretation clarifies the application of IAS 12 – Income Taxes in relation to accounting and valuation, when there is uncertainty regarding the treatment of income tax. The adoption of this interpretation had no effect on the valuation of the Group's current and deferred taxes at the start of the year and at 30 June 2019. If uncertain tax liabilities were to be recognised, they would be presented within tax debts.

2.4.4 Opening impact of the clarification of IAS 23 – Borrowing Costs on the opening balance sheet at 1 January 2018

€millions	31/12/2017 published	Impacts IFRS 15	Impacts IAS 23	01/01/2018
Non-current assets	5,437.9	(19.2)	(4.9)	5,413.9
Intangible assets	258.5			258.5
Property plant and equipment	18.5			18.5
Investment properties	4,508.7			4,508.7
Securities and investments in equity affiliates and unconsolidated interests	564.0	3.7	(4.8)	562.9
Loans and receivables (non-current)	9.3			9.3
Deferred tax assets	79.0	(22.9)	(0.1)	56.0
Current assets	3,154.8	(238.6)	0.2	2,916.4
Net inventories and work in progress	1,288.8	(503.2)	0.2	785.8
Trade and other receivables	630.8	264.6		895.4
Income tax credit	8.6	–		8.6
Loans and receivables (current)	49.3	0.0		49.3
Derivative financial instruments	8.2	–		8.2
Cash and cash equivalents	1,169.1	(0.0)		1,169.1
TOTAL ASSETS	8,592.8	(257.8)	(4.7)	8,330.3
Equity	3,164.7	51.0	(4.7)	3,211.0
Non-current liabilities	2,886.9	(0.2)	0.0	2,886.7
Non-current borrowings and financial liabilities	2,826.1			2,826.1
Long-term provisions	20.1			20.1
Deposits and security interests received	32.2			32.2
Deferred tax liability	8.6	(0.2)	0.0	8.3
Current liabilities	2,541.1	(308.5)	–	2,232.6
Current borrowings and financial liabilities	1,032.2			1,032.2
Derivative financial instruments	34.9			34.9
Trade and other payables	1,460.3	(308.5)		1,151.8
Tax due	13.8			13.8
TOTAL LIABILITIES	8,592.8	(257.8)	(4.7)	8,330.3

The IFRS 15 impact presented is the impact implementing the standard as of 1 January 2018, explained in the notes to the consolidated financial statements for the financial year ended 31 December 2018.

2.4.5 Opening impact of application of standard IFRS 16 - Leases on the balance sheet at 1 January 2019 and impact of the clarification of IAS 23 – Borrowing Costs on the balance sheet at 31 December 2018

€millions	31/12/2018 published	Impacts IAS 23	31/12/2018 restated	Impacts IFRS 16	01/01/2019
Non-current assets	5,296.9	(7.9)	5,289.0	142.8	5,431.8
Intangible assets	313.7	–	313.7	–	313.7
Property plant and equipment	20.6	–	20.6	–	20.6
Right-of-use on tangible and intangible fixed assets	–	–	–	43.6	43.6
Investment properties	4,526.2	–	4,526.2	99.6	4,625.9
<i>o/w Investment properties in operation at fair value</i>	3,931.3	–	3,931.3	(26.6)	3,904.7
<i>o/w Investment properties under development and under construction at cost</i>	594.9	–	594.9	(7.8)	587.1
<i>o/w Right-of-use on Investment properties</i>	–	–	–	134.0	134.0
Securities and investments in equity affiliates and unconsolidated interests	395.3	(7.9)	387.4	(0.2)	387.2
Loans and receivables (non-current)	10.6	–	10.6	–	10.6
Deferred tax assets	30.5	0.0	30.5	(0.2)	30.3
Current assets	2,730.2	0.1	2,730.3	(0.2)	2,730.2
Net inventories and work in progress	986.4	0.1	986.6	–	986.6
Trade and other receivables	1,011.0	0.0	1,011.0	(0.2)	1,010.9
Income tax credit	14.6	–	14.6	–	14.6
Loans and receivables (current)	37.4	(0.0)	37.4	–	37.4
Derivative financial instruments	2.2	–	2.2	–	2.2
Cash and cash equivalents	678.5	–	678.5	–	678.5
TOTAL ASSETS	8,027.1	(7.8)	8,019.3	142.7	8,162.0
Equity	3,237.3	(7.9)	3,229.4	0.3	3,229.7
Equity attributable to Altarea SCA shareholders	2,007.9	(7.7)	2,000.1	0.3	2,000.4
Equity attributable to minority shareholders of subsidiaries	1,229.4	(0.2)	1,229.3	(0.0)	1,229.3
Non-current liabilities	2,629.2	0.1	2,629.3	123.8	2,753.1
Non-current borrowings and financial liabilities	2,560.6	–	2,560.6	123.8	2,684.4
<i>o/w Participating loans and advances from associates</i>	76.3	–	76.3	–	76.3
<i>o/w Bond issues</i>	1,117.4	–	1,117.4	–	1,117.4
<i>o/w Borrowings from lending establishments</i>	1,367.0	–	1,367.0	(30.1)	1,336.9
<i>o/w Lease obligations</i>	–	–	–	23.4	23.4
<i>o/w Contractual fees on investment properties</i>	–	–	–	130.5	130.5
Long-term provisions	21.6	–	21.6	–	21.6
Deposits and security interests received	32.6	–	32.6	–	32.6
Deferred tax liability	14.4	0.1	14.5	(0.0)	14.4
Current liabilities	2,160.6	0.0	2,160.6	18.6	2,179.2
Current borrowings and financial liabilities	741.9	–	741.9	18.9	760.8
<i>o/w Bond issues</i>	164.9	–	164.9	–	164.9
<i>o/w Borrowings from lending establishments</i>	94.1	–	94.1	(3.6)	90.5
<i>o/w Negotiable European Commercial Paper</i>	381.0	–	381.0	–	381.0
<i>o/w Bank overdrafts</i>	3.5	–	3.5	–	3.5
<i>o/w Advances from Group shareholders and partners</i>	98.4	–	98.4	–	98.4
<i>o/w Lease obligations</i>	–	–	–	20.0	20.0
<i>o/w Contractual fees on investment properties</i>	–	–	–	2.5	–
Derivative financial instruments	67.2	–	67.2	–	67.2
Trade and other payables	1,345.5	0.0	1,345.5	(0.3)	1,345.2
Tax due	6.0	–	6.0	–	6.0
TOTAL LIABILITIES	8,027.1	(7.8)	8,019.3	142.7	8,162.0

2.4.6 Comparison of rental obligations and contractual fees on investment properties on the date of transition with off-balance sheet commitments at 31 December 2018 (minimum rents to pay)

Rent commitments payable at 31 December 2018	21.4
Off-balance sheet commitments not initially recognised	
- Included in the fair value of Investment properties	99.6
- Included in the fair value of finance leases	33.4
- Impact of vehicles	2.3
- Impact, others	3.1
Term and present value adjustment rate effect	16.6
Rental obligations and contractual fees on investment properties at 1 January 2019	8,592.8

2.4.7 Impact of the clarification of the IAS 23 – Borrowing Costs amendment on the consolidated income statement by segment at 31 December 2018 and at 30 June 2018

	31/12/2018 published			IAS 23 impacts			31/12/2018 restated		
	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total
<i>€millions</i>									
RETAIL INCOME	156.3	61.1	217.4	–	–	–	156.3	61.1	217.4
Net property income	176.0	–	176.0	5.8	–	5.8	181.8	–	181.8
Net overhead expenses	(61.1)	(11.8)	(72.9)	–	–	–	(61.1)	(11.8)	(72.9)
Share of equity-method affiliates	12.8	19.1	31.9	(0.3)	0.1	(0.2)	12.6	19.1	31.7
Net allowances for depreciation and impairment	–	(4.1)	(4.1)	–	–	–	–	(4.1)	(4.1)
Transaction costs	–	(1.7)	(1.7)	–	–	–	–	(1.7)	(1.7)
RESIDENTIAL INCOME	127.7	1.5	129.2	5.5	0.1	5.6	133.2	1.5	134.8
Net property income	18.2	–	18.2	0.7	–	0.7	19.0	–	19.0
Net overhead expenses	0.4	(2.4)	(2.0)	–	–	–	0.4	(2.4)	(2.0)
Share of equity-method affiliates	78.2	(13.5)	64.7	(3.6)	0.7	(2.9)	74.6	(12.8)	61.8
Net allowances for depreciation and impairment	–	(1.4)	(1.4)	–	–	–	–	(1.4)	(1.4)
Transaction costs	–	–	–	–	–	–	–	–	–
BUSINESS PROPERTY INCOME	96.9	(17.3)	79.6	(2.9)	0.7	(2.2)	94.0	(16.6)	77.4
Others (Corporate)	(3.0)	(10.0)	(13.0)	–	–	–	(3.0)	(10.0)	(13.0)
OPERATING INCOME	377.9	35.3	413.2	2.6	0.8	3.4	380.4	36.1	416.6
Net borrowing costs	(41.0)	(9.6)	(50.5)	(6.6)	–	(6.6)	(47.5)	(9.6)	(57.1)
Other items of financial income	0.0	(38.5)	(38.4)	–	–	–	0.0	(38.5)	(38.4)
PROFIT BEFORE TAX	336.9	(12.7)	324.2	(4.0)	0.8	(3.2)	333.0	(11.9)	321.0
Corporate income tax	(8.4)	(28.0)	(36.4)	–	(0.0)	(0.0)	(8.4)	(28.0)	(36.4)
NET INCOME	328.6	(40.7)	287.8	(4.0)	0.8	(3.2)	324.6	(40.0)	284.6
Non-controlling interests	(52.4)	19.8	(32.6)	0.2	(0.0)	0.2	(52.2)	19.8	(32.4)
NET INCOME, GROUP SHARE	276.2	(20.9)	255.3	(3.8)	0.8	(3.0)	272.4	(20.2)	252.3
<i>Diluted average number of shares</i>									
	15,992,352	15,992,352	15,992,352	15,992,352	15,992,352	15,992,352	15,992,352	15,992,352	15,992,352
NET INCOME PER SHARE (€/SHARE) GROUP SHARE	17.27	(1.31)	15.96	(0.24)	0.05	(0.19)	17.03	(1.26)	15.77

	30/06/2018 published			IAS 23 impacts and Net rental income			30/06/2018 restated		
	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total
<i>€millions</i>									
Net rental income	84.2	–	84.2	(1.9)	–	(1.9)	82.3	–	82.3
Net overhead expenses	(12.4)	(1.7)	(14.1)	1.9	–	1.9	(10.5)	(1.7)	(12.2)
Share of equity-method affiliates	8.5	(6.1)	2.4	–	–	–	8.5	(6.1)	2.4
Net allowances for depreciation and impairment	–	(0.8)	(0.8)	–	–	–	–	(0.8)	(0.8)
Income/loss on sale of assets	0.8	(0.3)	0.6	–	–	–	0.8	(0.3)	0.6
Income/loss in the value of investment property	–	2.8	2.8	–	–	–	–	2.8	2.8
Transaction costs	–	(1.3)	(1.3)	–	–	–	–	(1.3)	(1.3)
RETAIL INCOME	81.1	(7.3)	73.8	–	–	–	81.1	(7.3)	73.8
Net property income	79.8	–	79.8	2.8	–	2.8	82.7	–	82.7
Net overhead expenses	(33.2)	(5.0)	(38.2)	–	–	–	(33.2)	(5.0)	(38.2)
Share of equity-method affiliates	4.2	(1.3)	2.9	0.0	–	0.0	4.3	(1.3)	2.9
Net allowances for depreciation and impairment	–	(3.1)	(3.1)	–	–	–	–	(3.1)	(3.1)
Transaction costs	–	(0.8)	(0.8)	–	–	–	–	(0.8)	(0.8)
RESIDENTIAL INCOME	50.9	(10.3)	40.6	2.9	–	2.9	53.8	(10.3)	43.5
Net property income	8.4	–	8.4	0.5	–	0.5	8.9	–	8.9
Net overhead expenses	12.5	(0.9)	11.6	–	–	–	12.5	(0.9)	11.6
Share of equity-method affiliates	21.5	(0.4)	21.1	(6.0)	1.4	(4.6)	15.5	1.0	16.5
Net allowances for depreciation and impairment	–	(0.4)	(0.4)	–	–	–	–	(0.4)	(0.4)
Transaction costs	–	–	–	–	–	–	–	–	–
BUSINESS PROPERTY INCOME	42.5	(1.7)	40.7	(5.6)	1.4	(4.1)	36.9	(0.3)	36.6
Others (Corporate)	2.1	(2.8)	(0.6)	–	–	–	2.1	(2.8)	(0.6)
OPERATING INCOME	176.6	(22.1)	154.5	(2.7)	1.4	(1.3)	173.9	(20.7)	153.2
Net borrowing costs	(19.6)	(2.9)	(22.5)	(3.6)	–	(3.6)	(23.3)	(2.9)	(26.2)
Other items of financial income	0.0	(18.7)	(18.6)	–	–	–	0.0	(18.7)	(18.6)
PROFIT BEFORE TAX	157.0	(43.7)	113.3	(6.3)	1.4	(4.9)	150.6	(42.2)	108.4
Corporate income tax	(4.5)	(21.0)	(25.4)	–	0.0	0.0	(4.5)	(20.9)	(25.4)
NET INCOME	152.5	(64.6)	87.9	(6.3)	1.5	(4.9)	146.2	(63.1)	83.0
Non-controlling interests	(28.4)	12.8	(15.6)	0.2	(0.0)	0.2	(28.1)	12.8	(15.3)
NET INCOME, GROUP SHARE	124.2	(51.8)	72.3	(6.1)	1.5	(4.6)	118.0	(50.3)	67.7
<i>Diluted average number of shares</i>									
	15,973,562	15,973,562	15,973,562	15,973,562	15,973,562	15,973,562	15,973,562	15,973,562	15,973,562
NET INCOME PER SHARE (€/SHARE) GROUP SHARE	7.77	(3.24)	4.53	(0.38)	0.09	(0.29)	7.39	(3.15)	4.24

NOTE 3 INFORMATION ON OPERATING SEGMENTS

3.1 Balance sheet items by operating segment

At 30 June 2019

<i>€millions</i>	Retail	Residential	Business Property	Others	TOTAL
Operating assets and liabilities					
Intangible assets	17.0	279.9	21.5	13.1	331.6
Property plant and equipment	2.1	12.9	4.6	1.5	21.0
Right-of-use on tangible and intangible fixed assets	10.8	22.0	0.0	1.3	34.2
Investment properties	4,701.4	–	37.6	–	4,739.0
Securities and receivables in equity affiliates and unconsolidated interests	139.5	163.4	118.9	0.0	421.9
Operational working capital requirement	27.4	774.8	(16.8)	(6.8)	778.5
Total operating assets and liabilities	4,898.2	1,253.0	165.8	9.1	6,326.2

At 31 December 2018 restated

<i>€millions</i>	Retail	Residential	Business Property	Others	TOTAL
Operating assets and liabilities					
Intangible assets	17.3	262.7	21.5	12.3	313.7
Property plant and equipment	1.7	12.6	4.7	1.7	20.6
Right-of-use on tangible and intangible fixed assets	–	–	–	–	–
Investment properties	4,488.6	–	37.6	–	4,526.2
Securities and receivables in equity affiliates and unconsolidated interests	11.3	171.9	100.2	–	387.4
Operational working capital requirement	23.7	742.0	(3.1)	(11.6)	751.0
Total operating assets and liabilities	4,646.6	1,189.1	160.9	2.3	5,999.0

3.2 Consolidated income statement by operating segment

See consolidated income statement by segment in the financial statements.

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

Millions	30/06/2019			31/12/2018 restated			30/06/2018 restated		
	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	Total
Rental income	101.9	–	101.9	188.9	–	188.9	93.6	–	93.6
Property expenses	(1.1)	–	(1.1)	(5.4)	–	(5.4)	(2.6)	–	(2.6)
Unrecoverable rental expenses	(5.4)	–	(5.4)	(11.1)	–	(11.1)	(6.3)	–	(6.3)
Expenses re-invoiced to tenants	30.0	–	30.0	–	–	–	–	–	–
Rental expenses	(35.4)	–	(35.4)	–	–	–	–	–	–
Other expenses	(0.2)	–	(0.2)	(2.5)	–	(2.5)	(1.0)	–	(1.0)
Net charge to provisions for current assets	(2.7)	–	(2.7)	(2.8)	–	(2.8)	(1.4)	–	(1.4)
Net rental income	92.6	–	92.6	167.1	–	167.1	82.3	–	82.3
Revenue	1,153.9	–	1,153.9	2,164.9	–	2,164.9	970.4	–	970.4
Cost of sales	(985.3)	–	(985.3)	(1,842.3)	0.0	(1,842.3)	(833.6)	0.0	(833.6)
Selling expenses	(55.9)	(0.0)	(55.9)	(111.7)	–	(111.7)	(43.4)	–	(43.4)
Net charge to provisions for current assets	(7.4)	0.1	(7.3)	(9.3)	(0.1)	(9.4)	(1.0)	(0.3)	(1.2)
Net property income	105.4	0.0	105.4	201.6	(0.0)	201.6	92.4	(0.2)	92.2
External services	23.4	–	23.4	51.8	–	51.8	31.7	–	31.7
Own work capitalised and production held in inventory	66.3	–	66.3	160.6	–	160.6	72.9	–	72.9
Personnel costs	(107.6)	(8.8)	(116.4)	(192.7)	(21.0)	(213.8)	(88.7)	(9.0)	(97.8)
Other overhead expenses	(38.3)	0.2	(38.1)	(96.1)	(0.6)	(96.7)	(42.1)	–	(42.1)
Depreciation expense on operating assets	–	(12.6)	(12.6)	–	(9.6)	(9.6)	–	(3.9)	(3.9)
Net overhead expenses	(56.2)	(21.2)	(77.4)	(76.4)	(31.2)	(107.6)	(26.2)	(12.9)	(39.2)
Other income and expenses	0.6	(0.2)	0.4	(10.6)	–	(10.6)	(2.8)	–	(2.8)
Depreciation expenses	–	(2.5)	(2.5)	–	(1.7)	(1.7)	–	(0.4)	(0.4)
Transaction costs	–	(1.5)	(1.5)	–	(8.9)	(8.9)	–	(2.6)	(2.6)
Others	0.6	(4.2)	(3.6)	(10.6)	(10.6)	(21.2)	(2.8)	(3.0)	(5.8)
Proceeds from disposal of investment assets	–	1.1	1.1	–	46.5	46.5	–	0.8	0.8
Carrying amount of assets sold	–	–	–	–	(42.1)	(42.1)	–	(0.8)	(0.8)
Net charge to provisions for risks and contingencies	–	1.5	1.5	–	–	–	–	–	–
Net gain/(loss) on disposal of investment assets	–	2.6	2.6	–	4.4	4.4	–	(0.0)	(0.0)
Change in value of investment properties	–	43.2	43.2	–	(89.7)	(89.7)	–	2.8	2.8
Net impairment losses on investment properties measured at cost	–	–	–	–	(9.7)	(9.7)	–	–	–
Net impairment losses on other non-current assets	–	(0.0)	(0.0)	–	(0.6)	(0.6)	–	0.0	0.0
Net charge to provisions for risks and contingencies	–	(0.0)	(0.0)	–	(0.2)	(0.2)	–	(0.8)	(0.8)
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	142.4	20.5	162.8	281.6	(137.6)	144.0	145.6	(14.3)	131.4
Share in earnings of equity-method affiliates	24.8	(8.0)	16.8	78.7	(22.8)	55.9	4.7	(6.4)	(1.6)
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	167.1	12.5	179.6	360.3	(160.5)	199.9	150.4	(20.7)	129.7
Net borrowing costs	(28.9)	(6.6)	(35.5)	(47.5)	(9.6)	(57.1)	(23.3)	(2.9)	(26.2)
Financial expenses	(34.5)	(6.6)	(41.1)	(63.7)	(9.6)	(73.3)	(30.8)	(2.9)	(33.7)
Financial income	5.6	–	5.6	16.2	0.0	16.2	7.5	–	7.5
Other financial income	–	–	–	–	2.1	2.1	–	–	–
Change in value and income from disposal of financial instruments	–	(60.3)	(60.3)	–	(38.2)	(38.2)	–	(16.8)	(16.8)
Discounting of debt and receivables	–	(0.0)	(0.0)	–	(0.2)	(0.2)	–	(0.1)	(0.1)
Proceeds from the disposal of investments ^(a)	2.7	(1.6)	1.1	20.1	194.4	214.5	23.5	(1.7)	21.8
Dividends	0.5	–	0.5	0.0	–	0.0	0.0	–	0.0
Profit before tax	141.5	(56.0)	85.4	333.0	(11.9)	321.0	150.6	(42.2)	108.4
Income tax	(2.3)	(11.3)	(13.6)	(8.4)	(28.0)	(36.4)	(4.5)	(20.9)	(25.4)
NET INCOME	139.1	(67.3)	71.8	324.6	(40.0)	284.6	146.2	(63.1)	83.0
o/w Net income attributable to Altarea SCA shareholders	110.2	(30.5)	79.8	272.4	(20.2)	252.3	118.0	(50.3)	67.7
o/w Net income attributable to minority interests in subsidiaries	(28.9)	36.9	8.0	(52.2)	19.8	(32.4)	(28.1)	12.8	(15.3)
Average number of non-diluted shares	15,872,788	15,872,788	15,872,788	15,791,325	15,791,325	15,791,325	15,795,117	15,795,117	15,795,117
Net income per share attributable to shareholders of Altarea SCA (€)	6.95	(1.92)	5.03	17.25	(1.28)	15.97	7.47	(3.19)	4.29
Diluted average number of shares	16,049,167	16,049,167	16,049,167	15,992,352	15,992,352	15,992,352	15,973,562	15,973,562	15,973,562
Diluted net income per share attributable to shareholders of Altarea SCA (€)	6.87	(1.90)	4.97	17.03	(1.26)	15.77	7.39	(3.15)	4.24

(a) Gains or losses on disposals of equity interests have been reallocated to each of the activities concerned by the gains or losses when they relate to an investment previously consolidated or a share of the equity-method affiliates when the equity disposed of was previously in an equity-method company.

3.4 Revenue by geographical region and operating segment

By geographical region

€millions	30/06/2019					31/12/2018					30/06/2018				
	France	Italy	Spain	Other s	Total	France	Italy	Spain	Other s	Total	France	Italy	Spain	Other s	Total
Rental income	87.1	9.7	5.1	–	101.9	164.1	14.9	9.9	–	188.9	81.2	7.4	5.0	–	93.6
External services	11.1	0.1	0.1	–	11.3	19.3	0.3	0.3	–	19.9	8.2	0.2	0.1	–	8.5
Revenues from net property income	–	–	–	–	–	3.1	–	–	–	3.1	3.1	–	–	–	3.1
Retail	98.2	9.9	5.2	–	113.3	186.4	15.3	10.2	–	211.9	92.4	7.6	5.1	–	105.1
Revenue	893.9	–	–	–	893.9	1,844.1	–	–	–	1,844.1	797.8	–	–	–	797.8
External services	5.3	–	–	–	5.3	4.1	–	–	–	4.1	0.7	–	–	–	0.7
Residential	899.2	–	–	–	899.2	1,848.2	–	–	–	1,848.2	798.5	–	–	–	798.5
Revenue	260.0	–	–	–	260.0	317.7	–	–	–	317.7	169.5	–	–	–	169.5
External services	6.5	–	–	0.3	6.7	26.9	–	–	0.6	27.5	22.0	–	–	0.3	22.3
Business Property	266.4	–	–	0.3	266.7	344.6	–	–	0.6	345.2	191.5	–	–	0.3	191.8
Others (Corporate)	0.1	–	–	–	0.1	0.2	–	–	–	0.2	0.2	–	–	–	0.2
TOTAL	1,263.9	9.9	5.2	0.3	1,279.3	2,379.5	15.3	10.2	0.6	2,405.6	1,082.6	7.6	5.1	0.3	1,095.6

In 2019, no single client accounted for more than 10% of the Group's revenue.

The application of IAS 23 on 1 January 2018 has no impact on the revenue by geographical region.

NOTE 4 MAJOR EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 Major events

2018 dividend: equity bolstered by €93.8 million

The General Meeting held on 23 May 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 securities.

At the end of the option period (from 31 May to 26 June 2019 inclusive) 92.6% of the shareholders opted for the dividend paid partly in shares showing their confidence in the Group's strategy.

The payment of the cash dividend and the listing of the newly created shares on Euronext Paris took place on 4 July 2019.

Large mixed-use projects

As the French leader in terms of large mixed-use projects, the Group reconfirmed its position in early 2019 by being chosen as the winner of the competition to deliver a mixed-use project of 56,000 m² in the Les Simonettes neighbourhood of Champigny-sur-Marne (Department 94).

In addition, the Group launched in June the works on the future 'EcoQuartier' at Issy Cœur de Ville and sold¹ to CNP Assurance 41,000 m² to host their future headquarters.

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

At 30 June 2019, the Group posted very good commercial performances and continues to gain market share. New housing orders² increased by 16% year-on-year, to a total of €1,482 million, an increase of 2% in volume with 5,336 units sold. This performance confirms the relevance of the Group's offer located exclusively in high-demand areas eligible for the Pinel scheme³.

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

- Cogedim and Histoire & Patrimoine jointly won two major restructuring projects with the Tours Aillaud ("Cloud Towers") at the foot of the La Défense neighbourhood (1,000 units) and with the ex-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 with end-2018).

In addition, on 4 January 2019 the Group acquired 85% of the capital of residential property developer Severini, increasing its presence in the Nouvelle-Aquitaine region.

Business property:

As both a developer and an investor in business property, the Group has confirmed its ability to generate large-scale over-the-counter projects. 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 three office buildings in the project "Issy-Cœur de Ville" to CNP Assurances which wishes to move its head office there by 2022;
- acquiring the current CNP head office located above Paris-Montparnasse station to undertake major redevelopment works, a project that will bolster the Group's investment pipeline.

During the first half, Altarea Cogedim also:

- delivered Kosmo, the future Christian Dior Perfumes head office in Neuilly-sur-Seine, recognised by the MIPIM Award for the "Best Redeveloped Building";
- and won the Early Makers Hub competition for the EM Lyon Business School located in the heart of the Gerland neighbourhood.

Thus, at end-June 2019, the Group had a portfolio of 62 projects (of which 29 under construction) representing a potential value of €5.3 billion.

Retail: excellent performance

The Group is positioned as a developer, buyer and seller of retail properties and targets the most lucrative formats: big 'end destination' shopping centres, travel retail outlets in stations, retail parks and neighbourhood shops as part of large mixed-use projects.

At 30 June 2019, the Group's Retail pipeline included 12 shopping centre creation / extension projects (including a growing proportion of retail outlets in railway stations) and 9 projects developed as part of large mixed-use projects.

¹ Completion of the sale will be notarized during the third quarter of 2019

² Including Histoire & Patrimoine (at 100%) and Severini, a developer of new housing active mainly in Nouvelle Aquitaine, in which the Group acquired an 85% stake on 4 January 2019.

³ The "high-demand areas" correspond to areas A bis, A and B1.

During the first half of 2019, the Group:

- accelerated its development in travel retail with the acquisition of concessions in five Italian railway stations and ongoing work on the 2nd tranche of shops in the Paris-Montparnasse station;
- entered the final phase of the Cap 3000 extension project;
- reclassified 3 assets to investment properties: Okabe in Kremlin-Bicêtre, a traditional mall in Châlons and a retail park in Herblay.

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

4.2 Consolidation scope

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

COMPANIES	SIREN		30/06/2019			31/12/2018		
			Method	Interest	Consolidation	Method	Interest	Consolidation
ALTAREA SCA	335480877	parent company	FC	100,0%	100,0%	FC	100,0%	100,0%
Retail France								
ALTAREA FRANCE	324814219		FC	100,0%	100,0%	FC	100,0%	100,0%
ALDETA SAS	311765762		FC	33,3%	100,0%	FC	33,3%	100,0%
ALTA BLUE SAS	522193796		FC	33,3%	100,0%	FC	33,3%	100,0%
ALTAREA PROMOTION COMMERCE SNC	420490948		FC	100,0%	100,0%	FC	100,0%	100,0%
ALTA CRP AUBERGENVILLE SNC	451226328		FC	100,0%	100,0%	FC	100,0%	100,0%
ALTA AUSTERLITZ SNC	812196616		FC	100,0%	100,0%	FC	100,0%	100,0%
BERCY VILLAGE SCI	384987517		FC	51,0%	100,0%	FC	51,0%	100,0%
ALTA CARRÉ DE SOIE SCI	449231463	joint venture	EM	50,0%	50,0%	EM	50,0%	50,0%
FONCIERE ALTAREA SAS	353900699		FC	100,0%	100,0%	FC	100,0%	100,0%
Société d'Aménagement de la GARE de L'EST SNC	481104420		FC	51,0%	100,0%	FC	51,0%	100,0%
ALTA CRP GENNEVILLIERS SNC	488541228		FC	51,0%	100,0%	FC	51,0%	100,0%
ALTA GRAMONT SAS	795254952		FC	51,0%	100,0%	FC	51,0%	100,0%
ALTA CRP GUIPAVAS SNC	451282628		FC	100,0%	100,0%	FC	100,0%	100,0%
CENTRE COMMERCIAL DU KB SNC	485045876		FC	65,0%	100,0%	FC	65,0%	100,0%
LIMOGES INVEST SCI	488237546		FC	100,0%	100,0%	FC	100,0%	100,0%
SCI MACDONALD COMMERCES	524049244	affiliate	EM	50,0%	50,0%	EM	50,0%	50,0%
ALTAREA MANAGEMENT	509105375		FC	100,0%	100,0%	FC	100,0%	100,0%
SOCIÉTÉ DU CENTRE COMMERCIAL MASSY SNC	950063040		FC	100,0%	100,0%	FC	100,0%	100,0%
ALTA-MONTARNASSE SNC	524049244		FC	100,0%	100,0%	FC	100,0%	100,0%
SNC RETAIL PARK LES VIGNOLES	512086117		FC	100,0%	100,0%	FC	100,0%	100,0%
ALTA ORGEVAL SNC	795338441		FC	100,0%	100,0%	FC	100,0%	100,0%
SNC AVENUE PAUL LANGEVIN	428272751		FC	100,0%	100,0%	FC	100,0%	100,0%
ALTA QWARTZ	433806726		FC	100,0%	100,0%	FC	100,0%	100,0%
ALTA CRP RUAUDIN SNC	451248892		FC	100,0%	100,0%	FC	100,0%	100,0%
CENTRE COMMERCIAL DE THIAIS SNC	479873234		FC	100,0%	100,0%	FC	100,0%	100,0%
ALTA CRP LA VALETTE SNC	494539687		FC	51,0%	100,0%	FC	51,0%	100,0%
Retail Italy								
ALTABASILIO SRL	NA		FC	100,0%	100,0%	FC	100,0%	100,0%
ALTACERRO SRL	NA		FC	100,0%	100,0%	FC	100,0%	100,0%
CENTOSTAZIONI RETAIL SRL	NA		FC	100,0%	100,0%	NI	0,0%	0,0%
ALTAREA ITALIA SRL	NA		FC	100,0%	100,0%	FC	100,0%	100,0%
Retail Spain								
ALTAREA ESPANA S.L	NA		FC	100,0%	100,0%	FC	100,0%	100,0%
ALTAREA PATRIMAE S.L	NA		FC	100,0%	100,0%	FC	100,0%	100,0%
Residential								
ALTAREIT SCA	552091050		FC	99,9%	100,0%	FC	99,9%	100,0%
COGEDIM RESIDENCES SERVICES SNC	394648455	joint venture	EM	64,9%	65,0%	EM	64,9%	65,0%
Altarea Coçedim IDF Grande Métropole	810928135		FC	99,9%	100,0%	FC	99,9%	100,0%
Altarea Coçedim Grands Projets	810926519		FC	99,9%	100,0%	FC	99,9%	100,0%
Altarea Coçedim Régions	810847905		FC	99,9%	100,0%	FC	99,9%	100,0%
MARSEILLE MICHELET SNC	792774382		FC	99,9%	100,0%	FC	99,9%	100,0%
COEUR MOUGINS SNC	453830663		FC	99,9%	100,0%	FC	99,9%	100,0%
ALTA FAUBOURG SAS 4	444560874		FC	99,9%	100,0%	FC	99,9%	100,0%
HP SAS FC	480309731		FC	99,9%	100,0%	FC	99,9%	100,0%
SNC HORIZONS FC	825208093		FC	99,9%	100,0%	FC	99,9%	100,0%
Altarea Coçedim ZAC VLS (SNC)	811910447		FC	99,9%	100,0%	FC	99,9%	100,0%
SNC VITROLLES LION3	811038363		FC	99,9%	100,0%	FC	99,9%	100,0%
SNC VITROLLES SALIN1	811038389		FC	99,9%	100,0%	FC	99,9%	100,0%
PITCH PROMOTION SAS (ex Alta Favart SAS)	450042338		FC	99,9%	100,0%	FC	99,9%	100,0%
SCCV SEVRAN FREINVILLE	801560079		FC	59,9%	100,0%	FC	59,9%	100,0%
SCCV ARGENTEUIL SARRAZIN	822894432		FC	50,9%	100,0%	FC	50,9%	100,0%
SCCV MAGNANVILLE MARE PASLOUE	823919287		FC	99,9%	100,0%	FC	99,9%	100,0%
SCCV ANDRESY CHÂTEAUBRIANT	838432094		FC	74,9%	100,0%	FC	74,9%	100,0%
SCCV BEZONS COEUR DE VILLE A1 & A2- LOGEMENTS	819929845		FC	99,9%	100,0%	FC	92,4%	100,0%
SCCV GIF MOULON A4	830886115		FC	25,0%	100,0%	FC	25,0%	100,0%
SNC TOULOUSE TMA PLACE CENTRALE	821922564		FC	99,9%	100,0%	FC	99,9%	100,0%
PITCH PROMOTION SNC	422989715		FC	99,9%	100,0%	FC	99,9%	100,0%
SNC VALOR 2015	811425222		FC	99,9%	100,0%	FC	99,9%	100,0%
SNC MAISONS ALFORT 2011	530224419	affiliate	EM	49,9%	50,0%	EM	49,9%	50,0%
SCCV ISTRES TRIGANCE ILOT A2	812621324		FC	99,9%	100,0%	FC	99,9%	100,0%
SCCV SPASSAS	817499361	joint venture	EM	49,9%	50,0%	EM	49,9%	50,0%
SCCV BAGNOLET ALLENDE	821889151	affiliate	EM	48,9%	49,0%	EM	48,9%	49,0%
SAS MB TRANSACTIONS	425039138		FC	99,9%	100,0%	FC	99,9%	100,0%
SNC COGEDIM GESTION	380375097		FC	99,9%	100,0%	FC	99,9%	100,0%
SNC COVALENS	309021277		FC	99,9%	100,0%	FC	99,9%	100,0%
SNC COGEDIM PARIS METROPOLE	319293916		FC	99,9%	100,0%	FC	99,9%	100,0%
SNC COGEDIM GRAND LYON	300795358		FC	99,9%	100,0%	FC	99,9%	100,0%

COMPANIES	SIREN	30/06/2019			31/12/2018			
		Method	Interest	Consolidation	Method	Interest	Consolidation	
SNC COGEDIM MÉDITERRANÉE	312347784	FC	99.9%	100.0%	FC	99.9%	100.0%	
SNC COGEDIM PROVENCE	442739413	FC	99.9%	100.0%	FC	99.9%	100.0%	
SNC COGEDIM MIDI-PYRÉNÉES	447553207	FC	99.9%	100.0%	FC	99.9%	100.0%	
SNC COGEDIM GRENOBLE	418868584	FC	99.9%	100.0%	FC	99.9%	100.0%	
SNC COGEDIM SAVOIES-LEMAN	348145541	FC	99.9%	100.0%	FC	99.9%	100.0%	
SNC COGEDIM AQUITAINE	388620015	FC	99.9%	100.0%	FC	99.9%	100.0%	
SNC COGEDIM ATLANTIQUE	501734669	FC	99.9%	100.0%	FC	99.9%	100.0%	
SNC COGEDIM EST	419461546	FC	99.9%	100.0%	FC	99.9%	100.0%	
COGEDIM SAS	54500814	FC	99.9%	100.0%	FC	99.9%	100.0%	
SNC SURESNES MALON	832708663	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SAS BAGNEUX 116	839324175	FC	50.9%	100.0%	FC	50.9%	100.0%	
SCCV RADOIRE ORDET	808870323	FC	79.9%	100.0%	FC	79.9%	100.0%	
SCCV DOMAINE MONT DUPLANL	832046544	FC	69.9%	100.0%	FC	69.9%	100.0%	
SCCV RESPIRE	807582267	FC	89.9%	100.0%	FC	89.9%	100.0%	
SCCV LE POULIGUEN LIBERATION	823860200	FC	64.9%	100.0%	FC	64.9%	100.0%	
SNC PROVENCE L'ETOILE	501552947	FC	99.9%	100.0%	FC	99.9%	100.0%	
SCCV MARSEILLE PARANQUES SUD	809939382	FC	99.9%	100.0%	FC	99.9%	100.0%	
SCCV HYRES L'AUFRENE	834122335	FC	79.9%	100.0%	FC	79.9%	100.0%	
SCCV PARIS CAMPAGNE PREMIERE	530706936	FC	50.9%	100.0%	FC	50.9%	100.0%	
SCCV SEVRES FONTAINES	789457538	FC	79.9%	100.0%	FC	79.9%	100.0%	
SCCV CARDINAL LEMOINE	812133080	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%
SCCV BOBIGNY PARIS	812846525	FC	50.9%	100.0%	FC	50.9%	100.0%	
SCCV JOINVILLE PARIS LIBERTE	814629655	FC	50.9%	100.0%	FC	50.9%	100.0%	
SCCV RUEIL BONAPARTE MANET	817961196	FC	99.9%	100.0%	FC	99.9%	100.0%	
SCCV CHAMPIGNY LA BOULONNERIE	819546185	FC	99.9%	100.0%	FC	99.9%	100.0%	
SCCV BAGNEUX BOURG LA REINE	820201341	FC	99.9%	100.0%	FC	99.9%	100.0%	
SCCV MALAKOFF ALEXIS MARTIN	820300440	FC	99.9%	100.0%	FC	99.9%	100.0%	
SCCV BOULOGNE TILLEULS	820232700	FC	50.9%	100.0%	FC	50.9%	100.0%	
SCCV JOINVILLE H.PINSON	821764107	FC	50.0%	100.0%	FC	50.0%	100.0%	
SCCV LA GARENNE CHATEAU	822309753	FC	59.9%	100.0%	FC	59.9%	100.0%	
SCCV CRETEIL BOBILLOT	823592944	FC	79.9%	100.0%	FC	79.9%	100.0%	
SCCV PIERRE BEREGOVOY	829581651	FC	54.9%	100.0%	FC	54.9%	100.0%	
SCCV CHAMPIGNY ALEXANDRE FOURNY	829377894	FC	50.0%	100.0%	FC	50.0%	100.0%	
SCCV HORLOGE GASTON ROUSSEL	832294664	FC	50.9%	100.0%	FC	50.9%	100.0%	
SCCV CROIX DE DAURADE	829774173	FC	50.9%	100.0%	FC	50.9%	100.0%	
SCCV COTO	814221453	FC	50.9%	100.0%	FC	50.9%	100.0%	
SCCV STRASBOURG RUE DE COLMAR	822392262	FC	84.9%	100.0%	FC	84.9%	100.0%	
Business Property								
ALTAREA COGEDIM ENTREPRISE PROMOTION SNC	535056378	FC	99.9%	100.0%	FC	99.9%	100.0%	
ALTAREA COGEDIM ENTREPRISE ASSET MANAGEMENT SNC	534207386	FC	99.9%	100.0%	FC	99.9%	100.0%	
AF INVESTCO ARAGO (SNC)	494382351	affiliate	EM	30.1%	30.1%	EM	30.1%	30.1%
AF INVESTCO 4 (SNC)	798601936	affiliate	EM	58.3%	58.4%	EM	58.3%	58.4%
ALTA VAI HOLDCO A (ex-Salle Wagram, ex-Ttheatre de l'Empire)	424007425	FC	99.9%	100.0%	FC	99.9%	100.0%	
ISSY PONT SCI	804865996	joint venture	EM	25.0%	25.0%	EM	25.0%	25.0%
PASCALPROPCO (SAS)	437929813	affiliate	EM	15.0%	15.1%	EM	15.0%	15.1%
SCCV RUEIL LE LUMIERE	822728473	affiliate	EM	20.0%	20.0%	EM	20.0%	20.0%
SNC ROBINI	501765382	joint venture	EM	49.9%	50.0%	EM	49.9%	50.0%

4.3 Changes in consolidation scope

	31/12/2018	Acquisition	Creation	Sale	Absorption, dissolution, deconsolidation	Change in consolidation method	30/06/2019
<i>In number of companies</i>							
Fully consolidated subsidiaries	351	52	10	-	(7)	1	407
Joint ventures ^(a)	99	10	3	-	(4)	-	108
Affiliates ^(a)	85	-	1	(3)	(4)	(1)	78
Total	535	62	14	(3)	(15)	-	593

(a) Companies accounted for using the equity method.

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

€ millions	30/06/2019	31/12/2018	30/06/2018
Investments in consolidated securities	(55.5)	(54.5)	(8.2)
Liabilities on acquisition of consolidated participating interests	(12.4)	1.4	-
Cash of acquired companies	6.4	7.6	-
Total	(61.6)	(45.6)	(8.2)

During the first half of the year,

- The Group acquired 85% of the residential property developer Severini, increasing its presence in the Nouvelle Aquitaine Region, with 60 companies acquired,
- the Group acquired the concessions to run five Italian stations, thus accelerating its development in travel retail.

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

During the half, the Group made no disposals of significant companies.

4.4 Business combinations

On 4 January 2019, the Group, via its subsidiary Alta Faubourg, acquired 85% of the share capital of the developer Severini.

The acquisition price of the minority interest in this company was €10.3 million.

In accordance with IFRS 3 "Business combinations", the acquisition of this controlling interest resulted in the assessment at their fair value of the company's assets thus acquired and the accompanying liabilities and led to the recognition of an initial acquisition difference of €16.8 million (using the full goodwill method).

This goodwill is provisional and, in accordance with the standard, the Group has a 12 month period from the date of acquisition to definitively recognise and allocate the amount.

4.5 Securities and investments in equity affiliates and unconsolidated interests

In application of IFRS 10, 11 and 12, the following are recognised under securities and receivables on equity

affiliates, investments in joint ventures and associated companies, including receivables from these holdings.

4.5.1 Equity-accounting value of joint ventures and affiliates and related receivables

€ millions	30/06/2019	31/12/2018 restated
Equity-accounting value of joint ventures	62.7	62.0
Equity-accounting value of affiliated companies	113.6	94.3
Value of stake in equity-method affiliates	176.3	156.3
Non-consolidated securities	33.5	33.3
Receivables from joint ventures	85.5	79.5
Receivables from affiliated companies	126.7	118.4
Receivables from equity-method subsidiaries and non-consolidated interests	212.1	197.9
Total securities and receivables from equity affiliates and unconsolidated interests	421.9	387.4

4.5.2 Main balance sheet and income statement items of joint ventures and affiliates

€ millions	Joint ventures	Affiliates	30/06/2019	Joint ventures	Affiliates	31/12/2018 restated	Joint ventures	Affiliates	31/12/2018 restated
Balance sheet items, Group share:									
Non-current assets	155.0	231.3	386.2	112.4	201.6	313.9	113.9	411.0	524.9
Current assets	271.8	314.6	586.4	229.7	266.7	496.5	231.0	266.6	497.6
Total Assets	426.8	545.8	972.6	342.1	468.3	810.4	344.9	677.6	1,022.5
Non-current liabilities	147.9	205.8	353.8	98.3	178.4	276.7	92.2	292.2	384.3
Current liabilities	216.1	226.4	442.5	181.8	195.7	377.4	172.7	250.2	422.9
Total Liabilities	364.1	432.3	796.3	280.1	374.1	654.1	264.9	542.4	807.2
Net assets (equity-accounting)	62.7	113.6	176.3	62.0	94.3	156.3	80.1	135.2	215.3
Income statement items, Group share:									
Operating income	1.1	25.8	26.8	1.5	95.6	97.2	1.6	6.0	7.6
Net borrowing costs	(2.0)	(3.4)	(5.4)	(2.3)	(12.1)	(14.4)	(1.1)	(6.2)	(7.3)
Change in value of hedging instruments	(0.7)	(1.0)	(1.7)	(0.3)	(1.0)	(1.3)	(0.1)	(0.4)	(0.6)
Proceeds from the disposal of	1.6	-	1.6	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-
Net income before tax	(0.1)	21.4	21.3	(1.1)	82.6	81.5	0.3	(0.6)	(0.3)
Corporate income tax	0.1	(4.7)	(4.5)	(2.1)	(23.5)	(25.6)	(1.5)	0.2	(1.4)
Net income after tax, Group share	0.0	16.8	16.8	(3.2)	59.1	55.9	(1.2)	(0.4)	(1.6)
Non-Group net income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net income, Group share	0.0	16.8	16.8	(3.2)	59.1	55.8	(1.2)	(0.4)	(1.7)

Group revenue from joint ventures amounted to €3.3 million at 30 June 2019, compared to €7.8 million at 31 December 2018.

Group revenue from associates amounted to €6.2 million at 30 June 2019, compared with €34.0 million at 31 December 2018.

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

Commitments given

Cogedim Résidences Services undertook to pay rent in connection with the leasing of the Résidences Services Cogedim Club®. As part of the application of IFRS 16, these contracts have been restated in the companies' financial statements.

In exchange, Cogedim Résidences Services receives the lease payments of the sub-lessees and the resulting income remains in commitments.

Construction work completion guarantees and guarantees on forward payments for assets were given in connection with the property development business, for Group shares of €21.3 million and €11.8 million respectively.

Commitments received

At 30 June 2019, the main commitments received by the joint ventures concerned security deposits received from tenants for €0.2 million.

NOTE 5 RESULTS

5.1 Operating income

5.1.1 Net rental income

Net rental income includes all the expenses relative to the assets (lessor's contributions to marketing costs and the cost of non-capitalised works not reinvoiced to tenants).

Net rental income was €92.6 million at 30 June 2019, compared to €82.3 million in June 2018, i.e. an increase of 10% (2018 income statement is given in Section 2.4 "Change in method").

5.1.2 Net property income

The Group's net property income at 30 June 2019 reached €105.4 million, compared to €92.2 million in June 2018, an increase of €13.3 million or 14.4% (2018 income statement is given in Section 2.4 "Change in method").

The Residential backlog (including Group share of equity accounted companies) stood at €3,510 million at 30 June 2019.

The Business property backlog (including Group share of equity accounted companies) stood at €790 million on 30 June 2019.

5.2 Cost of net financial debt and other financial items

5.2.1 Cost of net financial debt

€millions	30/06/2019	31/12/2018 restated	30/06/2018 restated
Bond and bank interest expenses	(26.8)	(55.2)	(26.8)
Interest on partners' advances	(0.6)	(0.8)	(0.5)
Interest rate on hedging instruments	(4.8)	(9.8)	(4.8)
Non-use fees	(2.1)	(3.4)	(1.7)
Other financial expenses	(0.1)	(0.4)	(0.2)
Interest expense on lease obligations	(0.6)	-	-
Interest expense on contractual fees on investment properties	(2.2)	-	-
Capitalised interest expenses	2.7	5.8	3.1
FFO financial expenses	(34.5)	(63.8)	(30.8)
Interest on partners' advances	2.2	12.2	5.4
Other interest income	0.8	0.8	0.5
Interest rate on hedging instruments	2.6	3.2	1.6
FFO financial income	5.6	16.2	7.5
FFO NET BORROWING COSTS	(28.9)	(47.5)	(23.3)
Interest expense on contractual fees on investment properties	(3.1)	-	-
Spreading of bond issue costs and other estimated charges ^(a)	(3.5)	(9.6)	(2.9)
Estimated financial expenses	(6.6)	(9.6)	(2.9)
NET BORROWING COSTS	(35.5)	(57.1)	(26.2)

(a) Relates mainly to the deferral in accordance with the amortised cost method of the issue costs of borrowings and bond issue premiums in accordance with IFRS 9 for -€3.5 million.

Capitalised interest expenses relate only to companies carrying an eligible asset under development or construction (shopping centres) and are deducted from interest paid to credit institutions. A clarification of standard IAS 23 – "Borrowing costs (see Section 2.4 "Change in method") has led to the non-capitalisation of interest expenses on property development programmes (stocks).

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

Following the application of IFRS 16 – "Leases", for leases that fall under its scope of application, the rental cost is replaced by a depreciation / change in the value of Right-of-

use expenses and an interest charges (on lease obligations or fees on investment properties) recognised under financial expenses.

The Group's average cost of financing was 2.06% (excluding IFS 16 impact) during the first half of 2019, including margin, compared with 1.94% at end-2018.

5.2.2 Other financial results

Other financial results relate to the favourable resolution of a dispute regarding financial instruments in 2018.

5.2.3 Impact of result of financial instruments

Changes in value of financial instruments and gains and losses on their disposal resulted in a net expense of €60.3 million, compared with a net expense of €16.8 million at 30 June 2018. This corresponds to the changes in value of interest rate hedging instruments.

5.3 Income tax

Analysis of tax expense

Tax expense is analysed as follows:

€millions	30/06/2019	31/12/2018 restated	30/06/2018 restated
Tax due	(2.3)	(8.4)	(4.5)
Tax loss carry forwards and/or use of deferred losses	(4.3)	(19.6)	(11.7)
Valuation differences	-	0.0	-
Fair value of investment properties	(3.8)	5.0	1.2
Fair value of hedging instruments	0.0	(0.0)	(0.0)
Net property income on a percentage-of-completion basis	(1.7)	(4.7)	(3.1)
Other timing differences	(1.5)	(8.7)	(7.3)
Deferred tax	(11.3)	(28.0)	(20.9)
Total tax income (expense)	(13.6)	(36.4)	(25.4)

Effective tax rate

€millions	30/06/2019	31/12/2018 restated	30/06/2018 aju restated sted
Pre-tax profit of consolidated companies	68.6	265.2	110.0
Group tax savings (expense)	(13.6)	(36.4)	(25.4)
Effective tax rate	(19.83)%	(13.72)%	(23.05)%
Tax rate in France	32.02%	34.43%	34.43%
Theoretical tax charge	(22.0)	(91.3)	(37.9)
Difference between theoretical and effective tax	8.4	54.9	12.5
Differences related to entities' SIIC status	6.6	(9.7)	8.0
Differences related to treatment of losses	(5.0)	(3.9)	(2.6)
Other permanent differences and rate differences	6.7	68.5	7.2

Deferred tax assets and liabilities

€millions	30/06/2019	31/12/2018 restated
Tax loss carry forwards	132.1	135.7
Valuation differences	(34.1)	(26.0)
Fair value of investment properties	(31.7)	(27.2)
Fair value of financial instruments	(0.0)	(0.0)
Net property income on a percentage-of-completion basis	(64.2)	(60.2)
Other timing differences	(1.8)	(6.2)
Net deferred tax on the balance sheet	0.3	16.0

As at 30 June 2018, the Group had unrecognised tax loss carry-forwards of €436.5 million (basis), compared to €480.7 million at 31 December 2018.

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

Deferred taxes relating to the recognition of tax losses are primarily for losses recognised in the Altareit tax group, and for losses part-recognised in the taxable sector of Altarea SCA and Foncière Altarea SAS.

Deferred taxes are calculated (for the French companies that constitute the majority of the Group) at a rate of 32.02%, a rate set by the 2019 Finance Act.

In fact, the Finance Act provides for a gradual decrease in the rate of corporate income tax, which is expected to be set at 28.92% in 2020, 27.37% in 2021 and 25.83% as of 1 January 2022.

To anticipate the effect of these future reductions after 2019, a discount was applied to the tax calculated based on the

items the Group does not expect to be cleared before this date.

Proposed corrections:

Alta Développement Italie, a subsidiary of Altarea SCA, underwent an inspection of its books covering the years ended 31 December 2014 and 2015, followed by an adjustment notice. At the end of the departmental deliberations of 15 April 2019, the company received a notice of 'abandonment of adjustment, by post on 2 May 2019. This dispute is thus terminated, with the authorities having recognised the merits of the arguments put forward by the company.

5.4 Earnings per share

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

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

At 30 June 2019 as in 2018, the dilution arose only from the granting of rights to free shares in Altarea SCA to Group employees or corporate officers.

€millions	30/06/2019	31/12/2018 restated	31/12/2018 restated
Numerator			
Net income, Group share	79.8	252.3	67.7
Denominator			
Weighted average number of shares before dilution	15,872,788	15,791,325	15,795,117
Effect of potentially dilutive shares			
<i>Stock options</i>	0	0	0
<i>Rights to free share grants</i>	176,379	201,027	178,444
Total potential dilutive effect	176,379	201,027	178,444
Weighted diluted average number of shares	16,049,167	15,992,352	15,973,562
BASIC NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS (in €)	5.03	15.97	4.29
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS (in €)	4.97	15.77	4.24

NOTE 6 PASSIFS

6.1 Equity

6.1.1 Capital, share-based payments and treasury shares

CAPITAL

Altarea SCA share capital (in €)

<i>In number of shares and in €</i>	Number of shares	Nominal	Share capital
Number of shares outstanding at 31 December 2017	16,051,842	15.28	245,280,324
Capital increase reserved on acquisition of the company SND	9,487	15.28	144,961
Number of shares outstanding at 31 December 2018	16,061,329	15.28	245,425,285
Capital increase by conversion of dividends into shares	599,267	15.28	9,156,800
Number of shares outstanding at 30 June 2019	16,660,596	15.28	254,582,085

Capital management

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

The Company's policy is to maintain its LTV ratio around 40%, excluding temporarily exceeding that level or exceptional transactions. The corporate loan agreement clauses specifically stipulate that the Group must maintain an LTV ratio below 60%.

SHARE-BASED PAYMENTS

The gross expense recorded on the income statement for share-based payments was €7.3 million at 30 June 2019, compared to €8.7 million for the first half 2018.

Stock option plan

No stock option plan was under way at 30 June 2019.

Free share grants

For the plans already existing at 31 December 2018, in 2019:

- 85,266 free shares were awarded;
- 107,766 shares were delivered;
- 16,455 rights were cancelled or altered.

Award date	Number of rights awarded	Vesting date	Rights in circulation as at 31/12/2018	Awarded	Delivery	Amendments to rights (a)	Rights in circulation as at 30/06/2019
Stock grant plans on Altarea shares							
10 November 2016	12,450 (b)	11 April 2019	8,450		(5,915)	(2,535)	
14 December 2016	33,365 (b)	10 April 2019	29,407		(21,824)	(7,583)	
22 March 2017	1,500 (b)	10 April 2019	1,000		(751)	(249)	
6 April 2017	11,500 (b)	30 April 2019	11,500		(8,050)	(3,450)	
15 February 2018	28,820	15 February 2019	27,310		(26,740)	(570)	
19 February 2018	32,480	19 February 2019	31,575		(31,283)	(292)	
21 February 2018	12,424	21 February 2020	12,139			(106)	12,033
2 March 2018	33,129 (b)	2 March 2020	31,754			(930)	30,824
6 March 2018	3,430	6 March 2019	3,340		(3,340)		
28 March 2018	1,410	28 March 2019	1,410		(1,410)		
29 March 2018	8,453	29 March 2019	8,453		(8,453)		
30 March 2018	4,327	30 March 2020	4,327				4,327
1 June 2018	2,000	1 June 2019	2,000				2,000
20 July 2018	41,500 (b)	31 March 2021	41,500				41,500
7 September 2018	14,800 (b)	31 March 2021	14,800				14,800
25 September 2018	1,000	31 March 2020	1,000				1,000
3 December 2018	5,000 (b)	31 March 2021	5,000				5,000
19 December 2018	1,850 (b)	31 March 2020		1,850			1,850
19 December 2018	2,000 (b)	31 March 2021		2,000			2,000
15 March 2019	28,804	15 March 2020		28,804		(6)	28,798
18 March 2019	9,461	18 March 2021		9,461			9,461
19 March 2019	41,531	19 March 2020		41,531		(470)	41,061
6 June 2018	1,355	20 March 2018		1,355			1,355
Total	332,589		234,964	85,001	(107,766)	(16,190)	196,009

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

(b) Plans subject to performance criteria

Valuation parameters for new free share grants

	30/06/2019
Expected dividend rate	6.0%
Expected volatility ^(a)	17.41% for Altarea share price and 9.96% for IEIF Immobilier France index
Risk-free interest rate	0.0%
Model used	Binomial Cox-Ross-Rubinstein model / Monte Carlo method (a)

^(a) Only for plans subject to performance criteria

TREASURY SHARES

The acquisition cost of treasury shares was €33.4 million at 30 June 2019 for 168,079 shares (including 165,796 shares intended for allotment to employees under free share grant or stock option plans and 2,283 shares allocated to a liquidity contract), compared with €54.6 million at 31 December 2018 for 278,602 shares (including 275,562 shares intended for allotment to employees under free share grant or stock option plans and 3,040 shares allocated to a liquidity contract). Treasury shares are eliminated and offset directly in equity.

In addition, a net loss on disposal and/or free share grants of treasury shares to Company employees was recognised directly in equity in the amount of €21.0 million before tax at 30 June 2019 (€14.3 million after tax) compared with €18.0 million at 31 December 2018 (€12.2 million before tax).

The negative impact on cash flow from purchases and disposals over the period came to €0.1 million at 30 June 2019 compared to €18.6 million at 31 December 2018.

6.1.2 Dividends proposed and paid

Dividends paid

€millions	30/06/2019	31/12/2018
Paid in current year in respect of previous year:		
<i>Dividend per share (in euros)</i>	12.75	12.50
Payment to shareholders of the Altarea Group	202.6	197.8
Proportional payment to the general partner (1.5%)	3.0	3.0
Total	205.7	200.8
Offer to convert dividends into shares:		
<i>Subscription price (in euros)</i>	156.55	-
Total amount of conversion into shares	93.8	-
<i>Conversion rate for dividends into shares for the option at 50%</i>	92.6%	

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 and gave the shareholders a choice between a 100% cash payment or a payment 50% in cash and 50% in share.

The price of the newly issued shares was set on 23 May 2019 at €156.55 per share.

The period of the option lasted from 31 May to 26 June 2019 included. The option to have the dividend paid in shares was taken up by 92.6% of the shareholders and resulted in the creation of 599,267 new shares.

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 new shares thus created, took place on 4 July 2019. Payment of the dividend to the general partner was on the same day for an amount of €3 million.

6.2 Net financial debt and guarantees

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

€millions	31/12/2018	Cash flow	"Non-cash" change					30/06/2019
			Spreading of issue costs	Change in scope of consolidation	Present value adjustment	Change in method	Reclassification	
Bonds (excluding accrued interest)	1,267.2	(7.2)	0.5	7.8	-	-	-	1,268.4
Negotiable European Commercial Paper	381.0	128.5	-	-	-	-	-	509.5
Bank borrowings, excluding accrued interest and overdrafts	1,457.6	15.2	3.0	32.4	-	(33.7)	(53.4)	1,421.1
Net bond and bank debt, excluding accrued interest and overdrafts	3,105.9	136.5	3.5	40.2	-	(33.7)	(53.4)	3,199.0
Accrued interest on bond and bank borrowings	18.5	7.6	-	1.5	-	-	(0.2)	27.4
Bond and bank debt, excluding overdrafts	3,124.3	144.0	3.5	41.7	-	(33.7)	(53.5)	3,226.4
Cash and cash equivalents	(678.5)	(64.2)	-	(6.4)	-	-	-	(749.1)
Bank overdrafts	3.5	(1.8)	-	0.0	-	-	-	1.7
Net cash	(675.0)	(66.0)	-	(6.4)	-	-	-	(747.4)
Net bond and bank debt	2,449.3	78.1	3.5	35.4	-	(33.7)	(53.5)	2,479.0
Equity loans and Group and partners' advances (*)	169.1	44.3	-	8.5	-	-	(10.7)	211.2
Accrued interest on shareholders' advances	5.6	0.0	-	-	-	-	(3.9)	1.7
Lease obligations	-	(9.9)	-	0.4	-	43.4	0.4	34.3
Contractual fees on investment properties	-	0.6	-	-	-	133.0	7.9	141.5
Net financial debt	2,624.0	113.1	3.5	44.3	-	142.7	(59.8)	2,867.8

(*) of which appropriation of income to shareholder current accounts for €8.5 million.

6.2.1 Net bond and bank debt

Group net bond and bank debt stood at €2,479 million on 30 June 2019.

Following application of IFRS 16 – "Leases", bank borrowings excluding accrued interest and overdrafts dropped by €33.7 million: finance lease liabilities have been reclassified under "Contractual fees on investment properties".

Furthermore, bank borrowings excluding accrued interest and overdrafts related to assets held for sale have been reclassified under "Liabilities linked to assets held for sale" for €53.4 million.

Over the half-year, the Group primarily:

- repaid term loans and cancelled revolving credit facilities (not drawn at 31 December 2018) for an amount of €34 million;
- arranged €80 million of term loans;
- increased its issues of Negotiable European Commercial Paper (€129 million more during the financial year). The Group continued to use short- and medium-term resources via NEU-CP programmes (issues under one year) and NEU-MTN (issues over one year).

Not all financing was fully drawn at 30 June 2019.

Changes to scope are related primarily to acquiring control of the developer Severini and movements within the Development business, particularly the acquisition of control over the company that owned the Reflets Compans shopping centre in Toulouse.

Borrowing costs are analysed in the note on earnings.

Net cash

The marketable securities classified as cash equivalents are recognised at fair value at each reporting date (see Section 2.4.10 "Accounting principles and methods" of the Notes to the consolidated financial statements for the financial year ended 31 December 2018).

Breakdown of bank and bond debt by maturity

€millions	30/06/2019	31/12/2018
< 3 months	272.6	323.0
3 to 6 months	85.5	50.2
6 to 9 months	351.8	87.2
9 to 12 months	68.6	183.5
Under 1 year	778.4	643.8
At 2 years	657.6	145.8
At 3 years	22.2	586.4
At 4 years	160.0	67.9
At 5 years	75.3	98.2
1-5 years	915.1	898.3
More than 5 years	1,556.1	1,609.1
Issuance cost to be amortised	(21.5)	(23.4)
Total gross bond and bank debt	3,228.1	3,127.8

The increase in the less than one year portion of bond and bank debt is explained by the increase in Negotiable European Commercial Paper and the related repayment schedule. The increase in the portion at 2 years is linked mostly to the maturing of the mortgage debt on Cap 3000 and of the bonds issued by Altarea in 2014.

Breakdown of bank and bond debt by guarantee

€millions	30/06/2019	31/12/2018 restated
Mortgages	944.5	1,031.8
Mortgage commitments	236.5	213.6
Moneylender lien	18.2	24.6
Pledging of receivables	-	5.6
Altarea SCA security deposit	153.0	109.0
Not Guaranteed	1,897.5	1,766.7
Total	3,249.6	3,151.2
Issuance cost to be amortised	(21.5)	(23.4)
Total gross bond and bank debt	3,228.1	3,127.8

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

Breakdown of bank and bond debt by interest rate

€millions	Gross bond and bank debt		
	Variable rate	Fixed rate	Total
At 30 June 2019	1,709.8	1,518.3	3,228.1
At 31 December 2018	1,600.6	1,527.2	3,127.8

The market value of fixed-rate debt stood at €1,552 million at 30 June 2019 compared to €1,552.9 million at 31 December 2018.

Schedule of future interest expenses

€millions	30/06/2019	31/12/2018
< 3 months	3.1	2.4
3 to 6 months	6.8	8.0
6 to 9 months	8.0	16.1
9 to 12 months	17.5	(6.1)
Under 1 year	35.4	20.4
At 2 years	72.8	55.6
At 3 years	61.5	61.8
At 4 years	57.7	37.7
At 5 years	53.2	40.4
1-5 years	245.1	195.4

These future interest expenses concern borrowings and financial instruments, and are stated excluding accrued interest not yet due.

6.2.2 Lease obligations

Lease obligations are debts that relate mainly to leased properties and vehicles (respectively the premises occupied and the vehicles used by the Group's employees).

These obligations amounted to a total of €34.3 million at 30 June 2019, to be compared to the right-of-use on tangible and intangible assets.

6.2.3 Contractual fees on investment properties

The contractual fees on investment properties concern the debt relative to temporary occupation permits and leaseholds on retail assets (mainly stations).

The amount of these fees (fees of a different nature to the lease obligations) stood at €141.5 million at 30 June 2019 and are to be compared to the right-of-use on investment properties (assets that generate revenues).

6.2.4 Breakdown by maturity of the lease obligations and contractual fees on investment properties

€millions	30/06/2019	31/12/2018
< 3 months	9.7	-
3 to 6 months	5.5	-
6 to 9 months	4.6	-
9 to 12 months	2.5	-
Under 1 year	22.3	-
At 2 years	0.2	-
At 3 years	22.3	-
At 4 years	4.1	-
At 5 years	3.4	-
1-5 years	30.0	-
More than 5 years	123.5	-
Total lease obligations and contractual fees on investment properties	175.8	-

6.3 Provisions

€millions	30/06/2019	31/12/2018
Provision for benefits payable at retirement	13.9	11.8
Other provisions	7.9	9.8
TOTAL PROVISIONS	21.8	21.6

Provision for benefits payable at retirement was measured, as in previous financial years, by an external actuary. The valuation and recognition principles are detailed in the accounting principles and methods of the Company, Section 2.4.14. "Employee benefits" in the Notes to the consolidated financial statements at 31 December 2018. The main assumptions used when evaluating this commitment are turnover, the discount rate and the rate of salary increase: a change of +/-0.25% in the last two criteria would not have any significant impact.

Other provisions primarily cover:

- the risk of disputes arising from construction operations;
- the risk of failure of certain partners;
- as well as estimates of residual risks involving completed programmes (litigation, ten-year guarantee, definitive general statement, etc.).

NOTE 7 ASSETS AND IMPAIRMENT TESTS

7.1 Investment properties

€millions	Investment properties				Total investment properties
	measured at fair value	measured at cost	Right-of-use assets	Assets held for sale	
At 31 December 2018	3,931.3	594.9	-	-	4,526.2
Subsequent investments and expenditures	7.0	86.6	-	-	93.7
Change in spread of incentives to buyers	1.9	-	-	-	1.9
Net impairment/project discontinuation	-	(0.1)	-	-	(0.1)
Transfers to assets held for sale or to or from other categories	96.6	(206.8)	-	110.2	-
New right-of-use	-	-	7.9	-	7.9
Change in fair value	46.7	-	(3.5)	-	43.2
Change in method	(26.6)	(7.8)	134.0	-	99.6
Change in scope of consolidation	76.8	-	-	-	76.8
At 30 June 2019	4,133.7	466.9	138.4	110.2	4,849.2

At 30 June 2019, financial costs of €2.7 million were capitalised for projects under development and construction.

Investment properties at fair value

The primary movements concern:

- conversion into fair value of most of the Cap 3000 extension, excluding the Corso Mall, as well as the second phase of the Paris-Montparnasse station project;
- the acquisition of 5 stations in Italy (Milan, Turin, Padua, Rome and Naples);
- incorporation of the Reflets Compans retail gallery in Toulouse (acquired this semester by the Group – previously recorded as an investments in equity affiliates);
- the transfer into assets held for sale of the Okabé shopping centre in Kremlin-Bicêtre and the retail park in Herblay;
- changes in fair value of shopping centres in operation.

Investment properties valued at cost

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

Right-of-use on investment properties

Right-of-use on investment properties corresponds to the valuation according to IFRS 16 of:

- temporary occupation permits for investment properties; and
- old finance leases recognised according to IAS 17 under investment properties at fair value and at cost.

Value Measurement – IFRS 13

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

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

		Initial capitalisation rate	Rental in € per m ²	Discount rate	Capitalisation rate at exit	Average annual growth rate of net rental income
		a	b	c	d	e
France	Maximum	6.8%	813	7.5%	6.5%	5.5%
	Minimum	3.6%	40	4.8%	3.4%	1.3%
	Weighted average	4.6%	394	5.8%	4.6%	2.6%
International	Maximum	7.6%	276	7.8%	7.0%	3.5%
	Minimum	4.6%	195	7.0%	5.0%	1.4%
	Weighted average	6.0%	238	7.4%	6.0%	2.7%

a - The initial capitalisation rate is the net rental income relative to the appraisal value excluding transfer duties.

b - Annual average rent (minimum guaranteed rent plus variable rent) per asset and m².

c - Rate used to discount the future cash flows.

d - Rate used to capitalise the revenue in the exit year in order to calculate the asset's exit value.

e - CAGR of net rental income.

Based on a Group weighted average capitalisation rate, a 0.25% increase in capitalisation rates would lead to a reduction of €187.0 million in the value of investment properties (-5.3%), while a 0.25% decrease in capitalisation rates would increase the value of investment properties by €207.7 million (5.9%).

Depreciation – Investment assets under development and construction valued at cost

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

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

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

Investment working capital requirement

€millions	Receivables on fixed assets	Amounts due on non-current assets	Investment WCR
At 31 December 2018	4.8	(103.7)	(98.9)
Variations	2.8	12.3	15.1
Present value adjustment	0.0	(0.1)	(0.0)
Transfers	(0.1)	-	(0.1)
Change in scope of consolidation	-	-	-
At 30 June 2019	7.4	(91.5)	(84.0)
Change in WCR at 30 June 2019	2.8	12.3	15.1

Net acquisitions of assets and capitalised expenditures

€millions	30/06/2019	31/12/2018	30/06/2018
Type of non-current assets acquired:			
Intangible assets	(3.6)	(11.2)	(4.6)
Property plant and equipment	(2.4)	(7.2)	(4.7)
Investment properties	(95.4)	(195.9)	(134.9)
Total	(101.4)	(214.3)	(144.6)

7.2 Goodwill and other intangible assets

€millions	Gross values	Amortisation and/or impairment	30/06/2019	31/12/2018
Goodwill	450.7	(239.6)	211.1	194.3
Brands	100.7	-	100.7	100.7
Customer relationships	191.7	(191.7)	-	-
Software applications, patents and similar rights	49.6	(30.1)	19.5	18.4
Leasehold Right	2.5	(2.2)	0.3	0.3
Others	0.0	(0.0)	0.0	0.0
Other intangible assets	52.1	(32.3)	19.8	18.8
TOTAL	795.2	(463.6)	331.6	313.7

€millions	30/06/2019	31/12/2018
Net values at beginning of the period	313.7	258.5
Acquisitions of intangible assets	3.6	11.2
Disposals and write-offs	-	(0.1)
Changes in scope of consolidation and other	16.9	49.8
Net allowances for depreciation	(2.7)	(5.7)
Net values at end of the period	331.6	313.7

Goodwill from the acquisition of Cogedim, Pitch Promotion and Histoire & Patrimoine

The Group owns the following brands: Cogedim, Pitch Promotion and Histoire & Patrimoine. These brands, worth a total of €100.7 million, have an indefinite lifetime and are thus not amortisable.

Goodwill concerning the acquisitions of Cogedim, Pitch Promotion and Histoire & Patrimoine stands at €193.6 million.

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

A provisional amount of goodwill has been calculated for the acquisition of Severini. This provisional goodwill amounts to €16.8 million and will be recognised by 31 December 2019.

7.3 Right-of-use on tangible and intangible assets

€ millions	Lands and buildings	Vehicles	Other tangible assets	Gross right-of-use assets	Depr. Lands and buildings	Depr. Vehicles	Depr. Other tangible assets	Total depreciation	Net right-of-use assets
At 31 December 2018	-	-	-	-	-	-	-	-	-
Change in method	45.4	2.9	4.0	52.4	(7.2)	(0.7)	(1.0)	(8.8)	43.6
New contracts / Provisions	-	0.4	0.0	0.4	(9.0)	(0.6)	(0.6)	(10.2)	(9.8)
Contract terminations / Reversals	(0.0)	(0.1)	-	(0.2)	0.0	0.1	-	0.2	(0.0)
Change in scope of consolidation	0.5	-	-	0.5	(0.0)	-	-	(0.0)	0.4
At 30 June 2019	45.9	3.2	4.1	53.1	(16.2)	(1.1)	(1.6)	(18.9)	34.2

Group companies having signed leases that fall under the scope of application of IFRS 16 – "Leases", recognise as an asset on the balance sheet, in the form of a right-of-use, all leases (mainly premises occupied by Group employees and vehicles) as consideration for a lease obligation.

The chosen duration corresponds to the minimum contractual period of commitment and any optional periods that may reasonably be expected to be exercised.

7.4 Operational working capital requirement

Summary of components of operational working capital requirement

€millions	30/06/2019	31/12/2018 restated	Flows		
			Created by the business	Changes in consolidation scope and transfer	Change in consolidation method
Net inventories and work in progress	1,003.9	986.6	1.6	15.8	0.0
Net trade receivables	614.3	573.2	27.1	14.0	-
Other operating receivables net	432.6	433.0	39.2	(39.5)	(0.2)
Trade and other operating receivables net	1,046.9	1,006.2	66.3	(25.5)	(0.2)
Trade payables	(777.4)	(730.8)	(34.5)	(12.1)	-
Other operating payables	(494.9)	(511.0)	(30.4)	46.1	0.3
Trade payables and other operating liabilities	(1,272.3)	(1,241.8)	(64.9)	34.0	0.3
Operational WCR	778.5	751.0	3.1	24.3	0.2

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

The changes in the consolidation scope are mainly related to the movements within the Development business and the acquisition of the developer Severini.

7.4.1 Inventories and pipeline products

€millions	Gross inventories	Impairment	Net inventories
At 31 December 2018 restated	995.4	(8.9)	986.6
Change	3.5	0.0	3.5
Allowances	-	(2.8)	(2.8)
Reversals	-	0.9	0.9
Transfers to or from other categories	1.4	-	1.4
Change in scope of consolidation	17.0	(2.6)	14.4
At 30 June 2019	1,017.3	(13.3)	1,003.9

The change in inventories is mainly due to changes in the Group's Property Development business.

The changes in the consolidation scope are mainly related to the movements within the Development business and the acquisition of the developer Severini.

7.4.2 Trade and other receivables

€millions	30/06/2019	31/12/2018
Gross trade receivables	636.8	593.7
Opening impairment	(20.6)	(20.4)
Allowance	(3.6)	(6.6)
Change in scope of consolidation	(0.0)	0.1
Reversals	1.6	6.3
Closing impairment	(22.5)	(20.6)
Net trade receivables	614.3	573.2
Advances and down payments paid	51.1	41.4
VAT receivables	267.1	291.2
Sundry debtors	22.2	26.7
Prepaid expenses	64.1	43.1
Principal accounts in debit	30.5	31.0
Total other operating receivables gross	434.9	433.3
Opening impairment	(0.3)	(2.5)
Allowance	(2.1)	(0.2)
Change in scope of consolidation	(0.1)	(0.0)
Reversals	0.2	2.4
Closing impairment	(2.3)	(0.3)
Net operating receivables	432.6	433.0
Trade and other operating receivables	1,046.9	1,006.2
Receivables on sale of assets	7.4	4.8
Trade and other operating receivables	1,054.3	1,011.0

Advances and down payments paid

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

Principal accounts in debit

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

7.4.3 Trade and other payables

€millions	30/06/2019	31/12/2018
Trade payables and related accounts	777.4	730.8
Advances and down payments received from clients	138.2	114.4
VAT collected	186.8	229.3
Other tax and social security payables	60.8	53.8
Prepaid income	4.1	4.3
Other payables	74.7	78.2
Principal accounts in credit	30.5	31.0
Other operating payables	494.9	511.0
Amounts due on non-current assets	91.5	103.7
Trade and other payables	1,363.8	1,345.5

Advances and down payments received from clients

Part payments received on property programmes, before the corresponding work has been carried out, are accounted for on the liabilities side under advances and payments on account received (using the percentage of completion method).

Payables on acquisition of assets

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

NOTE 8 MANAGEMENT OF FINANCIAL RISK

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

8.1 Carrying amount of financial instruments by category

At 30 June 2019

€millions	Total amount	Non-financial assets	Financial assets and liabilities carried at amortised cost			Financial assets and liabilities carried at fair value			
			Loans Receivables	Liabilities at amortised cost	Equity instruments	Assets and liabilities at fair value through	Level 1 (a)	Level 2 (b)	Level 3 (c)
NON-CURRENT ASSETS	432.4	176.3	222.7	-	33.5	-	-	-	33.5
Securities and investments in equity affiliates and unconsolidated interests	421.9	176.3	212.1	-	33.5	-	-	-	33.5
Loans and receivables (non-current)	10.5	-	10.5	-	-	-	-	-	-
CURRENT ASSETS	1,849.0	-	1,838.1	-	-	10.9	7.0	3.9	-
Trade and other receivables	1,054.3	-	1,054.3	-	-	-	-	-	-
Loans and receivables (current)	41.6	-	41.6	-	-	-	-	-	-
Derivative financial instruments	3.9	-	-	-	-	3.9	-	3.9	-
Cash and cash equivalents	749.1	-	742.1	-	-	7.0	7.0	-	-
NON-CURRENT LIABILITIES	2,703.6	-	-	2,703.6	-	-	-	-	-
Borrowings and financial liabilities	2,668.4	-	-	2,668.4	-	-	-	-	-
Deposits and security interests received	35.2	-	-	35.2	-	-	-	-	-
CURRENT LIABILITIES	2,551.0	-	-	2,424.1	-	126.9	-	126.9	-
Borrowings and financial liabilities	948.5	-	-	948.5	-	-	-	-	-
Derivative financial instruments	126.9	-	-	-	-	126.9	-	126.9	-
Trade and other payables	1,363.8	-	-	1,363.8	-	-	-	-	-
Debts with Altarea SCA shareholders and minority shareholders of subsidiaries	111.9	-	-	111.9	-	-	-	-	-

(a) Financial instruments listed on an active market.

(b) Financial instruments whose fair value is determined using valuation techniques based on observable market inputs.

(c) Financial instruments whose fair value (in whole or in part) is based on non-observable inputs.

Equity instruments mainly comprise equity securities of non-consolidated companies. At each acquisition an analysis is carried out to determine the Group's management intention and, therefore, its accounting method (change in value by result or by OCI).

Cash and cash equivalents breakdown between cash presented under receivables and marketable securities presented as financial assets within Level 1 of the fair value hierarchy.

8.2 Interest rate risk

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

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

In compliance with IFRS 13, these instruments are measured by considering the credit valuation adjustment (CVA) when positive, and the debit valuation adjustment (DVA) when negative. This adjustment measures, by application on each cash flow date of the valuation of a probability of default, the

counterparty risk defined as an obligation to replace a hedging operation at the market rate in force following the default by one of the counterparties. CVA, calculated for a given counterparty, considers the probability of default for this counterparty. DVA, based on the Company's credit risk, corresponds to the counterparty's exposure to loss in the event of the Company's default.

The resulting impact is a positive change in the fair value of derivative financial instruments of €6.1 million on net income for the period.

Position in derivative financial instruments

€millions	30/06/2019	31/12/2018
Interest-rate swaps	(118.4)	(64.4)
Interest-rate caps	0.0	0.0
Accrued interest not yet due	1.7	(0.6)
Premiums and cash payments remaining to be paid	(6.2)	-
Total	(123.0)	(65.0)

Derivatives were valued by discounting future cash flows estimated according to interest rate curves at 30 June 2019.

Maturity schedule of derivative financial instruments (notional amounts)

At 30 June 2019

€millions	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023	30/06/2024
ALTAREA – pay fixed – swap	1,543.4	2,017.1	1,965.8	1,964.5	1,963.2	1,812.0
ALTAREA – pay floating rate – swap	630.0	630.0	400.0	400.0	400.0	400.0
ALTAREA – pay fixed – collar	-	-	-	-	-	-
ALTAREA – pay fixed – cap	75.0	75.0	-	-	-	-
Total	2,248.4	2,722.1	2,365.8	2,364.5	2,363.2	2,212.0
Average hedge ratio	0.40%	0.87%	0.94%	0.94%	0.94%	0.92%

Management position

At 30 June 2019

€millions	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023	30/06/2024
Fixed-rate bond and bank loans	(1,518.3)	(1,340.8)	(1,108.5)	(1,106.1)	(1,103.7)	(1,101.4)
Floating-rate bank loans	(1,709.8)	(1,108.8)	(683.6)	(663.8)	(506.1)	(433.2)
Cash and cash equivalents (assets)	749.1	-	-	-	-	-
Net position before hedging	(2,479.0)	(2,449.6)	(1,792.1)	(1,769.9)	(1,609.8)	(1,534.6)
Swap	2,173.4	2,647.1	2,365.8	2,364.5	2,363.2	2,212.0
Collar	-	-	-	-	-	-
Cap	75.0	75.0	-	-	-	-
Total derivative financial instruments	2,248.4	2,722.1	2,365.8	2,364.5	2,363.2	2,212.0
Net position after hedging	(230.6)	272.5	573.8	594.7	753.4	677.4

Analysis of interest-rate sensitivity:

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

	Increase/decrease in interest rates	Impact of the gain or loss on pre-tax profit	Impact on the value of the financial instruments portfolio
30/06/2019	+50 bps -50 bps	+€0.8 million -€0.8 million	+€46.6 million -€48.3 million
31/12/2018	+50 bps -50 bps	+€2.3 million -€2.2 million	+€48.6 million -€50.2 million

8.3 Liquidity risk

CASH

The Group had a positive cash position of €749.1 million at 30 June 2019, compared to €678.5 million at 31 December 2018. This represents its main tool for management of liquidity risk.

Part of this cash is classified as non-available to the Group, but is available to the subsidiaries that carry it: at 30 June 2019, the amount of this restricted cash was €407.7 million.

On this date, in addition to the available cash of €341.4 million, the Group also had €808.3 million of additional available cash and cash equivalents (in confirmed corporate credit lines that had not been used and were not assigned to projects) and €149.5 million of available cash and cash equivalents for projects.

COVENANTS

The covenants with which the Group must comply concern the listed corporate bond and banking loans, for €1,078.8 million.

Foncière Altarea (the holding Company for the Retail business with the exception of the shopping centres directly held by Altarea SCA or via its Altablue subsidiary for Cap 3000) must comply with covenants on the banking loans subscribed by Altarea SCA (€65.8 million) and the private bond credit subscribed by Foncière Altarea (€150 million).

The bond issue subscribed by Altareit SCA (350 million) is subject to leverage covenants.

	Altarea Group covenants	30/06/2019	Consolidated Foncière Altarea covenants	30/06/2019	Consolidated Altareit covenants	30/06/2019
Loan To Value (LTV)						
Net bond and bank financial debt/re-assessed value of the Company's assets	< 60%	34.1%	< 50%	18.9%		
Interest Cover Ratio (ICR)						
Operating income (FFO column or cash flow from operations)/Company's net borrowing cost (FFO column)	> 2	5.9	> 1.8	9.0		
Leverage						
Gearing: Net financial debt/Equity					≤ 3.25	0.5
ICR: EBITDA/Net interest expenses					≥ 2	7.5

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

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

At 30 June 2019, the Company met all its covenants. In the highly likely event that certain mortgage debt may be required to be partially repaid at a subsequent date, the amount of these repayments is recognised under current liabilities until the maturity date.

COUNTERPARTY RISK

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

CURRENCY RISK

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

NOTE 9 RELATED PARTY TRANSACTIONS

Ownership structure of Altarea SCA.

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

In percentage	30/06/2019	30/06/2019	31/12/2018	31/12/2018
	% capital	% voting rights	% capital	% voting rights
Founding shareholders and expanded concert party ^(a)	45.87	46.34	45.76	46.57
Crédit Agricole Assurances	24.75	25.01	24.67	25.11
ABP	8.27	8.35	8.24	8.39
Opus Investment BV ^(b)	1.33	1.34	1.32	1.35
Treasury shares	1.01	-	1.73	-
Public + employee investment mutual fund	18.77	18.96	18.27	18.59
Total	100.00	100.00	100.00	100.00

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

(b) And related parties.

Related party transactions

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

- AltaGroupe, AltaPatrimoine and Altager, controlled by Alain Taravella.

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

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

Compensation of the founding shareholder-managers

Since 2019, Altarea and its subsidiaries have remunerated the Management in accordance with the fifth resolution of the General Meeting of 23 May 2019; before that they were remunerated in accordance with the fifth resolution of the General Meeting of 15 April 2016. In this respect, the following expense was recognised:

€ million	Altafi 2 SAS		
	30/06/2019	31/12/2018	30/06/2018
Fixed Management compensation	1.0	2.7	1.4
- o/w amount recognised in other company overhead costs	1.0	2.7	1.4
Variable Management compensation ^(a)	0.6	3.4	1.8
TOTAL	1.6	6.1	3.1

(a) The Management's variable compensation is calculated in proportion to net income (FFO), Group share and depends on the Group's rank in the GRESG ranking.

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

Coordinating services provided to the Company

In order to formalise the services habitually provided to Altarea by Altagroupe, the coordinating holding Company, and to spell out the services provided by the latter, a

coordination agreement was signed in 2017. The previous conditions remain unchanged.

Assistance services and rebilling by the Company and its subsidiaries

Assistance services and rebilling of rents and other items are recognised as a deduction from other company overhead costs in the amount of €0.1 million. Services invoiced to related parties by the Altarea Group are invoiced on an arm's length basis.

Assets and liabilities toward related parties

€millions	Altafi 2 SAS		
	30/06/2019	31/12/2018	30/06/2018
Trade and other receivables	0.0	0.0	0.0
TOTAL ASSETS	0.0	0.0	0.0
Trade and other payables ^(a)	0.8	3.8	1.8
TOTAL LIABILITIES	0.8	3.8	1.8

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

Compensations of the Management Committee and the Chairman of the Supervisory Board

Alain Taravella does not personally receive any compensation from Altarea or its subsidiaries for his co-management position. In fact, it is entirely paid to the company Altafi 2. Alain Taravella receives compensation from a holding company which has a stake in Altarea.

No share-based compensation or other short-term or long-term or other forms of compensation were paid by Altarea or its subsidiaries to the Management.

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

Compensation of the Group's senior executives

€millions	30/06/2019	31/12/2018	30/06/2018
Gross salaries ^(a)	2.0	4.0	2.0
Social security contributions	0.8	1.7	0.8
Share-based payments ^(b)	1.9	3.1	1.3
Number of shares delivered during the period	20,009	19,155	19,155
Post-employment benefits ^(c)	0.0	0.0	0.0
Other short- or long-term benefits and compensation ^(d)	0.0	0.0	0.0
Termination indemnities ^(e)	-	0.1	-
20% employer contribution for free share grants	0.4	0.7	0.6
Loans	-	-	-
Post-employment benefit commitment	0.3	0.4	0.4

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

(b) Charge calculated in accordance with IFRS 2.

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

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

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

In number of rights on equity in circulation	30/06/2019	31/12/2018	30/06/2018
Rights to Altarea SCA's free share grants	50,489	54,846	28,846
Altarea share subscription warrants	-	-	-
Stock options on Altarea shares	-	-	-

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

NOTE 10 GROUP COMMITMENTS AND CONTINGENT LIABILITIES

10.1 Off-balance sheet commitments

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

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

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

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

All other material commitments are set out below:

€millions	31/12/2018	30/06/2019	Under 1 year	1-5 years	More than 5 years
Commitments received					
Commitments received relating to financing (excl. borrowings)	-	-	-	-	-
Commitments received relating to Company acquisitions	18.6	8.6	0.1	1.0	7.5
Commitments received relating to operating activities	128.9	162.8	87.1	58.6	17.0
Security deposits received under the terms of the Hoguet Act (France)	59.1	85.7	85.7	-	-
Security deposits received from tenants	19.5	21.7	1.1	5.1	15.5
Payment guarantees received from customers	44.2	44.2	-	42.7	1.5
Unilateral land sale undertakings received and other commitments	0.3	0.3	-	0.3	-
Other commitments received relating to operating activities	5.8	10.8	0.3	10.5	-
Total	147.5	171.4	87.2	59.6	24.5
Commitments given					
Commitments given relating to financing (excl. borrowings)	11.0	11.0	5.0	-	6.0
Commitments given relating to Company acquisitions	173.9	85.5	6.1	44.3	35.0
Commitments given relating to operating activities	1,565.0	1,536.2	792.9	701.1	42.2
Construction work completion guarantees (given)	1,431.2	1,388.3	708.7	675.7	3.9
Guarantees given on forward payments for assets	18.3	47.3	37.3	8.1	1.9
Guarantees for loss of use	52.4	54.5	43.0	11.5	-
Other sureties and guarantees granted	63.1	46.0	3.9	5.8	36.4
Total	1,749.9	1,632.7	804.0	745.5	83.2

Commitments received

COMMITMENTS RECEIVED RELATING TO ACQUISITIONS/DISPOSALS

As part of its acquisition of the developer Severini, the Group also received a commitment from the sellers that it shall be entitled for compensation in the amount of up to €2 million until 31 January 2025 inclusive, for any damage or loss originating from the business activities incurred by the Group with a cause or origin predating 31 March 2018.

COMMITMENTS RECEIVED RELATING TO OPERATING ACTIVITIES

- **Security deposits**

Under France’s “Hoguet Act”, the Group holds a security deposit received from specialised bodies in an amount of €85.7 million as a guarantee covering its property management activities.

Furthermore, the Group also receives security deposits from its tenants to guarantee that they will pay their rent.

- **Payment guarantees received from customers**

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

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

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

- **Other commitments received**

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

Commitments given

COMMITMENTS GIVEN RELATING TO FINANCING ACTIVITIES

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

COMMITMENTS GIVEN RELATING TO ACQUISITIONS

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

The main commitments concern:

- undertaking to subscribe for the capital of companies comprising the AltaFund investment fund in the amount of €45.7 million (firm commitment for identified projects);
- liability guarantees of €35 million given following the disposal of miscellaneous assets.

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

COMMITMENTS GIVEN RELATING TO OPERATING ACTIVITIES

• Construction work completion guarantees

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

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

• Guarantees on forward payments for assets

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

• Guarantees for loss of use

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

• Other sureties and guarantees granted

The other sureties and guarantees granted relate primarily to the Group's involvement in AltaFund, the office property investment fund, the sureties granted in connection with its

property development activity, as well as the REIT business in Italy for guarantees granted by companies to the Italian government regarding their VAT position.

Reciprocal commitments

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

Other commitments

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

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

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

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

Minimum future rents to be received

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

€millions	30/06/2019	31/12/2018
Under 1 year	159.0	163.7
Between 1 and 5 years	317.9	304.0
More than 5 years	167.8	150.5
Guaranteed minimum rent	644.7	618.2

These rents receivable relate mainly to the shopping centres owned by the Group.

10.2 Contingent liabilities

No new litigation or governmental, legal, or arbitration proceedings that are likely to have significant effects on the Company's financial position or profitability arose in the

period, other than those for which a provision has been recognised (see Note 6.3 "Provisions") or that have been effectively challenged or are being challenged by the Company (see Note 5.3 "Income tax" or 6.3 "Provisions").

NOTE 11 POST-CLOSING EVENTS

In July, the Group acquired 50% of the share capital of Woodeum, the leading low-carbon property developer in France. The purpose of this strategic partnership is to accelerate the production of low carbon housing, with an objective of 2,500 to 3,000 units in solid CLT, per year, by 2023. This acquisition takes Altarea Cogedim's strategy a step further in its commitment offer forever better environmental solutions.

Jacques Ehrmann was appointed Chief Executive of Altarea, joint manager of Altarea, as of 1 July 2019. Jacques Ehrmann will take on the role of Chief Executive of the Altarea Group.