PURE PLAYER
IN PROPERTY
DEVELOPMENT

2017 REGISTRATION DOCUMENT

ALTAREIT

2017 REGISTRATION DOCUMENT

INCLUDING THE 2017 ANNUAL FINANCIAL REPORT

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

This Registration Document was filed with the *Autorité des Marchés Financiers* on 15 March 2018, in accordance with Article 212-13 of the AMF General Regulation. This document may be used in support of a financial transaction only if it is supplemented by an offering circular (note d'opération) approved by the Autorité des Marchés Financiers. This document has been drawn up by the issuer and is the responsibility of its signatories.

In compliance with Article 28 of Commission Regulation 809/2004/EC, the following information is incorporated into this Registration Document by reference:

- the consolidated financial statements and corresponding audit report provided on pages 37 and 80, the annual financial statements and corresponding audit report provided on pages 83 and 98, as well as the management report provided on page 25 of the 2016 Registration Document filed with the *Autorité des Marchés Financiers* on 14 March 2017 under number D. 17-0169;
- the consolidated financial statements and corresponding audit report provided on pages 63 and 128, the annual financial statements and corresponding audit report provided on pages 131 and 148, as well as the management report provided on page 46 of the 2015 Registration Document filed with the *Autorité des Marchés Financiers* on 16 March 2016 under number D. 16-0150.

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THE ESSENTIAL 1

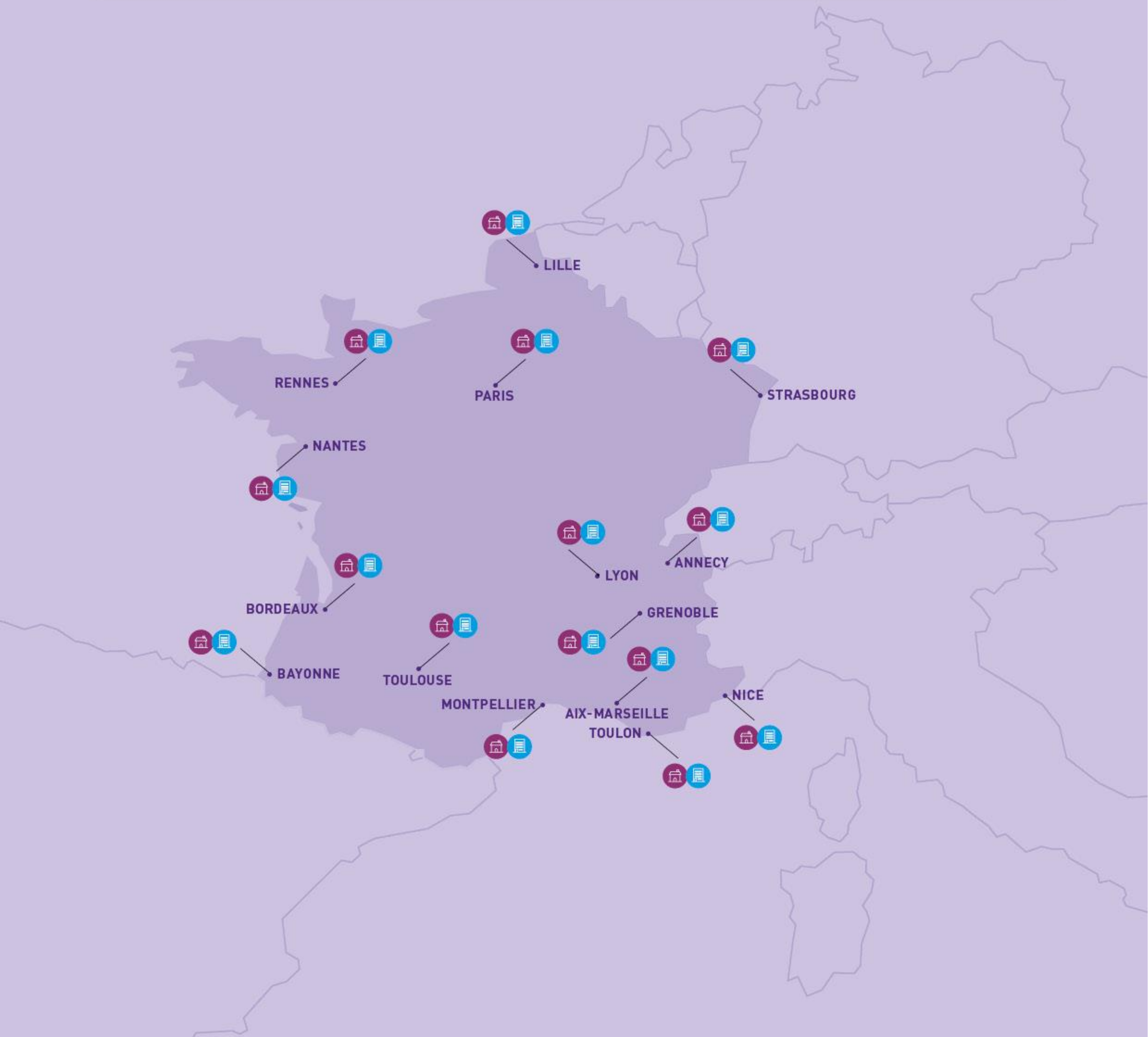
ALTAREIT: A PURE PLAYER IN PROPERTY DEVELOPMENT IN FRANCE

Altareit, a 99.85% owned subsidiary of **Altarea Cogedim group, has a unique expertise** in Residential and Offices development and also in Retail, developing the convenience retail strand of Altarea Cogedim Group's large mixed-use projects. In Residential (residential units and serviced residences), projects are developed for resale to third parties. In Offices, the Group has also developed a line as a medium term investor (alone or in partnership), to capture a portion of emblematic property development projects and the associated value creation. Finally, Altareit has a financial investment in Semmaris, the operating company that runs the Rungis national wholesale market.

Altareit is listed in Compartment B of Euronext Paris (ISIN: FR0000039216 – Ticker: AREIT). The company refers to the Middlenext Code of corporate governance.

KEY DATES

- **2008** – Listing in Compartment C of Euronext Paris (Cogedim's Offices and Residential business and diversification activities)
- **2011** – Creation of AltaFund
- **2012** – Transfer to Compartment B
- **2014** – Acquisition of 55% of Histoire & Patrimoine
- **2016** – Acquisition of 100% of Pitch Promotion



GROUP LOCATIONS

RESIDENTIAL OFFICES

PARIS: Cogedim Paris Métropole
PARIS REGION: Cogedim Île-de-France

AIX-MARSEILLE-TOULON: Cogedim Provence
BAYONNE: Cogedim Pays Basque
BORDEAUX: Cogedim Aquitaine
GRENOBLE-ANNECY: Cogedim Savoies Léman
LILLE: Cogedim Hauts-de-France
LYON: Cogedim Grand Lyon

MONTPELLIER: Cogedim Languedoc-Roussillon
NANTES: Cogedim Atlantique
NICE: Cogedim Méditerranée
RENNES: Cogedim Rennes Bretagne
STRASBOURG: Cogedim Est
TOULOUSE: Cogedim Midi-Pyrénées

Number 1
developer of large mixed-use projects

TOP 3
residential developer

Number 1
office developer

1 direct job = 35 jobs supported
in the regions

Number 1
in GRESB 2017 rankings

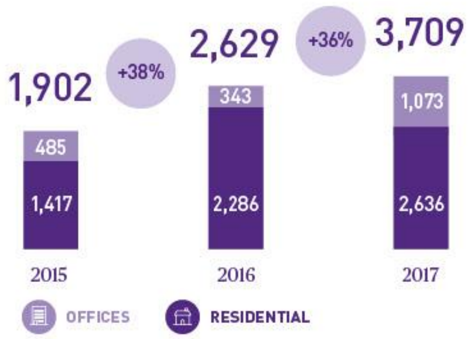
100%
of residential projects certified by NF Habitat

Number 1
Cogedim wins "Customer Service of the Year 2018"

FINANCIAL PERFORMANCE

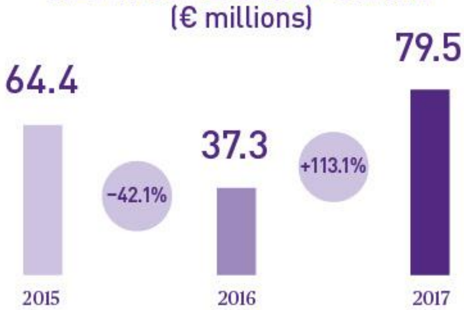
REVENUE
(€ millions)

NEW ORDERS
(€ millions)



FFO (OPERATING INCOME)
(€ millions)

NET INCOME GROUP SHARE
(€ millions)



NET BANK DEBT
(€ millions)

GEARING[1]

(1) Net bank debt / consolidated equity.

WITH ITS UNIQUE MODEL, ALTAREIT IS THE PURE PLAYER IN PROPERTY DEVELOPMENT IN FRANCE

URBAN ENTREPRENEURSHIP

The world is changing, habits are evolving. To meet today's challenges, our model pursues a clear vision: we design living cityscapes that offer experiences of living. This is the core of our passionate commitment to stakeholders, customers and partners alike. **The strength of our model stems from our expertise in the property industry's core businesses – Residential and Offices.** The way one complements the other is key to the success of our mixed-use urban projects. It adds a new level to the excellence of our projects and gives us the agility and daring to anticipate new demands in our markets and create urban values for all. **Architectural value,** creating harmonious cities for citizens. **Practical value,** offering functional and flexible projects for users. **Economic value,** guaranteeing the profitability of every project for our investors. A pure player in French property development, **Altareit is the leading owner developer in France's regions today.**

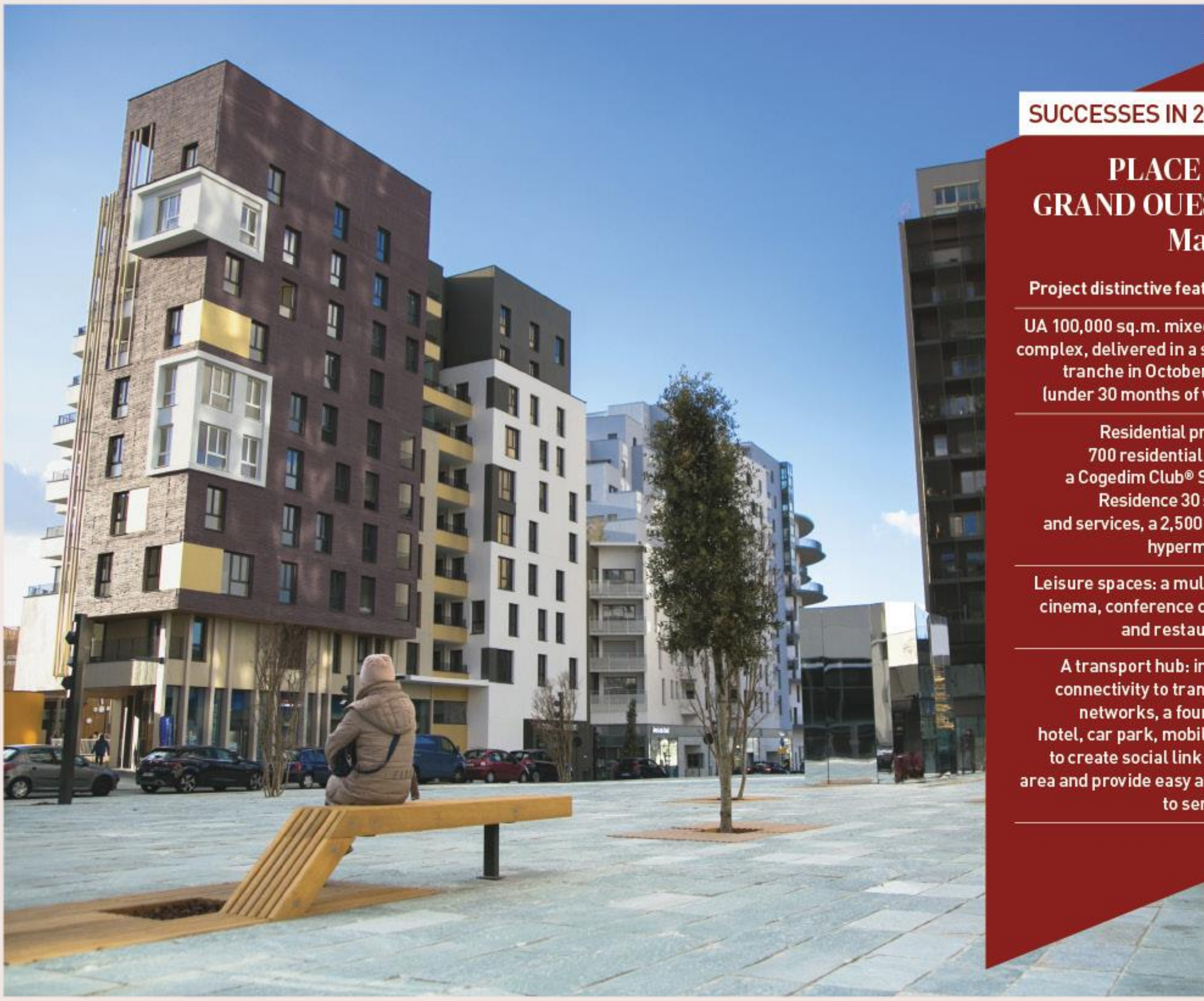
ARCHITECTURAL VALUE

PRACTICAL VALUE

ECONOMIC VALUE

Large mixed-use projects

Altareit, a subsidiary of Altarea Cogedim group, combines expertise and services to design and build truly innovative city centres that blend altogether retail,residential, office and hotel space. These large projects (over 40,000 sq.m. surface area and at least 400 residential units) redefine the individual's place as part of an authentic, contemporary and connected city, where local scale, social ties and quality of life are all enhanced. Such large mixed-use projects are carried out in collaboration with local authorities, planners, private sector operators, investors and individuals allowing the Group to take part in public land development.



SUCCESSES IN 2017

PLACE DU GRAND OUEST | Massy

Project distinctive features:

UA 100,000 sq.m. mixed-use complex, delivered in a single tranche in October 2017 (under 30 months of work)

Residential project: 700 residential units, a Cogedim Club® Senior Residence 30 shops and services, a 2,500 sq.m. hypermarket

Leisure spaces: a multiplex cinema, conference centre and restaurants

A transport hub: instant connectivity to transport networks, a four-star hotel, car park, mobile app to create social link in the area and provide easy access to services

PERFORMANCE: LARGE MIXED-USE PROJECTS AT 5 MARCH 2018

9 projects

€2.9 billion
potential value

758,400 sq.m.
floor area
with 8,080 residential units

MARKET ANALYSIS

- **Concentration of population and jobs** in gateway cities
- **Changing, increasingly complex lifestyles,** increased blurring of boundaries between spheres of life
- **New balance** between personal, professional and family life
- **Aspiration to easy access and proximity** (access to public transport)
- **Local authorities increasingly rethinking the local urban fabric**
- **Expectation of integrated urban solutions** proposed by service providers with mixed-use expertises

COMPETITIVE ADVANTAGES

- **Unique partner for local authorities** able to handle all aspects of a project
- **Triple expertise:** Retail, Residential, Offices
- **Financial solidity** of a stable, established group with a national reputation
- **Capacity to deliver large-scale projects** in a single phase
- **Anticipation and understanding of new uses** (field research, etc.)
- **Regional presence** for first hand knowledge of regional and gateway cities' needs

STRATEGY

→ **Maintain leadership:**
Altareit, a subsidiary of Altarea Cogedim group, is the only French operator to cover all business lines in the property sector

→ **Identify and strengthen synergies in the property sector,** as a multi-business and multi-activity group

→ **Support mixed-use projects** – Retail, Residential, Offices – continuously refined to better reflect the uses, lifestyles and quality of the social environment

→ **Favour proximity** with purpose-built applications, new services and neighbourhood retail stores

HIGHLIGHT

JOIA MÉRIDIA | Nice

In early 2018, Pitch Promotion won a tender to build a mixed-use district in the heart of Nice in cooperation with Eiffage Immobilier. This project will feature a striking Fujimoto building of residential units with shops at the ground floor. It will also include a shared rooftop space with swimming pool. Joia Méridia will cover more than 70,000 sq.m. The complex will create a new focus at the heart of Nice Méridia, the 24-hectare urban technopolis developed by the Nice Eco-Valley EPA (public urban development agency) on principles laid down by the business district's urbanist Christian Devilliers.

Residential

Lifestyles are changing fast, the urban habitat too. The personal, professional and family lives of home-buying customers and investors in Altareit, have become mobile, multiple and sometimes complex. Responding to these diverse needs, the Group offers its customers a wide choice of residential units, from entry-level to high-end, on private or social housing terms, sold individually or as a block. **The company develops property solutions for every kind of residential need, always at the same demanding quality standards.**

RÉVÉLATIONS | Conversion of the old Nantes prison

Project distinctive features:

- First time a French prison has been re-purposed as a new city space
- Exceptional landscape, with shared gardens and vegetable plots
- Creation of a performance venue that can welcome local groups

PERFORMANCE AT 31 DECEMBER 2017

11,189
residential units reserved
+12% vs 2016

€2.6 billion
in new orders
+15% vs 2016

Offer & portfolio
€9.2 billion
potential sales (incl. VAT)

99%
of pipeline located
in areas covered by the Pinel law

100%
of residential units certified by NF Habitat

98%
of residential units less than 500 m
from a public transport network[1]

(1) Excluding Pitch Promotion.

MARKET ANALYSIS

- **Improving general economic conditions,** rising prices per square metre, mortgage rates remain low
- **Stable regulatory framework,** favourable tax terms (Pinel law extended, zero-interest loans)
- **Strong demand from property buyers,** high volumes of developer sales, institutional investors coming back to the market (via social housing for rent)
- **Healthy market for new housing** in a still rising market
- **Change in customer expectations,** accelerating cycles of production and innovation

COMPETITIVE ADVANTAGES

- **Top three residential developers in France**
- **Group's signature associated with quality,** innovation and environmental performance
- **Floorspace conceived to be multifunctional,** modular and adaptable
- **Digitally enhanced sales support:** virtual visits, mobile apps

STRATEGY

→ **Involve the customer in a bespoke residential process with a full offer:** from entry-level to premium, first- and second-time buyers, serviced residences, block-buy investments, etc.

→ **Continue to diversify products** to suit all customer types and all their needs, at all times of life

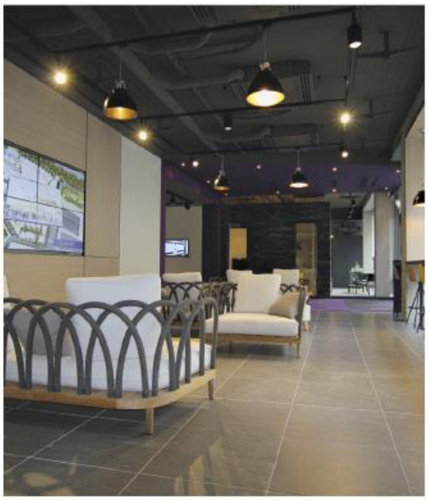
→ **Further improve levels of customer satisfaction:** quality of the sales relationship, personalisation of the offer

→ **Design residential projects and offers** that meet new customer expectations

HIGHLIGHTS

BASSINS À FLOT EMBLEM | Bordeaux

With the Emblem residential project, the Group is contributing to Bordeaux's dynamic property scene, offering a new way to live in the city with a smart blend of technology, respect for the environment and massive volumes. This is an exceptional project – a complex ranging from studios to five-room flats – providing a full and complementary range of residential units. It exemplifies the Group's determination to put customer satisfaction at the heart of its design.



COGEDIM CLUB® | Suresnes

Altareit continues to develop its residences for active seniors. In 2017 it opened a Cogedim Club® residence in Suresnes. Located in the Carnot-Gambetta eco-district, the project's conceptual and aesthetic design creates a "living well" space accessible to all. All the services on offer are designed to encourage social interaction.

COGEDIM STORE | Toulouse

Two years after inaugurating the Paris store, Cogedim has opened its second 400 sq.m. concept store, in Toulouse. This is the first presence of the Group in the region featuring a full scale mock-up of an apartment, kitted out to the last detail and a gallery where customers can choose floors, wallpaper, paintings, etc. The store embodies the Cogedim difference and our determination to be Number 1 in customer personalisation!

Offices

Today, companies want to be in the city centre, offer their employees a high-quality environment, provide ever more facilities... these are the new demands of the corporate market. Companies are reinventing themselves to attract and keep talents by becoming ever better connected and attentive to the wellbeing of their workforce. Whether new-build or redeveloped, today's offices are open to the city and its retailers. As developer, investor or service provider, the Group anticipates the expectations of companies and their employees, offering bespoke projects with flexible, modular and accessible offices that can evolve to keep pace with corporate cultures. Altareit gives them office spaces conceived as assets: they build in tangible and intangible capital, so users can attract and retain key talents and accommodate sustainable growth in their business.

RICHELIEU | The future "Altarea Cogedim House"

Project distinctive features:

- An exceptional location at the dynamic heart of the French Tech and Bourse-Opéra districts
- A creative redevelopment of the old Allianz France head office
- A sidestreet that encourages openness to the city and interaction
- The ground floor space is designed to be open to the city, and revamped to incorporate reversible spaces
- A separate conference centre and public venue lit by spacious patios in the basement
- Remarkable planted terraces accessible from floor 6
- A complex of separate offices with 1,500 sq.m. of floor space in a listed eighteenth-century mansion house
- Well-lit, flexible and modular office spaces

PERFORMANCE AT 31 DECEMBER 2017

51 projects

€3.7 billion
potential value

835,900 sq.m.

€1,073 million
in orders (x3.1)

100%
of offices(1) certified at least NF HQE™ "Excellent" and BREEAM® "Very Good"

100%
of units less than 500 m from public transport

82%
of projects(1) in the Paris Region on the way to Well certification

(1) Pitch Promotion not included.

MARKET ANALYSIS

- **Background of economic recovery,** driven by strong demand and low interest rates
- **Job creation, changing activities:** major groups are moving offices
- **Competition from investors** faced with a shortage of prime and new-build supply
- **Strong rental demand** in new or redeveloped office buildings

COMPETITIVE ADVANTAGES

- **Altareit,** the leading office developer in France
- **Major player in redevelopment,** recognised for its creative projects (which make up more than half its business)
- **An integrated global operator:** an investor for the medium term, either directly or through Altafund (which invests in prime assets in the Paris region), and property developer also taking on project management commissions
- **Modern offer:** flexible and collaborative spaces
- **Environmental and social excellence** in new-build and redevelopment projects

STRATEGY

→ **Design and develop tertiary projects** for new styles of working, tailored to companies' needs

→ **Position office property at the heart of markets where demand is strongest:** city centres, lively well-connected districts (with retail, facilities, transport hubs), regions undergoing urban renewal

→ **Raise quality per square metre of office space** through digital facilities

→ **Stimulate company performance** by helping employees to grow in a people-friendly working environment

→ **Break away from the idea of a single-purpose building**

HIGHLIGHTS

LANDSCAPE | La Défense

AltaFund and Goldman Sachs breathe new life into the Pascal Towers with Landscape. This large-scale redevelopment will create a property complex offering unique naturally lit spaces. As well as a comprehensive and unusually ambitious redevelopment, done in cooperation with Dominique Perrault Architecture, Landscape is an opportunity to develop 10% of new space to complement the historic Pascal Towers, all exceptional buildings for their volumes, height and views. It will include a full range of innovative services (restaurant areas, sports hall, full-service concierge, wellbeing area) and meet the latest environmental standards (NF HQETM "Exceptionnel", BREEAM® "Very Good", BBC-Effinergie Rénovation). The project was awarded with the WiredScore[1] label in November 2017, certifying its excellent connectivity.

(1) The WiredScore label rates office buildings so that owners can understand, improve and promote connectivity in their assets. **More than two thirds of office projects are now in the process of applying for this label.**

THALES | Labège

The Group won the Pyramide de Vermeil in the Office Property category, awarded by the Federation of Property Developers, for the Thales project, a Pitch Promotion development. The complex was delivered in 2016. It is located on a site near Toulouse covering more than 20,000 sq.m., on the shores of Lake Labège. With its rich vegetation the lake-shore is the "green lung" of the district. On a site where only 40% of the surface is built, the 600 Thales employees enjoy a pleasant working environment, close to a space left open for strolling and relaxation.

2017 BUSINESS REVIEW

2

2.1 Introduction

2.1.1 A pure player in property development in France

A 99.85% subsidiary of the Altarea Cogedim Group, Altareit offers real estate solutions for the city across all asset classes. The Group has a unique expertise in Residential and Office property development also in Retail, within the framework of operations of large mixed projects of the Altarea Cogedim group.

Residential: Altareit is among the French "Top 3"[1] property developers, with 11,189 residential property sold, representing 8.6% of the domestic market in 2017[2].

Office: Altareit has developed a unique model that enables it to operate in a highly significant manner and with limited risk on the office property market. This model is based on two complementary activities:

• Medium-term investment in assets to be redeveloped pending sale (directly or via AltaFund[3]),

• Property Development[4] on behalf of external customers (investors and users) as well as on behalf of its own investment projects, under VEFA (off-plan sale)/CPI (property development contract) and more marginally as a service provider (MOD - delegated project management).

Altareit Group has a 33.34% economic stake in Semmaris, the company that holds the Rungis MIN concession, the wolrd's largest food wholesale larket.

Leader in large mixed-use projects

This segment of the property market is currently buoyed by very strong momentum that is being driven by local metropolisation. Communities once located on the outskirts of main built-up areas are being transformed into real urban centres with multiple needs for property equipment.

In response to these needs, the Group has emerged over the past several years as the largest urban designer in France. This leading position is due to the combination of several factors:

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

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

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

Complex real estate programmes with a floor area of at least 40,000 m² offer a mix of Residential (400 units minimum), Retail and Office and include public and leisure facilities such as hotel resorts and cultural and sports venues.

At the publication date, Altareit currently manages 9 large mixed-use projects representing a potential market value of €2,9 billion.

Large projects at the publication date	Residential (units)	Retail (m²)	Office (m²)	Total (m²) [(a)]
Belvédère (Bordeaux)	1,230	11,200	53,500	141,100
La Place (Bobigny)	1,450	13,600	9,500	107,000
Cœur de Ville (Issy les M.)	630	17,000	40,850	100,000
Quartier Guillaumet (Toulouse)	1,200	5,800	7,500	101,000
Aerospace (Toulouse)	640	11,800	19,400	75,000
Joia Méridia (Nice)	800	4,700	2,900	73,500
Coeur de Ville (Bezons)	730	18,300		66,900
Gif-sur-Yvette	820	5,800		52,500
Fischer (Strasbourg)	580	3,300		41,400
Total	**8,080**	**91,500**	**133,650**	**758,400**

(a) Floor area.

2.1.2 The year's highlights

Large mixed-use projects: first iconic delivery and new successes

In 2017 Altareit delivered "Place du Grand Ouest", the new heart of the town of Massy. This project is a perfect illustration of the Group's know-how in creating a coherent and sustainable urban complex combining shops, public facilities and services for users and local residents. The biggest development project in the Paris Region (100,000 m²) and built from scratch in two and a half years.

The Group has also confirmed its leading position in recent months by winning two major projects totaling 175,000 m² in surface area:

• in December, the "Quartier Guillaumet" project located at the former site of the CEAT (Centre d'Essais Aéronautiques de Toulouse), which will develop 1,200 residences, 7,500 m² of office space, 5,800 m² of shops and 10,000 m2 of facilities on land of 101,000 m²;

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

[1] Altareit is France's second biggest developer in terms of value (with €2,636 million in orders) and third biggest in terms of units.
[2] 129,817 units reserved in France in 2017 (+2.1% vs 2016) – Source: Ministry of Territorial Cohesion.
[3] AltaFund is a discretionary investment fund, created in 2011, with €650 million in equity of which Altareit is one of the contributors alongside leading institutional investors.
[4] The Group's Property Development business does not carry any commercial risk: Altareit only carries a risk in terms of work. VEFA: property development/off-plan sales - CPI: real estate development contract - MOD: delegated project management.

Solide performance of property development

Property development (Residential and Office): €3.7 billion of reservations (+41%)

Reservations (€M incl. tax)	2017	2016	Var.
Residential	2 636	2 286	+15%
Number of units	*11 189 units*	*10 011 units*	*+12%*
Office	1 073	343	x 3,1
Total	**3 709**	**2 629**	**+41%**

Residential : 11,189 units sold (+12%)

The Group posted a new record number of reservations in 2017, with 11,189 units reserved (up by 12% on 2016), comfortably surpassing its objective of 10,000 residential units sold per year and confirming its positioning as one of France's top three residential property developers[5]. In value, reservations grew by +15%, to more than €2.6 billion.

In terms of development, the Residential pipeline (offering and land portfolio) amounted to €9.2 billion (+13%). The renewal of the Pinel Act in 2018 for a four-year period and its greater confinement to high-demand areas[6] confirms the Group's territorial strategy, with more than 99% of the pipeline being located in eligible areas.

Office: big name business in a buoyant pipeline

Thanks to its mixed developer/medium-term investor model in Office, the Group manages 51 projects including some of the most iconic schemes in greater Paris, reinforcing the Group's leadership status in this market.

During the year, the Group signed two significant lettings for the future global headquarters of Parfums Christian Dior (building Kosmo in Neuilly-sur-Seine.and for the future head office of Altarea Cogedim Group in the Richelieu building (Paris 2). These two major projects are included in the AltaFund perimeter owned by 17%.

In 2017, the Group launched four major projects: the Landscape and Eria towers in La Défense and the Richelieu and Bridge programmes.

Recognition of the quality of customer relationships

The Group continued its customer relations and satisfaction endeavours through a new organisational structure, new tools, single contacts, digitalisation, and Cogedim Stores.

In 2017, the Group launched the "*mon-cogedim.com*" website, a digital platform in which a single customer relationship manager provides dedicated follow-up for each customer for the duration of the real estate project.

The results of these endeavours speak for themselves:

The N°1 developer for customer hospitality

The Group is rated first among property brands in the rankings established by Les Echos/HCG/Evertest for Customer Hospitality and Experience[7].

"Customer Service of the Year" for Cogedim

The first real estate developer to be awarded "Customer Service of the Year in 2018[8]", Cogedim was rewarded for standards of service and quality of customer relations.

CSR approach: global number 2 ranking by GRESB

The Altarea Cogedim Group, the parent company of Altareit, is evaluated by GRESB[9] for the past two years. The Group has confirmed the excellence of its CSR approach by becoming the world's No. 1 listed property company (all products combined). Moreover, with a score of 96/100, the Group ranked second in the world, all categories combined (listed and unlisted companies).

The Group has rolled out environmental certification and 100% of new Office developments have received at least a NF HQE™ rating of "Excellent" and a BREEAM® rating of "Very good".

5 Altareit is France's second biggest developer in terms of value (with €2,636 million in orders) and third biggest in terms of units.

6 The "high-demand areas" correspond to areas A bis, A and B1. At the end of 2017, only 321 units (i.e., less than 1% of the Residential pipeline) are located in area B2, and half of those are in French Genevois, which has strong appeal.

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

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

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

2.2 Business

2.2.1 Residential

A winning strategy

Ranked in the top 3 of French developers[10], with 8.6%[11] of the market in 2017 (11,189 units reserved), the Group recorded its highest growth in France for four years. New orders were multiplied by 3[12], representing the gain of 4.2 points of market share (of which 2.8 points resulting solely from organic growth).

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

Customers are at the core of the process

Altareit stands out in the market by virtue of its capacity to tune into the wants and needs of its customers. To develop appropriate and suitable products, the Group has focused its efforts on three main areas.

Comprehensive customer support

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

• customisation of the offer: four collections featuring turnkey packs ("ready to live", "ready to rent", "connected", "security"); a catalogue of technical and decorative options. Customers can now make their choices in a Cogedim Store: the stores, open in Paris, Toulouse and Bordeaux, include display apartments, a room devoted to the choice of materials, and immersive digital experiences;

• the launch in 2017 of "mon-cogedim.com". This digital platform allows buyers to receive personalised support throughout their residential experience; the customer relationship manager nurtures long-term dialogue with the buyer, who benefits from a single point of contact and dedicated follow-up, providing a service tailored to wants and needs;

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

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

A signature, a pledge of quality

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

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

The Group innovates by offering "new ways of living". In the 13th arrondissement of Paris for instance, the Nudge programme will encourage residents to adopt more virtuous behaviour in terms of eco-responsibility, socialisation with neighbours and creativity in everyday life.

Programmes rooted in their city

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

A multi-brand and multi-product strategy

The Group operates across France through three complementary brands: Cogedim, Pitch Promotion et Histoire & Patrimoine.

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

• High-end[13]: products defined by demanding requirements in terms of location, architecture and quality. In 2017, they accounted for 15% of the Group's orders by number of units, including three programmes currently on the market in Paris, where the Group is the leading developer[14];

• Entry level/mid-range[15]: these programmes, which accounted for 78% of the Group's new orders, are specifically designed to:

- meet the need for affordable housing suited to the creditworthiness of our customers,

- fulfill individual investors' desires to take advantage of the new Pinel scheme,

- take advantage of local authorities' eagerness to develop affordable housing operations,

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

• Serviced residences: the Group develops an extended line (student residences, business tourism residences, exclusive residences, etc.). Under the Cogedim Club® brand, it also designs serviced residences for active seniors, combining

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[10] Altareit is France's second biggest developer in terms of value (with €2,636 million in orders) and third biggest in terms of units.
[11] 129,817 units reserved in France in 2017 (+2.1% vs 2016) – Source: Ministry of Territorial Cohesion.
[12] In 2013, 85 151 units were reserved in France and 3 732 for the Group. Source: Ministry of Territorial Cohesion.
[13] Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions.
[14] By value of new orders.
[15] Programmes under €5,000 per m² in the Paris Region and under €3,600 per m² in other regions, as well as exclusive programmes.

locations in the heart of the city with a broad range of bespoke services. In 2017, three Cogedim Club® residences were opened in Bordeaux (33), Suresnes (92) and Massy (91), bringing the number of residences in operation to 10;

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

• Rehabilitation of existing buildings: Under the Histoire & Patrimoine brand, the Group has a range of products for Historical Monuments, Malraux Law properties and Real Estate Tax Losses.

Well-judged regional targeting

Operating in the largest and most dynamic regional gateway cities,the Group targets high-demand areas where the need for housing is the greatest.

The extension in 2018 of the Pinel tax scheme for a further four years and its strengthening in high-demand areas are welcome news for the Group in its regional strategy, as more than 99% of its pipeline (offering and future offering) is located in eligible areas[16].

The market and outlook in 2017

The housing market remained buoyant in 2017: with growth of 2.1%,[17] 2017 reservations beat the 2016 level, which marked a return to pre-crisis levels.

The residential market as a whole, including institutional investors, private investors and homeowners, enjoyed continued low interest rates and effective incentives in the Pinel programme and increased Zero Rate Loans (ZRLs).

This improvement in the market is also reflected in building permits (+8.2% in 2017) and housing project commissioning (+15.7%).[18]

The refocusing of the Pinel tax scheme since 1 January 2018 is unlikely to seriously undermine market conditions, which remain favourable given the extent of needs.

Confident in the market trends, the Group aims to continue its trans-regional and multi-product developments in high-demand areas.

Reservations up[19] 15% by value and 12% by volume

11,189 units sold in 2017

The Group exceeded its target for new housing reservations in 2017. With 11,189 units sold (+12%), reservations reached €2.6 billion (inclusive of tax), an increase of 15% year on year.

	2017		2016		Change
Retail sales	1,780	€m	1,598	€m	+11%
Block sales	857	€m	688	€m	+25%
Total in value terms	**2,636**	**€m**	**2,286**	**€m**	**+15%**
o/w equity-method (Group share)	*277*	*€m*	*241*	*€m*	*+15%*
Retail sales	6,692	units	5,964	units	+12%
Block sales	4,497	units	4,047	units	+11%
Total in units	**11,189**	**units**	**10,011**	**units**	**+12%**

Reservations were driven by:

• retail sales, which were up 12% by volume compared with 2016, benefiting fully from households' increased solvency (low interest rates, ZRLs, Pinel tax scheme, etc.);

• block sales, which were up 11% by volume: the Group is a preferred partner for investors in both social housing (which accounts for 25% of total new orders) and intermediate or market-rent housing. The increase in block sales by 25% in value resulted in particular from a large number of sales in the immediate Paris Region.

Reservations by product range

Number of units	2017	%	2016	%	Change
Entry-level / mid-range	8,703	78%	6,561	66%	
High-end	1,680	15%	2,275	23%	
Serviced Residences	537	5%	1,006	10%	
Renovation/Rehabilitation	269	2%	169	2%	
TOTAL	**11,189**		**10,011**		**+12%**

Notarised sales: +49%

€millions incl. tax	2017	%	2016	%	Change
Entry-level / mid-range	1,613	61%	1,080	61%	
High-end	855	32%	542	30%	
Serviced Residences	104	4%	101	6%	
Renovation/Rehabilitation	90	3%	60	3%	
TOTAL	**2,663**		**1,783**		**+49%**

The change in notarised sales reflects growth in the Group's business activity since 2015.

Revenue by % of completion: +33%[20]

€millions excl. tax	2017	%	2016	%	Change
Entry-level / mid-range	900	63%	659	62%	
High-end	441	31%	356	33%	
Serviced Residences	79	6%	52	5%	
TOTAL	**1,419**		**1,067**		**+33%**

[16] The "high-demand areas" correspond to areas A bis, A and B1. Only 321 units (i.e. less than 1% of the Residential pipeline) are located in area B2, and a large part of them are in French Genevois, which has strong appeal.
[17] Source: Ministry of Territorial Cohesion.
[18] Source: Ministry of Ecological and Solidarity Transition data – Housing construction at the end of December 2017.

[19] Reservations net of withdrawals, in euros including tax when expressed in value. New orders at 100%, with the exception of projects under joint control (Group share of placements). Histoire & Patrimoine accounted for in proportion to the Group share (55%).
[20] Revenues recognised according to the percentage-of-completion method in accordance with IAS 18. The percentage of completion is calculated according to the stage of construction not including land.

Outlook

All the operational indicators reflecting the Group's outlook were up significantly.

Supply[21]: +4%

Supply	2017	2016	*Change*
In € millions (incl. tax)	4,016	3,853	*+4%*
Number of units	17,889	15,724	*+14%*

Commercial launches: +9%

Launches	2017	2016	*Change*
Number of units	12,841	11,147	*+15%*
Number of transactions	177	140	*+26%*
Revenue incl. tax (€m)	**2,901**	**2,650**	***+9%***

Residential backlog[22]: +24%

€millions excl. tax	2017	2016	*Change*
Notarised revenues not	1,956	1,307	
Revenues reserved but	1,317	1,333	
Backlog	**3,273**	**2,640**	**+24%**
o/w equity-method (Group share)	*281*	*232*	*+21%*
Number of months	*28*	*24*	

The €3.3 billion backlog also includes projects on which the Group exercises joint control (projects consolidated by the equity method). The corresponding revenue is therefore not included in the consolidated revenue of the Group's Residential business line.

Projects under construction: +43 projects

At the end of 2017, 210 projects were under construction, compared to 167 at the end of 2016.

Properties for sale[23] and future offering: 42 months of pipeline[24]

€millions incl. tax (potential revenue)	31/12/2017	No. of months	31/12/2016	*Change*
Property for sale	1,581	*7*	*1,337*	
Future offering	7,624	*35*	*6,809*	
Pipeline	**9,205**	**42**	**8,146**	**+13%**
In no.of units	*38,985*		*34,542*	*+13%*
In m².	*2,183,100*		*1,934,400*	*+13%*

Risk management

Breakdown of the Group's properties for sale at end-2017 (€1.6 billion incl. tax, or seven months of business), by percentage of completion:

In € million **from lowest to highest risk**

	Project not yet started	Project under construction	In stock (a)	Total Portfolio
Already spent(b)	184			
Cost price(c)		554	14	
Properties for sale(d) (e)	**839**	**700**	**18**	**1,557**
In %	*54%*	*45%*	*1%*	
Histoire & Patrimoine products				*17*
Measurement products				*7*
Properties for sale(e)				**1,581**
o/w to be delivered	*in 2018*	*115*		
	in 2019	*387*		
	≥ 2020	*197*		

(a) Total value for sale on delivered programmes.
(b) Total amount already spent on operations in question, excl. tax.
(c) Cost price of properties for sale (excl. tax).
(d) Excl. Histoire & Patrimoine and Pitch Promotion renovation programmes.
(e) As revenue incl. tax.

Management of real estate commitments

54% of properties for sale (or €839 million) concerns programmes for which construction has not yet started (40% under preparation and 14% where the construction has not yet been launched) and for which the amounts committed essentially correspond to evaluation, advertising and land-sale fees (or guarantees) paid upon the signature of preliminary land acquisition agreements, and cost of property (if applicable).

45% of the offering (or €700 million) is currently under construction, including a limited share (16% or €115 million) representing units to be delivered by the end of 2018.

The stock amount of finished products is insignificant (1% of the total offer).

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

• the choice to prioritise unilateral preliminary sale agreements signings rather than bilateral sale and purchase agreements;

• requiring the consent of the Commitments Committee at all stages of the transaction: signature of the purchase agreement, marketing, land acquisition and launch of construction;

• strong pre-commercialisation required when acquiring land;

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

21 Sale agreements for land signed and valued as potential residential orders (incl. taxes).
22 Residential backlog consists of revenues (excluding tax) from notarised sales to be recognised on a percentage-of-completion basis and individual and block reservations to be notarised.
23 Units available for sale (incl. taxes value, or number count).
24 Future offering consisting of secured projects (through an option on the land, mostly in unilateral form) whose launch has not yet occurred (value including taxes of potential revenue when expressed in euros).

2.2.2 Office

An investor developer model

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

• as a promoter[25] in the form of off-plan sales, off-plan leases and property development contracts, with a particularly strong position on the turnkey users market, or as a service provider under delegated project management contracts;

• as an investor directly or through AltaFund as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redevelopped[26].

The Group is systematically the developer of projects in which it acts as co-investor and manager[27]. It can operate throughout the value chain, with a diversified revenue model: PDC margins, rent, capital gains, fees, etc.

The market in 2017

After a record year in 2016[28], the amount of investments in office property reached €18.8 billion thanks notably to a very strong fourth quarter. The French market is very attractive for investors; transactions are focused primarily on the Paris region and the Lyon area, on premium assets of significant size[29].

This strength is also reflected in the rental market, with demand rising by 8% year on year in the Paris region to 2.6 million m². The Paris region vacancy rate accordingly edged down to 6.2%, and the scarcity of quality supply in the most sought-after business districts (CBD[30], La Défense, Western Crescent) is beginning to have an upward impact on headline rents.

€1.1 billion in new orders in 2017 (x 3,1)

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

• signing of property development or off-plan sales contracts in the development business[31];

• sale of assets in the investment business.

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

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

In 2017, the Group recorded significant commercial success, with a record level of new orders of €1.1 billion including tax.

€millions incl. tax	31/12/2017	31/12/2016	*Change*
Signing of property development or off-plan sales contracts	1,073	343	
o/w equity-method (Group share)	*75*	*29*	
Total	**1,073**	**343**	***x 3,1***

The main new orders related to the signature of the property development contracts for four projects: Bridge in Issy-les-Moulineaux, Landscape and Tour Eria in La Défense, and Richelieu in Paris. The impact of these orders on revenue will be seen in the coming years.

Pipeline: 51 projects underway

At 31 December 2017, the project portfolio comprised 51 developments, of which 5 are part of the Group's medium-term investment strategy and 4 represent delegated project management contracts.

At 31 December 2017	No.	Surface areas at 100% (m²)	Potential value at 100% (€m excl. tax)
Investments (a)	5	159,900	1,956
Property developer (property development or off-plan sales contracts) (b)	42	597,500	1,578
Delegated project management (c)	4	78,500	213
Total	**51**	**835,900**	**3,747**

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

25 This development activity does not present any commercial risk: Altareit carries only a measured amount of technical risk.
26 Resold rented or not.
27 Through marketing, sale, asset and fund management contracts.
28 €19.1 billion invested in 2016. Source: Cushman & Wakefield/Immostat.
29 Transactions covering an area of more than 5,000 m². represent 43% of the surface market, an increase of 6 points year on year.
30 Central Business District.
31 New orders including tax at 100%, with the exception of projects under joint control (equity-accounted) for which placements are in Group share.

Commitments

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

On investment transactions, the Group's commitments correspond to the obligations of equity contributions in operations. For AltaFund projects, the equity that the Group was committed to contribute had already been handed over at 31 December 2017.

At the balance sheet date, the Group had accordingly committed a total of €115 million in Group share.

2.2.2.1 INVESTMENT

Five investment projects at the end of 2017

At 31 December 2017, the Group was involved in 5 medium-term investment projects, which it shares with leading institutional investors.

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

The cost price of these projects was €1.4 billion at 100% (€251 million in Group share), representing a potential value of more than €1.9 billion (estimated selling price).

The deliveries of these transactions will be staggered between 2018 and 2023.

Leasing activity

In 2017, the Group signed two significant lettings for the future global headquarters of Parfums Christian Dior (building Kosmo in Neuilly-sur-Seine.and for the future head office of Altarea Cogedim Group in the Richelieu building (Paris 2). Drawing on the Group's expertise in heavy redevelopment, the project will be delivered in the second quarter of 2019.

Group investment projects at 31 December 2017

Project	Group share	Surface area (m²)	Estimated rental income (€m) [a]	Cost price (€m) [b]	Potential value (€m) [c]	Progress [d]
Kosmo (Neuilly-sur-Seine)	17%	26,200				Under construction/leased
Richelieu (Paris)	8%	31,800				Under construction/leased
Landscape (La Défense)	15%	67,400				Under construction
Tour Eria (La Défense)	30%	25,000				Under construction
La Place (Bobigny)	100%	9,500				Secured
Total at 100%	**19% [e]**	**159,900**	**81,6**	**1,355**	**1,956**	
o/w Group share			*14,9*	*251*	*342*	

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

2.2.2.2 PROPERTY DEVELOPMENT

Property Development portfolio

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

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

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

	No.	Surface area (m²)	Revenue (€m) (a)
Group investments	5	159,900	533
100% external projects	42	597,500	1,578
Portfolio 31/12/2017	**47**	**757,400**	**2,110**
o/w under construction	*19*	*297,300*	*1,055*
o/w secured projects	*28*	*460,100*	*1,056*

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

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

The year's highlights

Supply

Altareit took on 19 new projects representing a total of 222,000 m². The Group was notably selected for a 25,050 m² project in Rueil-Malmaison and for the future Orange regional headquarters in Balma near Toulouse (19,100 m²).

Deliveries

20 projects representing a total of 221,700 m² were delivered, including the Fhive building in Paris and the "Austerlitz" building in the 13th arrondissement of Paris.

Projects started

This year, work was started on 15 projects (representing a total of 264,000 m²), including the Richelieu building in Paris, Bridge in Issy-les-Moulineaux, Landscape and the Eria Tower in La Défense.

Backlog[32] (off-plan, PDA and DPM)

In € millions	31/12/2017	31/12/2016	*Change*
Off-plan, property development contracts (PDC)	906	626	
o/w equity-method (Group share)	*8*	*22*	
Fees (delegated project management - DPM)	3	4	
Total	**908**	**630**	***+44%***

Development portfolio at 31 December 2017

	Type	Surface area (m²)	Revenue (€m) (a)	Progress (b)
Group investment projects (5 developments)		**159,900**	**533**	
Bridge (Issy-les-Moulineaux)	PDA	56,800		Under construction
Belvédère (Bordeaux)	Off-plan	53,500		Secured
Issy Coeur de Ville (Issy-les-Moulineaux)	PDA	41,200		Secured
Bassins à Flot (Bordeaux)	Off-plan	37,100		Secured
Orange (Lyon)	PDA	25,850		Under construction
Le Lumière (Reuil Malmaison)	Off-plan	25,050		Secured
Campus Orange (Balma, Toulouse)	Off-plan	19,100		Secured
Other (35 operations)	PDA / Off-plan	338,900		
Other "100% external" projects (42 developments)		**597,500**	**1,578**	
Total off-plan, PDC portfolio (47 projects)		**757,400**	**2,110**	
42 Vaugirard (Paris)	MOD	29,000		Under construction
52 Champs-Elysées (Paris)	MOD	24,000		Under construction
16 Matignon (Paris)	MOD	13,000		Under construction
Tour Paris-Lyon (Paris)	MOD	12,500		Under construction
DPM portfolio (4 developments)		**78,500**	**213**	
Total development portfolio (51 projects)		**835,900**	**2,324**	

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

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

2.2.3 Diversification

2.2.3.1 RUNGIS « MARCHE D'INTERET NATIONAL » (MIN) MARKET

The world's largest food wholesale market

The Rungis Min market t is the world's largest food wholesale market, spanning 2,340,000 m², with more than 1,000,000 m² of leasable surface area. Located at the gateway of Paris, the market is a real ecosystem supplying French customers in fresh food, urban logistics, valorization of the terroirs and the French gastronomic heritage. It also ensures the maintenance of retail trade and animation of city centers.

The market hosts an exceptional variety of food (mostly fresh food), flowers, plants and decorative items.

The market's 1,200 operators employ nearly 12,000 people. Sales in 2016 stood at €8.8 billion.

Semmaris

Altareit Group hold a 33.34% stake in Semmaris (Société d'Exploitation du Marché International de Rungis), the company that holds the Rungis MIN concession, together with the French State (33.34%), several other public entities, and market operators (10%).

The Semmaris was created by decree in 1965 on the occasion of the transfer of the wholesale market of the Paris region from its historic site Les Halles in the heart of Paris. Its mission is to develop, operate and promote the MIN infrastructures, in exchange for royalties billed to wholesalers and market users.

The Macron Act, which was passed in 2015, extends the Semmaris concession until 2049 (compared to 2034 previously). This extension provides Semmaris with sufficient visibility so that it can implement its new investment plan by 2025. Semmaris plans to build 264,000 m², demolish 132,000 m², and redevelop 88,000 m², at a total cost of €1 billion, half of which will be invested by Semmaris, the other part by the operators.

Semmaris' revenue is composed of charges billed to the market's companies and of access rights, for a FY 2017 total of €111.3 million, up to 3.0%.

Cash flow from operations and EBITDA at 31 December 2017 are expected to be in line with 2016 (as a reminder, respectively €40.7 million and €47.2 million).

As the Group holds a 33.34% interest in Semmaris, the IFRS consolidated income appears on the line "Share of earnings of equity method associates".

2.2.3.2 HOTEL BUSINESS

Altareit, through its subsidiary "L'Empire" (Simplified Joint Stock Company), holds the business of the Hôtel**** Renaissance, located 39-41 avenue Wagram in Paris.

The Hotel Renaissance, designed by the architect Christian de Portzamparc, opened on May 4, 2009. It includes 118 rooms and hosts three furniture shops on the ground floor. A management contract was signed with the Marriott Group until May 31, 2029.

Operating income amounted to €(0.8) million at 31 December 2017.

2.3 Consolidated results

2.3.1.1 STRONG GROWTH IN REVENUE AND RECURRING OPERATING INCOME (+26.9% AND +38.8%)

Altareit revenue was €1.7 billion (+26.9%) and recurring operating income rose significantly to €153.1 million (+38.8%). This strong growth is mainly driven by very good Residential results: the significant investment levels achieved this year with Office have not yet had an impact on the 2017 financial year accounts. Net income, group share increased by +113% at €79.5 million (45.45 euros per share).

In € million	Residential	Office	Diversification	Funds from operations (FFO)	Changes in value, estimated and transaction costs	Total
Revenue	**1,421.0**	**300.7**	**2.0**	**1,723.6**	**–**	**1,723.6**
Change vs 31/12/2016	*+33.1%*	*+3.9%*	*na*	*+26.9%*		*+26.9%*
						–
Net property income	129.7	25.1	0.4	155.3	(5.5)	149.7
External services	2.0	15.0	–	17.0	–	17.0
Net revenue	**131.7**	**40.1**	**0.4**	**172.3**	**(5.5)**	**166.8**
Change vs 31/12/2016	*+52.4%*	*+21.3%*	*na*	*+44.1%*		
Own work capitalised and production held	138.0	22.0	–	160.0	–	160.0
Operating expenses	(174.8)	(38.9)	(0.9)	(214.7)	–	(214.7)
Net overhead expenses	**(36.8)**	**(16.9)**	**(0.9)**	**(54.7)**	**–**	**(54.7)**
Share of equity-method affiliates	21.2	4.7	9.6	35.5	(1.0)	34.5
Calculated expenses and Residential transaction costs				–	(12.4)	(12.4)
Calculated expenses and Office transaction costs				–	(2.2)	(2.2)
Calculated expenses and Diversification transaction costs				–	(4.4)	(4.4)
Recurring operating income	**116.2**	**27.9**	**9.1**	**153.1**	**(25.4)**	**127.7**
Change vs 31/12/2016	*+68.3%*	*-15.5%*	*+9.6%*	*+38.8%*		*+50.8%*
Net borrowing costs	(5.9)	(3.3)	(0.2)	(9.3)	(0.9)	(10.3)
Gains/losses in the value of financial				–	(2.9)	(2.9)
Other	0.2			0.2	(0.1)	0.2
Corporate Income Tax	(5.2)	(0.4)	–	(5.6)	(21.5)	(27.1)
Net income	**105.3**	**24.2**	**8.9**	**138.4**	**(50.8)**	**87.6**
Non-controlling interests	(8.7)	0.1		(8.6)	0.5	(8.1)
Net income, Group share	**96.6**	**24.3**	**8.9**	**129.8**	**(50.3)**	**79.5**
Change vs 31/12/2016	*+66.8%*	*-20.1%*	*+10.0%*	*+34.6%*		*+113.0%*
Diluted average number of shares				*1 748 486*		*1 748 486*
Net income, Group share per share				**74.25**		**45.45**
Change vs 31/12/2016				*+34.6%*		*+113.0%*

FFO[33] Residential : €96.6 million, +66.8%

FFO Residential has followed the progress made by property operations: spending relating to each Transaction Under Development is held in inventory and then reversed under net property income according to the percentage of completion[34] and commercial progress of the transaction.

In € millions	2017	2016	
Revenue	1,419.0	1,066.5	
Cost of sales and other expenses	(1,289.3)	(981.1)	
Net property income	**129.7**	**85.4**	+51.9%
% of revenue	*+9.1%*	*+8.0%*	
Services	2.0	1.1	
Production held in inventory	138.0	98.2	
Operating expenses	(174.8)	(134.4)	
Contribution of EM associates	21.2	18.8	
Recurring operating income	**116.2**	**69.0**	+68.3%
% of (revenue + ext. serv. prov.)	*+8.2%*	*+6.5%*	
Net borrowing costs	(5.9)	(7.7)	
Other	0.2	0.1	
Corporate income tax	(5.2)	(0.8)	
Non-controlling interests	(8.7)	(2.7)	
FFO Residential	**96.6**	**57.9**	+66.8%

2017 revenue stems from progress in operations mostly marketed in 2014 and 2015. The significant development of revenue (and associated margin) reflects the strong growth of investments made in these years.

Due to this growth and the control of structural costs, the margin[35] rose 1.7 points to 8.2%.

FFO[37] Office : €24.3 million, (20.1)%

In € millions	2017	2016	
Revenue	285.6	282.9	
Cost of sales and other expenses	(260.5)	(256.3)	
Net property income	**25.1**	**26.6**	(5.7)%
% of revenue	*+8.8%*	*+9.4%*	
Services	15.0	6.4	
Production held in inventory	22.0	16.4	
Operating expenses	(38.9)	(26.1)	
Contribution of EM associates	4.7	9.5	
Recurring operating income	**27.9**	**33.0**	(15.5)%
% of (revenue + ext. serv. prov.)	*+9.3%*	*+11.4%*	
Net borrowing costs	(3.3)	(2.4)	
Corporate income tax	(0.4)	(0.2)	
Non-controlling interests	0.1	0.0	
FFO Office	**24.3**	**30.4**	(20.1)%

FFO Office, at €24.3 million, is mainly made up of margins on operations delivered (or close to delivery) in 2017. It does not yet reflect the significant volumes expected from new orders and the major construction projects begun this year, which will have a strong impact on results over the next two years.

The level of reservations reached this year (3 times higher than 2016 reservations in value terms) didn't have any impact in the consolidated results of 2017.

2.3.1.2 CHANGES IN ACCOUNTING STANDARDS

Starting 1st of January 2018, the Group has applied IFRS 15 (Revenue from contracts with customers) which impacts revenues from property development projects. The standard means swifter recognition of percentage-of-completion[36] revenue and of the resulting net property income.

33 Funds from operations or operating cash flow from operations: net result excluding changes in value, calculated expenses, transaction fees and changes in deferred tax.
34 At 31 December 2017, the Group applied IAS 18, percentage of completion calculated according to the stage of construction not including land.
35 Operating income (FFO / revenue.
36 However, the methods for measuring the transfer of control (percentage of completion) will change. The whole cost price will now be included in the calculation, including land-related costs.

2.4 Financial resources

€ millions	31/12/2017	31/12/2016
Corporate debt	811	534
Property development debt and other debt	316	291
Total gross debt	**1 127**	**825**
Cash and cash equivalents	(453)	(253)
Total net debt	**674**	**572**
Other borrowings	52	106
Financial net debt	**726**	**678**

At 31 December 2017, the Altareit Group's financial net debt stood at €726 million. It includes corporate debts as well as non-bank financial debts. At December 31, 2017, the group Altarea Cogedim endorsed €517 million of Altareit's corporate debt.

Financial covenants

Altareit's corporate debt is subject to Altarea Cogedim's consolidated convenants (LTV<60%, ICR>2). They are respected with significant room as at 31 December 2017 (LTV at 36.1% and ICR at 9.3x).

Property development debt, secured against development projects, is subject to covenants specific to each project.

	Covenant	31/12/2017	31/12/2016	Delta
LTV (a)	≤ 60%	36.1%	37.2%	(1.1) pt.
ICR (b)	≥ 2.0 x	9.3x	7.4x	+1.9x

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

Altareit's Gearing[37] was at 1,34x at the end of 2017 (vs 1,38x in 2016).

[37] *Net debt / consolidated shareholders' equity*

Consolidated income statement by segment at 31 December 2017

€millions	31/12/2017 Funds from operations (FFO)	31/12/2017 Changes in value, estimated expenses and transaction costs	31/12/2017 TOTAL	31/12/2016 Funds from operations (FFO)	31/12/2016 Changes in value, estimated expenses and transaction costs	31/12/2016 TOTAL
Revenue	1,419.0	–	1,419.0	1,066.5	–	1,066.5
Cost of sales and other expenses	(1,289.3)	(2.9)	(1,292.1)	(981.1)	(2.4)	(983.5)
Net property income	**129.7**	**(2.9)**	**126.9**	**85.4**	**(2.4)**	**83.0**
External services	2.0	–	2.0	1.1	–	1.1
Production held in inventory	138.0	–	138.0	98.2	–	98.2
Operating expenses	(174.8)	(9.9)	(184.7)	(134.4)	(6.9)	(141.3)
Net overhead expenses	**(34.8)**	**(9.9)**	**(44.7)**	**(35.2)**	**(6.9)**	**(42.1)**
Share of equity-method affiliates	**21.2**	**(0.2)**	**21.0**	**18.8**	**(2.0)**	**16.8**
Net allowances for depreciation and impairment	**–**	**(1.8)**	**(1.8)**	**–**	**(3.0)**	**(3.0)**
Transaction costs	**–**	**(0.6)**	**(0.6)**	**–**	**(0.3)**	**(0.3)**
NET RESIDENTIAL INCOME	**116.2**	**(15.5)**	**100.7**	**69.0**	**(14.6)**	**54.4**
Revenue	285.6	–	285.6	282.9	–	282.9
Cost of sales and other expenses	(260.5)	(2.7)	(263.2)	(256.3)	(2.2)	(258.5)
Other income	**25.1**	**(2.7)**	**22.5**	**26.6**	**(2.2)**	**24.4**
Net property income	15.0	–	15.0	6.4	–	6.4
External services	22.0	–	22.0	16.4	–	16.4
Production held in inventory	(38.9)	(1.8)	(40.8)	(26.1)	(2.3)	(28.4)
Operating expenses	**(1.9)**	**(1.8)**	**(3.8)**	**(3.2)**	**(2.3)**	**(5.5)**
Net overhead expenses	**4.7**	**2.2**	**6.9**	**9.5**	**(1.0)**	**8.6**
Share of equity-method affiliates	**–**	**(0.4)**	**(0.4)**	**–**	**(0.7)**	**(0.7)**
Net allowances for depreciation and impairment	**–**	**–**	**–**	**–**	**–**	**–**
NET OFFICE INCOME	**27.9**	**(2.6)**	**25.2**	**33.0**	**(6.2)**	**26.8**
Operating expenses	(0.9)	–	(0.9)	(1.2)	–	(1.2)
Net overhead expenses	**(0.9)**	**–**	**(0.9)**	**(1.2)**	**–**	**(1.2)**
Share of equity-method affiliates	**9.6**	**(3.0)**	**6.6**	**9.5**	**(3.5)**	**6.0**
Net allowances for depreciation and impairment	**–**	**(4.4)**	**(4.4)**	**–**	**(1.2)**	**(1.2)**
Income/loss on sale of assets	**0.4**	**–**	**0.4**	**–**	**–**	**–**
NET DIVERSIFICATION INCOME	**9.1**	**(7.3)**	**1.7**	**8.3**	**(4.7)**	**3.6**
Other	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
OPERATING INCOME	**153.1**	**(25.4)**	**127.7**	**110.3**	**(25.6)**	**84.7**
Net borrowing costs	**(9.3)**	**(0.9)**	**(10.3)**	**(10.3)**	**(1.5)**	**(11.8)**
Discounting of debt and receivables	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**	**(0.2)**
Change in value and income from disposal of financial instruments	**–**	**(2.9)**	**(2.9)**	**–**	**(6.9)**	**(6.9)**
Proceeds from the disposal of investments	**–**	**0.1**	**0.1**	**–**	**0.0**	**0.0**
Dividend	**0.2**	**–**	**0.2**	**0.1**	**–**	**0.1**
PROFIT BEFORE TAX	**144.0**	**(29.4)**	**114.7**	**100.1**	**(34.1)**	**66.0**
Corporate income tax	(5.6)	(21.5)	(27.1)	(1.0)	(25.2)	(26.2)
NET INCOME FROM CONTINUING OPERATIONS	**138.4**	**(50.8)**	**87.6**	**99.1**	**(59.3)**	**39.8**
Minority shares in continued operations	**(8.6)**	**0.5**	**(8.1)**	**(2.7)**	**0.2**	**(2.5)**
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE	**129.8**	**(50.3)**	**79.5**	**96.4**	**(59.1)**	**37.3**
NET RESULT FROM DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**2.2**	**2.2**
Minority shares in discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**
NET INCOME FROM DISCONTINUED OPERATIONS, GROUP SHARE	**–**	**–**	**–**	**–**	**2.2**	**2.2**
NET INCOME	**138.4**	**(50.8)**	**87.6**	**99.1**	**(57.1)**	**42.0**
Non-controlling interests	**(8.6)**	**0.5**	**(8.1)**	**(2.7)**	**0.2**	**(2.5)**
NET INCOME, GROUP SHARE	**129.8**	**(50.3)**	**79.5**	**96.4**	**(56.9)**	**39.5**
Diluted average number of shares	*1 748 486*	*1 748 486*	*1 748 486*	*1 748 274*	*1 748 274*	*1 748 274*
NET INCOME PER SHARE FROM CONTINUING OPERATIONS, GROUP SHARE	**74.25**	**(28.80)**	**45.45**	**55.14**	**(33.82)**	**21.32**
NET INCOME PER SHARE (€/share), GROUP SHARE	**74.25**	**(28.80)**	**45.45**	**55.14**	**(32.55)**	**22.58**

Balance sheet at 31 December 2017

In € millions	31/12/2017	31/12/2016
NON-CURRENT ASSETS	**693.8**	**628.2**
Intangible assets	233.7	238.7
o/w Goodwill	*139.6*	*139.6*
o/w Brands	*89.9*	*89.9*
o/w Client relations	*–*	*5.5*
o/w Other intangible assets	*4.2*	*3.6*
Property plant and equipment	15.6	13.1
Investment properties	38.3	38.3
Securities and investments in equity affiliates and unconsolidated interests	338.0	246.6
Loans and receivables (non-current)	6.8	6.7
Deferred tax assets	61.3	84.9
CURRENT ASSETS	**2,260.0**	**1,624.9**
Net inventories and work in progress	1,275.4	959.6
Trade and other receivables	510.6	386.0
Income tax credit	8.2	6.5
Loans and receivables (current)	13.0	12.7
Derivative financial instruments	–	7.0
Cash and cash equivalents	452.8	253.1
TOTAL ASSETS	**2,953.8**	**2,253.2**
EQUITY	**502.3**	**415.5**
Equity attributable to Altareit SCA shareholders	**487.8**	**407.1**
Capital	2.6	2.6
Other paid-in capital	76.3	76.3
Reserves	329.4	288.7
Income associated with Altareit SCA shareholders	79.5	39.5
Equity attributable to minority shareholders of subsidiaries	**14.5**	**8.4**
Reserves associated with minority shareholders of subsidiaries	6.4	5.9
Income associated with minority shareholders of subsidiaries	8.1	2.5
NON-CURRENT LIABILITIES	**585.4**	**496.5**
Non-current borrowings and financial liabilities	569.6	480.5
o/w Borrowings from lending establishments	*569.2*	*480.3*
o/w Advances from Group and shareholders	*0.5*	*0.2*
Long-term provisions	14.6	15.0
Deposits and security interests received	1.0	1.0
Deferred tax liability	0.2	0.0
CURRENT LIABILITIES	**1,866.2**	**1,341.2**
Current borrowings and financial liabilities	609.4	450.7
o/w Borrowings from lending establishments (excluding overdrafts)	*87.9*	*204.7*
o/w Treasury notes	*468.9*	*138.3*
o/w Bank overdrafts	*0.8*	*2.0*
o/w Advances from Group shareholders and partners	*51.8*	*105.6*
Derivative financial instruments	0.0	0.0
Accounts payable and other operating liabilities	1,249.8	890.4
Tax due	7.0	0.0
TOTAL LIABILITIES	**2,953.8**	**2,253.2**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3

3.1 Consolidated statement of comprehensive income

€millions	Note	31/12/2017	31/12/2016
Revenue		1,706.6	1,349.4
Cost of sales		(1,459.1)	(1,167.6)
Selling expenses		(81.5)	(61.9)
Net charge to provisions for current assets		(14.3)	(7.8)
Amortisation of customer relationships		(5.5)	(4.6)
NET PROPERTY INCOME	5.1	**146.2**	**107.4**
External services		17.0	7.5
Own work capitalised and production held in inventory		160.0	114.6
Personnel costs		(147.1)	(116.9)
Other overhead expenses		(75.8)	(51.0)
Depreciation expense on operating assets		(3.6)	(3.1)
Net overhead expenses		**(49.5)**	**(48.9)**
Other income and expenses		(3.5)	(3.0)
Depreciation expenses		(0.8)	(0.8)
Transaction costs		(0.6)	(0.4)
OTHER		**(4.9)**	**(4.2)**
Net impairment losses on other non-current assets		0.4	(0.0)
Net charge to provisions for risks and contingencies		1.0	(1.0)
Operating income before the share of net income of equity-method affiliates		**93.2**	**53.3**
Share in earnings of equity-method affiliates	4.4	34.5	31.4
Operating income after the share of net income of equity-method affiliates		**127.7**	**84.7**
Net borrowing costs	5.2	(10.3)	(11.8)
Financial expenses		(17.3)	(20.3)
Financial income		7.0	8.4
Change in value and income from disposal of financial instruments	5.2	(2.9)	(6.9)
Discounting of debt and receivables		(0.2)	(0.2)
Proceeds from the disposal of investments		0.1	0.0
Dividend		0.2	0.1
Profit before tax		**114.7**	**66.0**
Income tax	5.3	(27.1)	(26.2)
Net income from continuing operations		**87.6**	**39.8**
of which net income from continuing operations, Group share		**79.5**	**37.3**
of which net income from continuing operations attributable to minority interests		8.1	2.5
Profit/(loss) from discontinued operations		**–**	**2.2**
of which profit/(loss) from discontinued operations, Group share		**–**	**2.2**
of which profit/(loss) from discontinued operations attributable to minority interests		–	–
Net income		**87.6**	**42.0**
of which attributable to shareholders of Altareit SCA		**79.5**	**39.5**
of which attributable to minority interests in subsidiaries		8.1	2.5
Average number of non-diluted shares		1,748,486	1,748,274
Non-diluted net income per share from continuing operations attributable to shareholders of Altareit SCA (€)		45.45	21.32
Non-diluted net income per share from discontinued operations attributable to shareholders of Altareit SCA (€)		–	1.27
Net income per share attributable to shareholders of Altareit SCA (€)	5.4	**45.45**	**22.58**
Diluted average number of shares		1,748,486	1,748,274
Diluted net income per share from continuing operations attributable to shareholders of Altareit SCA (€)		45.45	21.32
Diluted net income per share from discontinued operations attributable to shareholders of Altareit SCA (€)		–	1.27
Diluted net income per share attributable to shareholders of Altareit SCA (€)	5.4	**45.45**	**22.58**

OTHER ITEMS OF COMPREHENSIVE INCOME

€millions	31/12/2017	31/12/2016
NET INCOME FROM CONTINUING OPERATIONS	**87.6**	**39.8**
Actuarial differences on defined-benefit pension plans	(0.3)	(0.2)
o/w Taxes	*0.2*	*0.1*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	(0.3)	(0.2)
OTHER ITEMS OF COMPREHENSIVE INCOME	**(0.3)**	**(0.2)**
COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS	**87.2**	**39.6**
o/w Net comprehensive income from continuing operations attributable to Altareit SCA shareholders	79.1	37.1
o/w Net comprehensive income from continuing operations attributable to minority interests in subsidiaries	8.1	2.5
NET RESULT FROM DISCONTINUED OPERATIONS	**–**	**2.2**
Actuarial differences on defined-benefit pension plans	–	–
o/w Taxes	–	–
Subtotal of comprehensive income items that may not be reclassified to profit or loss	–	–
OTHER ITEMS OF COMPREHENSIVE INCOME	**–**	**–**
COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	**–**	**2.2**
o/w Net comprehensive income from discontinued operations attributable to Altareit SCA shareholders	–	2.2
o/w Net comprehensive income from discontinued operations attributable to minority interests in subsidiaries	–	–
NET INCOME	**87.6**	**42.0**
Actuarial differences on defined-benefit pension plans	(0.3)	(0.2)
o/w Taxes	*0.2*	*0.1*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	(0.3)	(0.2)
OTHER ITEMS OF COMPREHENSIVE INCOME	**(0.3)**	**(0.2)**
COMPREHENSIVE INCOME	**87.2**	**41.8**
o/w Net comprehensive income attributable to Altareit SCA shareholders	79.1	39.3
o/w Net comprehensive income attributable to minority interests in subsidiaries	8.1	2.5

3.2 Consolidated statement of financial position

€millions	Note	31/12/2017	31/12/2016
NON-CURRENT ASSETS		**693.8**	**628.2**
Intangible assets	7.1	233.7	238.7
o/w Goodwill		*139.6*	*139.6*
o/w Brands		*89.9*	*89.9*
o/w Client relations		*–*	*5.5*
o/w Other intangible assets		*4.2*	*3.6*
Property plant and equipment		15.6	13.1
Investment properties		38.3	38.3
Securities and investments in equity affiliates and unconsolidated interests	4.4	338.0	246.6
Loans and receivables (non-current)		6.8	6.7
Deferred tax assets	5.3	61.3	84.9
CURRENT ASSETS		**2,260.0**	**1,624.9**
Net inventories and work in progress	7.3	1,275.4	959.6
Trade and other receivables	7.3	510.6	386.0
Income tax credit		8.2	6.5
Loans and receivables (current)		13.0	12.7
Derivative financial instruments	8	–	7.0
Cash and cash equivalents	6.2	452.8	253.1
TOTAL ASSETS		**2,953.8**	**2,253.2**
EQUITY		**502.3**	**415.5**
Equity attributable to Altareit SCA shareholders		**487.8**	**407.1**
Capital	6.1	2.6	2.6
Other paid-in capital		76.3	76.3
Reserves		329.4	288.7
Income associated with Altareit SCA shareholders		79.5	39.5
Equity attributable to minority shareholders of subsidiaries		**14.5**	**8.4**
Reserves associated with minority shareholders of subsidiaries		6.4	5.9
Income associated with minority shareholders of subsidiaries		8.1	2.5
NON-CURRENT LIABILITIES		**585.4**	**496.5**
Non-current borrowings and financial liabilities	6.2	569.6	480.5
o/w Borrowings from lending establishments		*569.2*	*480.3*
o/w Advances from Group and shareholders		*0.5*	*0.2*
Long-term provisions	6.3	14.6	15.0
Deposits and security interests received		1.0	1.0
Deferred tax liability	5.3	0.2	0.0
CURRENT LIABILITIES		**1,866.2**	**1,341.2**
Current borrowings and financial liabilities	6.2	609.4	450.7
o/w Borrowings from lending establishments (excluding overdrafts)		*87.9*	*204.7*
o/w Treasury notes		*468.9*	*138.3*
o/w Bank overdrafts		*0.8*	*2.0*
o/w Advances from Group shareholders and partners		*51.8*	*105.6*
Derivative financial instruments	8	0.0	0.0
Accounts payable and other operating liabilities	7.3	1,249.8	890.4
Tax due		7.0	0.0
TOTAL LIABILITIES		**2,953.8**	**2,253.2**

3.3 Consolidated statement of cash flows

€millions	Note	31/12/2017	31/12/2016
Cash flow from operating activities			
Net income from continuing operations		**87.6**	**39.8**
Elimination of income tax expense (income)	5.3	27.1	26.2
Elimination of net interest expense (income)		10.3	11.8
Net income before tax and before net interest expense (income)		**125.0**	**77.8**
Elimination of share in earnings of equity-method subsidiaries	4.4	(34.5)	(31.4)
Elimination of depreciation and impairment		9.0	8.4
Elimination of value adjustments	5.2	3.1	7.1
Elimination of net gains/(losses) on disposals		0.0	0.2
Elimination of dividend income		(0.2)	(0.1)
Estimated income and expenses associated with share-based payments	6.1	2.4	7.1
Net cash flow from continuing operations		**104.7**	**68.9**
Tax paid		(0.3)	(4.9)
Impact of change in operational working capital requirement (WCR)	7.3	(82.8)	(93.5)
CASH FLOW FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS		**21.7**	**(29.5)**
Cash flow from investment activities			
Net acquisitions of assets and capitalised expenditures		(7.6)	(5.2)
Gross investments in equity-method subsidiaries and non-consolidated investments	4.4	(100.3)	(13.2)
Acquisitions of consolidated companies, net of cash acquired	4.3	(0.0)	(81.3)
Other changes in Group structure		0.7	(0.0)
Increase in loans and advances		(4.6)	(17.0)
Sale of non-current assets and reimbursement of advances and down payments		0.4	0.0
Disposals of holdings in equity-method subsidiaries and non-consolidated investments	4.4	22.8	16.9
Disposals of consolidated companies, net of cash transferred		(0.0)	(0.5)
Reduction in loans and other financial investments		3.3	5.7
Net change in investments and derivative financial instruments		–	0.3
Dividends received		18.3	27.3
Interest income		11.4	8.2
CASH FLOW FROM INVESTMENT ACTIVITIES OF CONTINUING OPERATIONS		**(55.8)**	**(58.9)**
Cash flow from financing activities			
Minority interests share in capital increases in subsidiaries		0.8	–
Capital increase		–	0.0
Dividends paid to Altareit SCA shareholders		–	(0.0)
Dividends paid to minority shareholders of subsidiaries		(2.8)	(9.6)
Issuance of debt and other financial liabilities	6.2	1,400.7	845.6
Repayment of borrowings and other financial liabilities	6.2	(1,143.0)	(682.0)
Net sales (purchases) of treasury shares		(0.0)	0.0
Net change in security deposits and guarantees received		0.0	0.1
Interest paid		(20.7)	(19.4)
CASH FLOW FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS		**235.0**	**134.8**
Net cash flows from discontinued operations		–	(1.3)
CHANGE IN CASH BALANCE		**200.9**	**45.1**
Cash balance at the beginning of the year	**6.2**	**251.1**	**206.0**
Cash and cash equivalents		253.1	208.3
Bank overdrafts		(2.0)	(2.3)
Cash balance at period-end	**6.2**	**452.0**	**251.1**
Cash and cash equivalents		452.8	253.1
Bank overdrafts		(0.8)	(2.0)

3.4 Consolidated statement of changes in equity

€millions	Capital	Other paid-in capital	Reserves and retained earnings	Equity attributable to Altareit SCA shareholders	Equity attributable to minority shareholders of subsidiaries	Total Equity
At 1st January 2016	**2.6**	**76.3**	**284.2**	**363.1**	**15.7**	**378.7**
Net income	–	–	*39.5*	***39.5***	*2.5*	***42.0***
Actuarial difference relating to pension obligations	–	–	*(0.2)*	***(0.2)***	–	***(0.2)***
Comprehensive income	–	–	39.3	**39.3**	2.5	**41.8**
Dividend distribution	–	–	*(0.0)*	***(0.0)***	*(9.6)*	***(9.6)***
Capital increase	–	–	*0.0*	***0.0***	*0.0*	***0.0***
Measurement of share-based payments	–	–	*6.7*	***6.7***	–	***6.7***
Impact of Altarea SCA's share buyback to be delivered to employees	–	–	*(2.0)*	***(2.0)***	–	***(2.0)***
Elimination of treasury shares	–	–	*0.0*	***0.0***	–	***0.0***
Transactions with shareholders	–	–	4.7	**4.7**	(9.6)	**(4.9)**
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	–	–	–	**–**	–	**–**
Other	0.0	0.0	0.0	**0.0**	0.0	**0.0**
As at 31 December 2016	**2.6**	**76.3**	**328.2**	**407.1**	**8.4**	**415.5**
Net income	–	–	*79.5*	***79.5***	*8.1*	***87.6***
Actuarial difference relating to pension obligations	–	–	*(0.3)*	***(0.3)***	–	***(0.3)***
Comprehensive income	–	–	79.1	**79.1**	8.1	**87.2**
Dividend distribution	–	–	–	**–**	*(2.8)*	***(2.8)***
Capital increase	–	–	–	**–**	*0.8*	***0.8***
Measurement of share-based payments	–	–	*7.4*	***7.4***	–	***7.4***
Impact of Altarea SCA's share buyback to be delivered to employees	–	–	*(5.8)*	***(5.8)***	–	***(5.8)***
Elimination of treasury shares	–	–	*(0.0)*	***(0.0)***	–	***(0.0)***
Transactions with shareholders	–	–	1.5	**1.5**	(2.0)	**(0.5)**
Changes in ownership interests without taking or losing control of subsidiaries	–	–	0.0	**0.0**	(0.0)	**(0.0)**
Changes in ownership interests associated with taking or losing control of subsidiaries	–	–	–	**–**	–	**(0.0)**
Other	(0.0)	–	(0.0)	**(0.0)**	0.0	**(0.0)**
At 31 December 2017	**2.6**	**76.3**	**408.9**	**487.8**	**14.5**	**502.3**

3.5 Consolidated income statement by segment

€millions	31/12/2017 Funds from operations (FFO)	31/12/2017 Changes in value, estimated expenses and transaction costs	31/12/2017 TOTAL	31/12/2016 Funds from operations (FFO)	31/12/2016 Changes in value, estimated expenses and transaction costs	31/12/2016 TOTAL
Revenue	1,419.0	–	1,419.0	1,066.5	–	1,066.5
Cost of sales and other expenses	(1,289.3)	(2.9)	(1,292.1)	(981.1)	(2.4)	(983.5)
Net property income	**129.7**	**(2.9)**	**126.9**	**85.4**	**(2.4)**	**83.0**
External services	2.0	–	2.0	1.1	–	1.1
Production held in inventory	138.0	–	138.0	98.2	–	98.2
Operating expenses	(174.8)	(9.9)	(184.7)	(134.4)	(6.9)	(141.3)
Net overhead expenses	**(34.8)**	**(9.9)**	**(44.7)**	**(35.2)**	**(6.9)**	**(42.1)**
Share of equity-method affiliates	**21.2**	**(0.2)**	**21.0**	**18.8**	**(2.0)**	**16.8**
Net allowances for depreciation and impairment	**–**	**(1.8)**	**(1.8)**	**–**	**(3.0)**	**(3.0)**
Transaction costs	**–**	**(0.6)**	**(0.6)**	**–**	**(0.3)**	**(0.3)**
NET RESIDENTIAL INCOME	**116.2**	**(15.5)**	**100.7**	**69.0**	**(14.6)**	**54.4**
Revenue	285.6	–	285.6	282.9	–	282.9
Cost of sales and other expenses	(260.5)	(2.7)	(263.2)	(256.3)	(2.2)	(258.5)
Net property income	**25.1**	**(2.7)**	**22.5**	**26.6**	**(2.2)**	**24.4**
External services	15.0	–	15.0	6.4	–	6.4
Production held in inventory	22.0	–	22.0	16.4	–	16.4
Operating expenses	(38.9)	(1.8)	(40.8)	(26.1)	(2.3)	(28.4)
Net overhead expenses	**(1.9)**	**(1.8)**	**(3.8)**	**(3.2)**	**(2.3)**	**(5.5)**
Share of equity-method affiliates	**4.7**	**2.2**	**6.9**	**9.5**	**(1.0)**	**8.6**
Net allowances for depreciation and impairment	**–**	**(0.4)**	**(0.4)**	**–**	**(0.7)**	**(0.7)**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**
NET OFFICE INCOME	**27.9**	**(2.6)**	**25.2**	**33.0**	**(6.2)**	**26.8**
Operating expenses	(0.9)	–	(0.9)	(1.2)	–	(1.2)
Net overhead expenses	**(0.9)**	**–**	**(0.9)**	**(1.2)**	**–**	**(1.2)**
Share of equity-method affiliates	**9.6**	**(3.0)**	**6.6**	**9.5**	**(3.5)**	**6.0**
Net allowances for depreciation and impairment	**–**	**(4.4)**	**(4.4)**	**–**	**(1.2)**	**(1.2)**
Income/loss on sale of assets	**0.4**	**–**	**0.4**	**–**	**–**	**–**
NET DIVERSIFICATION INCOME	**9.1**	**(7.3)**	**1.7**	**8.3**	**(4.7)**	**3.6**
Other	–	–	–	–	(0.1)	(0.1)
OPERATING INCOME	**153.1**	**(25.4)**	**127.7**	**110.3**	**(25.6)**	**84.7**
Net borrowing costs	**(9.3)**	**(0.9)**	**(10.3)**	**(10.3)**	**(1.5)**	**(11.8)**
Discounting of debt and receivables	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**	**(0.2)**
Change in value and income from disposal of financial instruments	**–**	**(2.9)**	**(2.9)**	**–**	**(6.9)**	**(6.9)**
Proceeds from the disposal of investments	**–**	**0.1**	**0.1**	**–**	**0.0**	**0.0**
Dividend	**0.2**	**–**	**0.2**	**0.1**	**–**	**0.1**
PROFIT BEFORE TAX	**144.0**	**(29.4)**	**114.7**	**100.1**	**(34.1)**	**66.0**
Corporate income tax	(5.6)	(21.5)	(27.1)	(1.0)	(25.2)	(26.2)
NET INCOME FROM CONTINUING OPERATIONS	**138.4**	**(50.8)**	**87.6**	**99.1**	**(59.3)**	**39.8**
Minority shares in continued operations	**(8.6)**	**0.5**	**(8.1)**	**(2.7)**	**0.2**	**(2.5)**
NET INCOME FROM CONTINUING OPERATIONS, GROUP SHARE	**129.8**	**(50.3)**	**79.5**	**96.4**	**(59.1)**	**37.3**
NET RESULT FROM DISCONTINUED OPERATIONS	**–**	**–**	**–**	**–**	**2.2**	**2.2**
Minority shares in discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**
NET INCOME FROM DISCONTINUED OPERATIONS, GROUP SHARE	**–**	**–**	**–**	**–**	**2.2**	**2.2**
NET INCOME	**138.4**	**(50.8)**	**87.6**	**99.1**	**(57.1)**	**42.0**
Non-controlling interests	**(8.6)**	**0.5**	**(8.1)**	**(2.7)**	**0.2**	**(2.5)**
NET INCOME, GROUP SHARE	**129.8**	**(50.3)**	**79.5**	**96.4**	**(56.9)**	**39.5**
Diluted average number of shares	*1 748 486*	*1 748 486*	*1 748 486*	*1 748 274*	*1 748 274*	*1 748 274*
NET INCOME PER SHARE FROM CONTINUING OPERATIONS, Group share	**74.25**	**(28.80)**	**45.45**	**55.14**	**(33.82)**	**21.32**
NET INCOME PER SHARE (€/share), GROUP SHARE	**74.25**	**(28.80)**	**45.45**	**55.14**	**(32.55)**	**22.58**

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

3.6 Notes to the consolidated fincancial statements

Detailed contents of the Notes to the consolidated financial statements

NOTE 1 INFORMATION CONCERNING THE COMPANY

Altareit 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 B). Its registered office is located at 8 avenue Delcassé in Paris.

Altareit is a significant player in the Housing and Office Development, which controls 100% of Cogedim and Pitch Promotion.

Altareit is controlled by the company Altarea, whose shares are admitted to trading on the regulated market Euronext Paris, Compartment A.

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

The consolidated financial statements for the year ended 31 December 2017 were approved by the Management on 5 March 2018 having been examined by the Audit Committee and the Supervisory Board.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Accounting standards applied by the Company

The accounting principles adopted for preparation of the annual consolidated financial statements are in line with IFRS standards and interpretations from the IASB, as adopted by the European Union at 31 December 2017 and available at:

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

The accounting principles adopted on 31 December 2017 are the same as those used for the consolidated financial statements at 31 December 2016, with the exception of changes to the standards and interpretations adopted by the European Union applicable at 1 January 2017, and without material impact on the Group's financial statements.

The information relating to the year ended 31 December 2016, presented in the reference document filed with the AMF (French Financial Markets Authority) on 14 March 2017 under number D17-0169, are incorporated by reference.

Standards, interpretations and amendments applicable to the financial year starting 1 January 2017 (subject to their approval by the European Union):

- Amendment to IAS 12 – Recognition of deferred tax assets for unrealised losses;
- Amendment to IAS 7 – Disclosure initiative;
- Annual improvements to IFRS (2014-2016): IFRS 12 - Disclosure of interests in other entities.

Standards and interpretations adopted early as at 31 December, application of whose application is mandatory for financial years starting on 1 January 2018 or later.

None.

Accounting standards and interpretations in effect at 1 January 2018 and mandatory after 31 December 2017.

- **IFRS 15** – Revenue from Contracts with Customers and Clarification of IFRS 15

On 22 September 2016, the European Union adopted IFRS 15, and on 31 October 2017 it adopted the corresponding clarifications. This standard is mandatory for financial years starting on 1 January 2018 and later.

The main expected impact of this new standard by the Group relates to revenue from property development projects sold off-plan under VEFA (Vente en l'Etat Futur d'Achèvement) or CPI (Contrat de Promotion Immobilière) arrangements.

The standard preserves the recognition of percentage-of-completion revenues for projects where control of the promised asset is transferred gradually over the lifetime of the project. However, the methods for measuring the transfer of control (percentage of completion) will change. The whole cost price will now be included in the calculation, including land-related costs.

This will mean revenues and net property income will be assessed earlier than under the method currently applied by the Group.

The Group has not yet decided which mode of application to use (full or modified retrospective).

The precise effects on equity and net income are in the process of being finalised.

- **IFRS 9** – Financial instruments

On 22 November 2016 the European Union adopted IFRS 9, whose application is mandatory for financial years starting on of after 1 January 2018.

The main changes made which might affect the Group's financial statements are the following:

- classification and measurement of financial assets (phase 1): under the terms of the amendment to IFRS 9 the Group will have to clarify the accounting treatment of debt renegotiations not giving rise to derecognition. The standard reinforces the qualitative test for assessing how substantive an amendment to a debt is;
- the impairment model for financial assets: in view of the nature of its activities, the means of determining impairment of the Group's trade receivables fall within the scope of application of this standard.

The Group is in the process of completing its analyses, and no major impact is expected to be seen on the consolidated financial statements.

- IAS 40 – Transfers of Investment Property

- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Amendment to IFRS 4 – Application of IFRS 9 with IFRS 4
- **IFRS 16** – Leases

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

  The agreements were identified and are currently in review.
- Annual improvements to IFRS (2014-2016): IAS 28 – Investments in associates and joint ventures / Disclosure of Interests in Other Entities and IFRS 1 – First-time Adoption of IFRS.

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

- IFRS 14 – Regulatory deferral accounts
- IFRS 17 – Insurance Contracts
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions.
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Annual improvements to IFRS (2015-2017).

2.2 Use of estimates

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

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

Measurement of intangible assets not subject to amortisation

- measurement of goodwill and brands related to Cogedim, acquired in 2007, and Pitch Promotion, acquired in February 2016 (see Notes 2.3.8, "Re-measurement of non-current assets (other than financial assets and investment properties) and impairment losses", and 7.1, "Intangible assets and goodwill");

Measurements of other assets and liabilities

- measurement of investment properties (see Notes 2.3.6 "Investment properties" and 7.2 "Investment properties"),

- measurement of inventories (see Notes 2.3.9 "Inventories" and 7.3.1 "Inventories and work in progress"),

- measurement of deferred tax assets (see Notes 2.3.17 "Taxes" and 5.3 "Tax on Income"); note that the Group has applied the cut in tax rates programmed by the Finance Act currently in force since 31 December 2016,

- measurement of share-based payments (see Notes 6.1 "Equity" and 2.3.13 "Share-based payments");

Operating income estimates

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

Non-current assets held for sale and discontinued operations

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

2.3 Accounting principles and methods of the Company

2.3.1 Equity investments of the Company and consolidation methods

For consolidation, the following standards apply:

- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of interests in other entities;
- IAS 28 – Investments in associates and joint ventures.

IFRS 10 defines control as follows: "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". The Company has power over an investee when it has existing substantive rights that give it the current ability to direct the relevant activities, defined as activities that significantly affect the investee's returns.

The assessment of control as per IFRS 10 has led the Company to develop a framework for analysing the governance of the entities related to the Company, particularly when there are partnership situations governed by broad contractual arrangements such as Articles of Association, shareholder pacts, etc. It also takes account of events and circumstances.

In accordance with IFRS 10, ad hoc entities are consolidated when, in substance, the relation between the Company and the entity is such that the Company is considered to exercise control over the latter.

Exclusively controlled entities

Exclusively controlled subsidiaries are fully consolidated. All intra-group balances and transactions as well as income and expense from internal transactions and dividends are eliminated.

Any modification in the Company's interest in a subsidiary not resulting in a loss of control is recognised in equity. If the Company loses the control over a subsidiary, the assets and liabilities and equity of this former subsidiary are derecognised. Any gain or loss resulting from this loss of control is recognised in profit or loss. Any interest retained in the former subsidiary is recognised at fair value on the date of loss of control according to the recognition method required under IFRS 11, IAS 28 or IAS 39.

Entities subject to joint control

According to IFRS 11, companies are subject to joint control when important decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint control may be exercised through joint operation or a joint venture. According to IFRS 11, the joint operation is distinguished from the joint venture by the existence or not of directly held rights to certain assets and direct obligations for certain liabilities of the entity, whereas the joint venture confers a right to the entity's net assets. For joint operations, the Company records, in its accounts, the assets, liabilities, income and expenses relating to its interests in the joint operation. For joint ventures, the Company's interest in the entity's net assets is recognised according to the equity method described in IAS 28.

Investments in joint operations or joint ventures are presented in accordance with IFRS 12.

Entities subject to significant influence

In accordance with IAS 28, the equity method also applies to all associates in which the Company exercises a significant influence without possessing control, which is considered to exist when the percentage of voting rights held is greater than or equal to 20%. Each investment is analysed, regardless of the percentage of interest held, taking into account the facts and circumstances in order to determine if the Company exercises a significant influence.

According to the equity method, the Company's interest in the associate is initially recognised at the acquisition cost of its proportionate share of the investee's net assets, which is then increased or decreased to reflect changes subsequent to the acquisition. Goodwill arising on an associate, if unimpaired, is included in the carrying amount of the investment. The Group's proportionate share of the entity's profit or loss for the period is shown under the "Share in earnings of equity-method affiliates" line item in the income statement. These investments are presented in the balance sheet under "Securities and receivables on equity-method affiliates and non-consolidated interests" with the corresponding investment-related receivables.

The financial statements of associates are prepared for the same accounting period as those for the parent company. If necessary, corrections are made to achieve consistency with the Group's accounting policies.

Investments in associates are presented in accordance with IFRS 12.

2.3.2 Classification of assets and liabilities between current and non-current items

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

- assets and liabilities that are components of the working capital requirement for the normal operating cycle of the activity concerned are classified as current;
- capitalised assets are classified as non-current, with the exception of financial assets that are split into current and non-current portions except trading instruments, which are current by nature;
- derivative assets and liabilities are classified as current assets or liabilities;
- provisions arising from the normal operating cycle of the activity concerned are classified as current, as is the share of other provisions portion due in less than one year. Provisions that meet neither of these criteria are classified as non-current liabilities;
- financial liabilities that must be settled within 12 months of the closing date are classified as current. Conversely, the portion of financial liabilities due in more than 12 months is classified as non-current;
- deposits and security interests received under leases are classified as non-current;
- deferred taxes are all shown as non-current assets or liabilities.

2.3.3 Business combinations and goodwill

In accordance with the provisions of IFRS1, Altareit has chosen not to restate business combinations that occurred prior to 1 January 2004.

Business combinations are accounted for in accordance with the acquisition method of IFRS 3 as amended: upon initial consolidation of an entity of which the Group has acquired control, the assets and liabilities as well as identifiable contingent liabilities are recognised at their fair value at the acquisition date. Intangible assets are specifically identified whenever they are separable from the acquired entity or result from legal or contractual rights. When control of an entity is acquired, the difference between the acquisition cost and the acquirer's proportionate interest in the fair value of the entity's identifiable assets, liabilities and contingent liabilities at the acquisition date is classified as goodwill representing future economic benefits resulting from assets that are not individually identified and separately recognised. The acquisition cost is the amount of the consideration transferred including, where applicable, any price supplements at their fair value. In accordance with revised IFRS 3, the acquisition cost of the shares is expensed.

Goodwill:

- if positive, goodwill is recognised on the balance sheet and must be tested for impairment at least once a year,
- if negative, goodwill is taken directly to income.

In accordance with revised IFRS 3, minority interests are measured either at fair value or at the proportionate share of the acquirer's assets; the choice is made on an acquisition-by-acquisition basis.

The standard allows a period of 12 months from the acquisition date for final measurement of the acquisition; any adjustments and measurements made must reflect facts and circumstances that existed as of the acquisition date. As such, after the measurement period, any contingent consideration is recognised in net income for the year unless it is in the form of an equity instrument.

In accordance with IFRS 3 as amended, acquisitions or disposals of shares in an entity that remains controlled before and after these transactions are now considered as transactions between shareholders recognised directly in equity: they have no effect on either goodwill or income. In the event of loss of control, the residual interest is measured at fair value and the gain or loss on disposal is recognised in the income statement.

The Company conducts impairment testing of goodwill at the end of each financial year and each interim period (i.e. at least once a year) and more frequently where evidence of impairment exists.

The main goodwill items arose from the acquisition of controlling interests in Cogedim in 2007 and in developer Pitch Promotion in 2016. These goodwill items gave been allocated to the CGUs (cash generating units - programmes) corresponding to the Residential and Office operational sectors. The main indications of impairment as regards these sectors, Residential and Office (Development) are a fall in the pace of sales of these programmes or in margins combined with a decline in the volume of activity (reservations, backlog, portfolio, etc.).

On an exceptional basis, acquisitions of isolated assets carried out through the purchase of shares in a company, the sole purpose of which is to hold investment assets and, in the absence of any productive activities implying the existence of contracts related to the assets or employees, are recognised in accordance with IAS 40 – "Investment Property" or IAS 2 – "Inventories."

2.3.4 Intangible assets

The Group's intangible assets consist essentially of software, brands and customer relationships.

In accordance with IAS 38,

- acquired or created software is recognised at cost and amortised over its useful life, which is generally between one year and five years.
- brands are amortised over their estimated useful lives when resulting from the identification of a finite life asset derived from an acquisition. They are tested for impairment where, as applicable, evidence of such impairment exists.

The Cogedim and Pitch Promotion brands, which have an indefinite useful life are thus not amortised. They are allocated to the CGUs corresponding to the Residential and Office operating segments.

- customer relationship assets, which result from the identification of intangible assets acquired from property developers, are subject to amortisation at the rate at which the acquired order backlog is filled or, for the portion relating to acquired purchase options or those that can be amortised on a straight-line basis, at the rate at which development programmes are launched. They are tested for impairment where, as applicable, evidence of such impairment exists.

2.3.5 Property, plant and equipment

Property, plant and equipment correspond primarily to general plant, transport equipment, office equipment and IT equipment. In accordance with IAS 16, these items are recognised at cost and depreciated over their useful life, estimated to be between 5 and 10 years. No other significant component of these assets has been identified.

2.3.6 Investment properties

According to IAS 40, investment properties are held to earn rentals or for capital appreciation or both.

The investment properties held by the Group are primarily offices.

In accordance with IAS 40, Altareit has opted for the fair value model. On that basis, investment properties are measured at fair value in accordance with IFRS 13 – "Fair value measurement" whenever this can be reliably determined.

Otherwise, they are recorded at cost and are tested for impairment at least once per year and where evidence of impairment exists.

2.3.7 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, a non-current asset is classified as "held for sale" if its carrying amount is to be recovered primarily through a sale transaction rather than through ongoing use.

This is the case if the asset is available for immediate sale in its current state, subject only to the usual and customary conditions for the sale of such an asset, and if its sale is highly probable.

Indications of a high probability of sale include the existence of a plan by Group management to sell the asset and an active programme to find a buyer and close a sale within the following 12 months. Management assesses the situations. When at the closing date there is a preliminary sales agreement or a firm commitment, the property is systematically included in assets held for sale.

The asset is measured at fair value, which is generally the amount agreed to between the parties minus selling costs.

For an operation to be considered discontinued, the Company determines, according to the facts and circumstances, whether or not there exists a single and coordinated plan to dispose of a major line of business or geographical area of operations.

2.3.8 Re-measurement of non-current assets (other than financial assets and investment properties) and impairment losses

In accordance with IAS 36, property plant and equipment and intangible assets subject to amortisation are tested for impairment whenever any internal or external evidence of impairment is observed.

Goodwill and other intangible assets with an indeterminate life, such as the Cogedim and Pitch Promotion brands, are systematically tested for impairment annually or more frequently if internal or external events or circumstances indicate that their value may have declined.

The value of assets (and certain associated liabilities) on the balance sheet, when they are directly related or attributable to cash generating units (CGUs) or groups of CGUs including intangible assets and goodwill, if applicable, is compared to the recoverable amount of the CGU or group of CGUs, defined as the higher of the sale price net of any costs that may be incurred for the sale, and value in use. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Value in use of the CGU or the combination of several CGUs is determined using a multi-criteria approach that relies primarily on the discounted cash flow (DCF) method, supplemented by market comparables and transaction multiples.

The basic principles of the DCF method are:

- estimated cash flows (before tax) are derived from business plans generally covering five-year periods drawn up by Group management;
- the discount rate determined on the basis of a weighted average cost of capital;
- terminal value is calculated as the sum to infinity of the discounted cash flows, which are determined on the basis of a normalised cash flow and a growth rate for the business line concerned. This assumed growth rate must be consistent with the growth potential of the markets in which the activity is conducted, as well as with the entity's competitive position in those markets.

The multiples approach via market comparables is based on determining a sample of comparable listed companies, for which a multiple is calculated and reapplied to those aggregates considered relevant.

The multiples approach via comparable transactions is based on selecting a panel of transactions in comparable companies and reapplying these to the aggregates considered relevant.

Sensitivity tables are created for all impairment tests carried out.

An impairment loss is recognised, if applicable, if the value of the assets (and certain associated liabilities) on the balance sheet is higher than the recoverable amount of the CGU or group of CGUs, and is written off in priority against goodwill, then against other intangible assets and property, plant and equipment on a prorata basis for their carrying amount. The impairment thus recognised is reversible, except for any portion charged to goodwill.

2.3.9 Inventories

Inventories relate to:

- programmes for Property Development for Third Parties;
- programmes where their nature or specific administrative situation prompts a decision to classify them as inventory (dealer's stock) or where a final decision to hold them in the portfolio has not been made.

Interest expenses attributable to programmes are included in inventories in accordance with Revised IAS 23.

"Inventories" are carried at cost price less the portion of cost price retired on a percentage-of-completion basis for off-plan sale (VEFA) or Property Development Contract transactions. The cost price includes:

- the acquisition cost of land;
- construction costs (including roads and utilities works);
- all technical and programme management fees, whether internal or external to the Group;
- programme marketing fees and sales commissions when this involves services provided by third parties external to the Group for the sale of units that are part of the programmes and that may be assigned specifically to a unit;

- sales commissions to Group employees attributable directly to the units marketed when the marketing is carried out by the Group;
- related expenses associated directly with the construction programme.

Any profit on internal fees for services performed within the Group is eliminated.

Generally speaking, whenever the net realisable value of inventories and work in progress is less than the cost price, impairment losses are recognised.

2.3.10 Trade and other receivables

Trade and other receivables are measured at face value less any allowances for impairment to reflect actual possibilities of recovery.

For long-term contracts accounted for using the percentage-of-completion method, trade receivables correspond to receivables calculated on percentage of completion (inclusive of tax) after deduction of collected calls for funds. They therefore include:

- receivables due;
- receivables not yet due, corresponding to any advances between collected calls for funds and the actual percentage of completion at the closing date.

These receivables are classified in the balance sheet into:

- "Trade and other receivables", if the receivables calculated on percentage of completion are greater than collected calls for funds;
- "Trade and other payables", if the receivables calculated on percentage of completion are less than the collected calls for funds.

2.3.11 Financial Assets and Liabilities (excluding trade and other receivables)

The Group has elected not to apply the hedge accounting proposed in IAS 39.

Application principles for IAS 32 and 39 and IFRS 7 are as follows:

1. Measurement and recognition of financial assets

- The assets available for sale consist of equity securities of non-consolidated companies and are carried at fair value. Changes in fair value are registered in a separate equity line item under "other comprehensive income". An impairment is recognised in the income statement upon evidence of impairment and, where applicable, any reversals are recognised directly in equity without going through profit or loss. If these securities are not listed or fair value cannot be reliably determined, they will be recognised at cost.
- Receivables relating to participating interests in equity-method affiliates are classified in the balance sheet under "Securities and receivables on equity-method affiliates or non-consolidated interests". Other receivables from participating interests and shareholders' accounts classified in the balance sheet under "Financial receivables and loan" relate mainly to advances made to minority partners of consolidated or deconsolidated companies.
- Derivative financial instruments are considered to be held for trading purposes. They are measured at fair value. The change in fair value of derivatives is recognised in the income statement.
- The Company has no held-to-maturity assets.
- Cash as defined in IAS 7 includes liquid assets in bank current accounts and holdings in money-market funds that are redeemable or tradable in the very short term (i.e. initial maturity of less than three months) and carry no significant risk of loss of value through fluctuations in interest rates. These assets are carried on the balance sheet at fair value. Changes in the fair value of these instruments are recognised in income, with a corresponding adjustment to cash. Cash must be available immediately for the needs of the Group or its subsidiaries.

2. Measurement and recognition of financial liabilities

- All borrowings and interest-bearing liabilities are initially recognised at the fair value of the amount received less directly attributable transaction costs. Thereafter, they are carried at amortised cost using the effective interest rate method. Initial effective interest rates are determined by an actuary. The effective interest rates were not reviewed given the backdrop of a decline in interest rates because the impact on the effective interest rates was not material.
- Derivative financial instruments are considered to be held for trading purposes. They are measured at fair value. The change in fair value of derivatives is recognised in the income statement.
- The portion of borrowings and financial liabilities due in less than one year is shown under current liabilities.

3. Determination of the fair value of financial instruments (other than interest-bearing debt)

Financial assets and liabilities are initially recognised at the fair value of the price paid, including acquisition-related costs. After initial recognition, such assets and liabilities are recognised at fair value.

For financial assets and liabilities such as listed shares that are actively traded on organised financial markets, fair value is determined by reference to the published market price at the closing date.

For other financial assets and liabilities such as OTC derivatives, swaps, caps, etc. that are traded on active markets (market composed of numerous transactions, continuously displayed and traded prices), fair value is estimated by an actuary using commonly accepted models and in compliance with guidance from IFRS 13 – "Fair value measurement." A mathematical model is used to bring together calculation methods based on recognised financial theories. This takes into account the measurement of credit risk (or risk of default) of Altareit vis-à-vis its bank counterparties and the risk of its counterparties vis-à-vis Altareit (Credit Value Adjustment/Debit Value Adjustment). Altareit applies the default probability calculation method used by the secondary market (according to estimated bond spreads of its counterparties).

As a last resort, the Company measures financial assets and liabilities at cost less potential impairment. This applies exclusively to non-consolidated participating interests.

The realisable value of financial instruments may differ from the fair value calculated at the closing date of each financial year.

2.3.12 Total equity

Equity represents the residual value of assets, after liabilities have been deducted.

Issuance costs for equity securities including merger-related costs are deducted from the proceeds of the issue.

Own equity instruments that have been bought back (treasury shares) are deducted from equity. No gain or loss is recognised in income when own equity instruments of the Company are purchased, sold, issued or cancelled.

2.3.13 Share-based payments

Share-based payments are transactions based on the value of shares of the issuing company: stock options, rights to free share grants and employee investment plans (PEEs).

These rights may be settled in equity instruments or cash: in the Altareit Group, all plans concerning Altarea shares must be settled in equity instruments.

In accordance with the provisions of IFRS 2, share-based payments to corporate officers or employees of Altareit or Group companies are accounted for in the financial statements as follows: the fair value of the equity instrument awarded is recognised in the income statement as a personnel cost, with a corresponding increase in equity if the plan is to be settled in equity instruments, or in a liability if the plan is to be settled in cash.

This personnel cost representing the benefit granted (corresponding to the fair value of the services rendered by the employees) is valued by an actuary at the award date using the binomial Cox-Ross-Rubinstein mathematical model calculated on the basis of a turnover determined over the last three years. This model is adapted to suit plans that provide for a vesting period and a lock-up period. The expense is spread over the vesting period. Share grant plans and employee investment plans are measured on the basis of market value.

2.3.14 Earnings per share

Basic earnings per share (in €)

Basic earnings per share is calculated by dividing net income (Group share) by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share (in €)

Diluted earnings per share is calculated using the share repurchase method. Under this method, the funds received from the exercise of warrants or options are assumed to be applied first to repurchasing own shares at the market price. The market price is taken to be the volume-weighted average of average monthly prices of Altareit shares.

The theoretical number of shares that would be repurchased at this market price is subtracted from the total number of shares produced by the exercise of warrants and options. The number calculated using this method is then added to the average number of shares in issue to produce the denominator.

When the theoretical number of shares to be bought at market price is greater than the number of potentially dilutive shares, the difference is disregarded. The weighted average number of shares after dilution is then equal to the average number of shares before dilution.

Potential shares are treated as dilutive if their conversion into ordinary shares would cause a reduction in earnings per share.

The dilution arises from rights to free shares granted to Group employees or corporate officers.

2.3.15 Employee benefits

In accordance with IAS 19 and amendments adopted by the European Union in June 2012, employee benefits are recognised under "personnel costs" in the income statement, with the exception of liability (or asset) revaluations recognised directly in equity and recorded in "Other comprehensive income."

Post-employment benefits

Benefits payable at retirement are paid to employees at the time of retirement based on length of service and final salary. These benefits belong to defined-benefit pension plans. Accordingly, to measure the amount of its retirement obligations, the Group uses the retrospective projected unit credit method prescribed by IAS 19.

This method represents the probable present value of the vested rights taking into account salary increases until retirement, the probability of retirement and the probability of survival.

The formula for the past service obligation can be broken down as follows:

Past service cost = (benefit rights acquired by the employee) ✕ (probability that the entity will pay the benefits) ✕ (discounting to present value) ✕ (payroll tax coefficient) ✕ (length of service to date/ length of service at retirement)

The main assumptions used for estimating the pension obligation are as follows:

- discount rate: Rate of return on AA-rated corporate bonds *(euro zone)* with maturities of more than 10 years. The Group uses the Iboxx rate which stands at 1.21%;
- mortality table: Women's Table (TF) and Men's Table (TH) 2000-2002;
- reason for departure: depending on local laws and for France, voluntary retirement on the date of eligibility for full pension benefits;
- turnover: annual average turnover observed over the last 3 years, standing at between 4% and 8% depending on branch and age group;
- long-term salary adjustment rate (including inflation): 2.2%.

Actuarial gains and losses and valuation adjustments are recorded directly in equity under other comprehensive income.

The amount of the obligation determined using this method is then reduced by the value of any assets held to cover it (not applicable in this case).

The provisions of the 2009 French Social Security Financing Act (voluntary retirement beyond 70) did not have a material impact on the amount of the obligation.

Other post-employment benefits

These benefits are offered under defined-contribution pension plans. As such, the Group has no obligation except to pay its share of contributions. The expense corresponding to contributions paid is recognised in the income statement as incurred.

Other long-term benefits

There are no other long-term benefits granted by the Group.

Severance pay

Where applicable, payments for termination of an employment contract are provisioned on the basis of the collective agreement.

Short-term benefits

Short-term benefits include in particular an incentive agreement for employees to share in the profit recorded by their economic and social unit, signed by the service companies of the Group that are members of the economic and social unit, and the works council. Benefits also include an employee profit-sharing plan applicable to the profit of the economic and social unit as required under French common law.

Short-term employee benefits including those arising from these profit-sharing plans are expensed as incurred.

2.3.16 Provisions and contingent liabilities

In accordance with IAS 37, a provision is recognised when an obligation to a third party will certainly or probably result in an outflow of resources without any equivalent benefits being received in consideration, and when the amount required to settle the obligation can be reliably estimated. The provision is maintained as long as the timing and amount of the outflow of resources are not known with precision.

In general, these provisions are not linked to the Group's normal operating cycle. Provisions are discounted when appropriate using a pre-tax rate of return that reflects the risks specific to the liability.

Non-current provisions consist mainly of provisions arising from litigation between the Group and third parties.

Contingent liabilities correspond to a potential obligation for which the probability of occurrence or a reliable estimate of the amount cannot be determined. They are not recognised on the balance sheet. A disclosure is made in the notes unless the amounts at stake can reasonably be expected to be small.

2.3.17 Corporate Income Tax

Income taxes are recognised in accordance with IAS 12.

The Group is subject to the ordinary rules of taxation;

The carrying amount of deferred tax assets is reviewed at each closing date and reduced if it is no longer probable that sufficient future taxable profits will be available to permit utilisation of all or part of the deferred tax assets. Deferred tax assets are reassessed at each closing date and are recognised where it is likely that future taxable profits will allow their recovery based on a business plan for tax purposes prepared by management and derived from the Group's business plan drawn up for a reasonable period.

Deferred tax assets and liabilities are measured using the liability method at the tax rates expected to apply when the asset will be realised or the liability settled, on the basis of known tax rates at the closing date.

Taxes on items recognised directly in equity are also recognised in equity, not in the income statement.

Deferred tax assets and liabilities are offset when they relate to the same tax entity and the same tax rate.

2.3.18 Revenue and revenue-related expenses

Income from ordinary activities is recognised when it is probable that future economic benefits will flow to the Group and the amounts of income can be reliably measured.

1. Net property income

Net property income is the difference between revenues and cost of sales, selling expenses and net allowances for impairment on bad debt and inventories.

It corresponds primarily to the profit margin on the Residential and Office sectors.

For **property development activities**, net property income is recognised in the Group's financial statements using the percentage-of-completion method.

This method is used for all off-plan (VEFA) and property development contract transactions.

Losses on "new projects" are included in net property income.

For these programmes, revenues from sales effected via notarised sales are recognised – in accordance with IAS 18 – "Income from ordinary activities" and IFRIC 15 – "Agreements for the Construction of Real Estate" – in proportion to the percentage of completion of the programme, as measured by the total percentage of costs directly related to construction (not including the cost of land) incurred in comparison to the total forecast budget (updated at each closing date) and to the percentage of sales realised, determined relative to budgeted total sales. The event giving rise to revenue recognition is thus the commencement of construction work combined with the signature of valid deeds of sale (sales that have closed).

Net property income on property development projects is measured according to the percentage-of-completion method based on the following criteria:

- project accepted by the other party to the contract;
- existence of documented projections reliable enough to provide a sound estimate of the overall economics of the transaction (selling price, stage of completion of construction work, no risk of non-completion).

Purchase/resale of property complexes are recorded as and when sales are closed. For these transactions, the net property income firstly highlights sales (net VAT amount on margin where applicable) and secondly the cost of sales in respect of cost price items.

2. Net overhead expenses

"Net overhead expenses" includes income and expense items that are inherent in the business activities of the Group's service companies.

Income

For each operating segment, income includes payments for services provided to third parties, such as delegated project management fees related to property development activities, and fees for marketing and other services.

Expenses

Expenses includes personnel costs, overhead costs (miscellaneous fees, rent, etc.), as well as depreciation of operating assets. Capitalised production and production held in inventory is deducted from this amount.

3. Other income and expenses

Other income and expenses relate to Group companies that are not service providers. They correspond to overhead costs and miscellaneous management fee income. Amortisation of intangible assets and depreciation of tangible assets other than portfolio assets in operation are also included in this line item.

2.3.19 Lease

According to IAS 17, a lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. IAS 17 distinguishes between finance leases, which transfer substantially all the risks and rewards incidental to ownership of the leased asset, and operating leases, which do not.

The Group is not tied by significant leasing-financing contracts as tenant nor as landlord.

2.3.20 Borrowing costs or costs of interest-bearing liabilities

In accordance with revised IAS 23, borrowing costs directly attributable to the construction of qualifying assets are included in the cost of these assets.

Interest expenses attributable to programmes are capitalised as part of the cost of inventories during the construction phase of the asset, except in certain cases.

The cost of net financial debt includes interest incurred on borrowings, and other financial liabilities, income from loans and advances to participating interests, gains on sale of marketable securities and the impact of interest-rate swaps used as interest-rate hedges.

Where there is a significant delay in the construction project, Management may decide, if the delay is unusually long, not to capitalise interest expenses attributable to the programme any longer. Management estimates the date at which the capitalisation of interest expenses may resume.

2.3.21 Discounting of payables and receivables

This line item shows the combined effect of discounting payables and receivables due in more than one year to present value.

2.3.22 Cash flow statement

The cash flow statement is presented using the indirect method permitted under IAS 7. Tax expense is shown as a single item in cash flows from operating activities. Interest paid is shown in cash flows from financing activities, and interest received is shown in cash flows from investing activities. Dividends paid are classified as cash flows from financing activities.

2.3.23 Operating segments

IFRS 8 – "Operating segments" requires the presentation of operating segments to reflect the Company's organisation and internal reporting system, which is presented in compliance with IFRS recognition and measurement principles. An operating segment represents an activity of the Company that incurs income and expenses, and whose operating income is regularly reviewed by the Company's Management and executive bodies. Each segment has separate financial information.

The Company's internal reporting is based on an analysis of the period's results in accordance with:

- funds from operations (FFO[38]);
- changes in value, estimated expenses, and transaction costs.

According to these analytical criteria, operating income, including earnings from equity affiliates, is monitored on an operating segment basis.

In addition to operating income, asset book values (and certain related liabilities) are monitored by operating segment when they are directly related or can be allocated to a sector. They are considered economic assets of the sector in question.

The Company has the following operating segments:

- Residential: residential property development;
- Office: office property development and investor services;
- Diversification: hotel business and management of Rungis National Interest Market throught SEMMARIS.

Items under "Other" allow reconciliation of various reporting indicators with accounting indicators.

Borrowing costs, changes in the value of financial instruments and gains and losses from their disposal, taxes, and earnings from minority interests are not allocated by sector. Balance-sheet items such as financial assets and liabilities cannot be allocated, nor can deferred-tax assets corresponding to the recognition of tax losses.

1. Funds from operations (FFO)

This item measures the creation of wealth available for distribution from net income (Group share of FFO). Funds from operations are defined as net income, Group share (i.e., attributable to equity holders of the parent), exclusive of changes in value, estimated expenses, transaction costs, and changes in deferred tax, as defined below.

Operating income line

Operating cash flow is defined as operating income exclusive of changes in value, estimated expenses, and transaction costs, as defined below.

Each segment's **operating cash flow** is presented within the following framework:

- Net income of the segment, including impairment of current assets:
  - Residential and Office: net property income;
- Net overhead expenses including the provision of services that offset a portion of overhead and operating expenses;
- Operating expenses defined as:
  - personnel costs excluding estimated expenses and related items defined below,
  - other operating expenses exclusive of net allowances for depreciation and impairment, and non-current provisions,
  - other segment income and expenses excluding transaction costs defined below,
  - expenses covered by reversals of provisions used;
- Share of associates: the share in income of equity-method affiliates excluding the share in income recognised from changes in value.

Net borrowing costs line

Net borrowing costs excluding estimated expenses defined below.

Tax line

Tax due for the period excluding deferred tax.

Minority interests line

The share of funds from operations attributable to minority shareholders of subsidiaries. After deduction of the share of funds from operations (FFO) attributable to minority interests, the **Group share of funds from operations (FFO)** (i.e. the part attributable to shareholders of Altareit SCA) is presented, followed by the **Group share of funds from operations (FFO) per share**.

2. Changes in value, estimated expenses, and transaction costs

These changes in value measure the value created or realised by the Company during the period.

The relevant indicator for monitoring value is the Net Income.

[38] *Funds From Operations*

Operating income line

Changes in value and **estimated expenses** include:

- expenses or net allowances for the period related to share-based payments or other benefits granted to employees;
- allowances for depreciation and amortisation net of reversals for non-current assets, including allowances relating to intangible assets or goodwill identified during business combinations;
- allowances for non-current provisions net of used or unused reversals.

Transaction costs include fees and other non-recurring expenses incurred from Corporate development projects that are ineligible for capitalisation (e.g., expenses incurred from business combinations or equity investments, whether completed or not) or that are ineligible for inclusion under issuance costs (e.g. certain commissions incurred from capital management). Income and expenses outside the Company's going concerns are also included.

Borrowing costs line

Estimated expenses that correspond to the amortisation of bond issuance costs.

Line concerning changes in value and gains and losses on the sale of financial instruments

Changes in value represent fair-value adjustments of financial instruments and the discounting of receivables and payables. Results from the disposal of financial instruments represent the balance for amounts incurred in the period from restructuring or cancelling financial instruments.

Tax line

Deferred tax recognised for the period.

Minority interests line

The share attributable to minority interests of subsidiaries for changes in value, estimated expenses, transaction costs, and deferred tax.

NOTE 3 INFORMATION ON OPERATING SEGMENTS

3.1 Balance sheet items by operating segment

At 31th December 2017

€millions	Residential	Office	Diversification	TOTAL
Operating assets and liabilities				
Intangible assets	212.2	21.5	–	**233.7**
Property plant and equipment	9.5	5.0	1.1	**15.6**
Investment properties	–	38.3	–	**38.3**
Securities and receivables in equity affiliates and unconsolidated interests	160.5	100.8	76.7	**338.0**
Operational working capital requirement	546.8	(1.7)	1.8	**546.9**
Total operating assets and liabilities	**929.0**	**163.9**	**79.6**	**1,172.6**

As at 31th December 2016

€millions	Residential	Office	Diversification	TOTAL
Operating assets and liabilities				
Intangible assets	214.5	24.2	–	**238.7**
Property plant and equipment	6.5	5.3	1.3	**13.1**
Investment properties	–	38.3	–	**38.3**
Securities and receivables in equity affiliates and unconsolidated interests	120.2	54.2	72.2	**246.6**
Operational working capital requirement	435.8	28.5	1.3	**465.6**
Total operating assets and liabilities	**777.1**	**150.5**	**74.7**	**1,002.3**

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 operating segment

	31/12/2017			31/12/2016		
€millions	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	1,706.6	–	1,706.6	1,349.4	–	1,349.4
Cost of sales	(1,459.1)	–	(1,459.1)	(1,167.6)	–	(1,167.6)
Selling expenses	(81.5)	–	(81.5)	(61.9)	–	(61.9)
Net charge to provisions for current assets	(10.7)	(3.6)	(14.3)	(7.8)	–	(7.8)
Amortisation of customer relationships	–	(5.5)	(5.5)	–	(4.6)	(4.6)
NET PROPERTY INCOME	**155.3**	**(9.1)**	**146.2**	**112.0**	**(4.6)**	**107.4**
External services	17.0	–	17.0	7.5	–	7.5
Own work capitalised and production held in inventory	160.0	–	160.0	114.6	–	114.6
Personnel costs	(135.4)	(11.7)	(147.1)	(107.7)	(9.2)	(116.9)
Other overhead expenses	(75.8)	–	(75.8)	(51.0)	–	(51.0)
Depreciation expenses on operating assets	–	(3.6)	(3.6)	–	(3.1)	(3.1)
NET OVERHEAD EXPENSES	**(34.2)**	**(15.3)**	**(49.5)**	**(36.6)**	**(12.3)**	**(48.9)**
Other income and expenses	(3.5)	–	(3.5)	(3.0)	–	(3.0)
Depreciation expenses	–	(0.8)	(0.8)	–	(0.8)	(0.8)
Transaction costs	–	(0.6)	(0.6)	–	(0.4)	(0.4)
OTHER	**(3.5)**	**(1.5)**	**(4.9)**	**(3.0)**	**(1.2)**	**(4.2)**
Change in value of investment properties	–	0.4	0.4	–	(0.0)	(0.0)
Net charge to provisions for risks and contingencies	–	1.0	1.0	–	(1.0)	(1.0)
Operating income before the share of net income of equity-method affiliates	**117.6**	**(24.5)**	**93.2**	**72.4**	**(19.2)**	**53.3**
Share in earnings of equity-method affiliates	35.5	(1.0)	34.5	37.8	(6.4)	31.4
Operating income after the share of net income of equity-method affiliates	**153.1**	**(25.4)**	**127.7**	**110.3**	**(25.6)**	**84.7**
Net borrowing costs	(9.3)	(0.9)	(10.3)	(10.3)	(1.5)	(11.8)
Financial expenses	(16.4)	(0.9)	(17.3)	(18.8)	(1.5)	(20.3)
Financial income	7.0	–	7.0	8.4	–	8.4
Change in value and income from disposal of financial	–	(2.9)	(2.9)	–	(6.9)	(6.9)
Discounting of debt and receivables	–	(0.2)	(0.2)	–	(0.2)	(0.2)
Net gain/(loss) on disposal of investments	–	0.1	0.1	–	0.0	0.0
Dividend	0.2	–	0.2	0.1	–	0.1
Profits before tax	**144.0**	**(29.4)**	**114.7**	**100.1**	**(34.1)**	**66.0**
Income tax	(5.6)	(21.5)	(27.1)	(1.0)	(25.2)	(26.2)
Tax due	(5.6)	–	(5.6)	(1.0)	–	(1.0)
Deferred tax	–	(21.5)	(21.5)	–	(25.2)	(25.2)
Net income from continuing operations	**138.4**	**(50.8)**	**87.6**	**99.1**	**(59.3)**	**39.8**
o/w Income from continuing operations attributable to Altareit SCA shareholders	**129.8**	**(50.3)**	**79.5**	**96.4**	**(59.1)**	**37.3**
o/w Income from continuing operations attributable to minority interests in subsidiaries	8.6	(0.5)	8.1	2.7	(0.2)	2.5
Net income (loss) from discontinued operations	**–**	**–**	**–**	**–**	**2.2**	**2.2**
o/w Income from discontinued operations attributable to Altareit SCA shareholders	**–**	**–**	**–**	**–**	**2.2**	**2.2**
o/w Income from discontinued operations attributable to minority interests in subsidiaries	–	–	–	–	–	–
Net income	**138.4**	**(50.8)**	**87.6**	**99.1**	**(57.1)**	**42.0**
o/w Net income attributable to Altareit SCA shareholders	**129.8**	**(50.3)**	**79.5**	**96.4**	**(56.9)**	**39.5**
o/w Net income attributable to minority interests in subsidiaries	8.6	(0.5)	8.1	2.7	(0.2)	2.5
Average number of non-diluted shares	1 748 486	1 748 486	1 748 486	1 748 274	1 748 274	1 748 274
Non-diluted net income per share from continuing operations attributable to shareholders of Altareit SCA (€)	74.25	(28.80)	45.45	55.14	(33.82)	21.32
Non-diluted net income per share from discontinued operations attributable to shareholders of Altareit SCA (€)	–	–	–	–	1.27	1.27
Net income per share attributable to shareholders of Altareit SCA (€)	**74.25**	**(28.80)**	**45.45**	**55.14**	**(32.55)**	**22.58**
Diluted average number of shares	1 748 486	1 748 486	1 748 486	1 748 274	1 748 274	1 748 274
Diluted net income per share from continuing operations attributable to shareholders of Altareit SCA (€)	74.25	(28.80)	45.45	55.14	(33.82)	21.32
Diluted net income per share from discontinued operations attributable to shareholders of Altareit SCA (€)	–	–	–	–	1.27	1.27
Diluted net income per share attributable to shareholders of Altareit SCA (€)	**74.25**	**(28.80)**	**45.45**	**55.14**	**(32.55)**	**22.58**

3.4 Revenue by geographical region and operating segment

By geographical region

€millions	31/12/2017 France	31/12/2017 Other	31/12/2017 Total	31/12/2016 France	31/12/2016 Other	31/12/2016 Total
Revenue	1,419.0	–	1,419.0	1,066.5	–	1,066.5
External services	2.0	–	2.0	1.1	–	1.1
Residential	**1,421.0**	**–**	**1,421.0**	**1,067.6**	**–**	**1,067.6**
Revenue	285.6	–	285.6	282.9	–	282.9
External services	14.4	0.6	15.0	5.9	0.5	6.4
Office	**300.1**	**0.6**	**300.7**	**288.8**	**0.5**	**289.3**
Revenue	2.0	–	2.0	–	–	–
Diversification	**2.0**	**–**	**2.0**	**–**	**–**	**–**
Total Revenue	**1,723.0**	**0.6**	**1,723.6**	**1,356.4**	**0.5**	**1,356.9**

In 2017, no single client accounted for more than 10% of the Group’s revenues.

NOTE 4 MAJOR EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 Major events

A 99.85% subsidiary of the Altarea Cogedim Group, Altareit offers real estate solutions for the city across all asset classes. The Group has a unique expertise in Residential and Office property development also in Retail, within the framework of operations of large mixed projects of the Altarea Cogedim group.

Residential: Altareit is among the French property developers “Top 3”, with 11,189 residential property sold, representing 8.6% of the domestic market in 2017.

Office: Altareit has developed a unique model that enables it to operate in a highly significant manner and with limited risk on the office property market. This model is based on two complementary activities:

- Medium-term investment in assets to be redeveloped pending sale (directly or via AltaFund),
- Property Development on behalf of external customers (investors and users) as well as on behalf of its own investment projects, under VEFA (off-plan sale)/CPI (property development contract) and more marginally as a service provider (MOD - delegated project management).

Large mixed-use projects: first emblematic delivery and new success

In 2017 Altareit delivered “Place du Grand Ouest”, the new heart of the town of Massy. This project is a perfect illustration of the Group’s know-how in creating a coherent and sustainable urban complex combining shops, public facilities and services for users and residents. The biggest development project in the Paris Region[39] (100,000 m².) and built from scratch in two years and a half.

Residential: 11,189 units sold (+12%)

The Group posted a new record number of reservations in 2017, with 11,189 units reserved (up by 12% on 2016), comfortably surpassing its objective of 10,000 residential units sold per year and confirming its positioning as one of France’s top three residential property developers.

Office: plenty of big name business in the pipeline

Thanks to its mixed developer/ medium-term investor model in Office, the Group manages projects including some of the most iconic ones in of Grand Paris.

During the year the Group signed two leases on the future world HQs of Parfums Christian Dior (the Kosmo building in Neuilly-sur-Seine) and of Altarea Cogedim in the Richelieu Building (Paris 2nd arrondissement).

In 2017 the Group also launched four iconic projects: the Landscape and Eria towers in La Défense and the Richelieu programme.

[39] With an area of 100,000 m², the project comprises 850 residential units, the Cogedim Club senior residence, a convention hall and shops next to the RER and TGV stations.

4.2 Consolidation scope

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

			31/12/2017			31/12/2016		
COMPANY	SIREN		Method	Interest	Consolidation	Method	Interest	Consolidation
ALTAREIT SCA	552091050	parent company	FC	100.0%	100.0%	FC	100.0%	100.0%
Diversification								
SEMMARIS	662012491	affiliate	EM	33.3%	33.3%	EM	33.3%	33.3%
Residential								
Altarea Cogedim IDF Grande Métropole	810928135		FC	100.0%	100.0%	FC	100.0%	100.0%
Altarea Cogedim Régions	810847905		FC	100.0%	100.0%	FC	100.0%	100.0%
MASSY GRAND OUEST SNC - AF050	793338146		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTA FAUBOURG SAS	444560874		FC	100.0%	100.0%	FC	100.0%	100.0%
HISTOIRE ET PATRIMOINE SAS	480309731	affiliate	EM	55.6%	55.6%	EM	55.6%	55.6%
ALBATROS SNC	803307354	affiliate	EM	46.2%	46.2%	EM	46.2%	46.2%
SNC HORIZONS	825208093	affiliate	EM	55.6%	55.6%	NI	0.0%	0.0%
Altarea Cogedim ZAC VLS (SNC)	811910447		FC	100.0%	100.0%	FC	100.0%	100.0%
PITCH PROMOTION SAS (ex Alta Favart SAS)	450042338		FC	100.0%	100.0%	FC	100.0%	100.0%
SCCV SEVRAN FREINVILLE	801560079		FC	60.0%	100.0%	FC	60.0%	100.0%
SCCV SAINT CYR COEUR DE PLAINE	813335148		FC	80.0%	100.0%	FC	80.0%	100.0%
SCCV MONTMAGNY COEUR DE VILLE	813523875		FC	100.0%	100.0%	FC	100.0%	100.0%
PITCH PROMOTION SNC	422989715		FC	100.0%	100.0%	FC	100.0%	100.0%
SCCV ROMAINVILLE NEO PARC	798508263	affiliate	EM	51.0%	51.0%	EM	51.0%	51.0%
SCCV ANTONY PAJEAUD 1	793768490	affiliate	EM	51.0%	51.0%	EM	51.0%	51.0%
SCCV AMARRAGE 2013	799401302	affiliate	EM	60.0%	60.0%	EM	60.0%	60.0%
SCCV HAUTE DURANNE	794046912	affiliate	EM	49.0%	49.0%	EM	49.0%	49.0%
SCCV CENON GRAND ANGLE	810214874		FC	99.9%	100.0%	FC	99.9%	100.0%
SCCV CAP AU SUD 2015	812481224		FC	100.0%	100.0%	FC	100.0%	100.0%
SCCV LES SUCRES	791732811	affiliate	EM	50.0%	50.0%	EM	50.0%	50.0%
SNC COGEDIM GESTION	380375097		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COVALENS	309021277		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM PARIS METROPOLE	319293916		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC CORESI	380373035		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM GRAND LYON	300795358		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM MEDITERRANEE	312347784		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM PROVENCE	442739413		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM MIDI-PYRENEES	447553207		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM GRENOBLE	418868584		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM SAVOIES-LEMAN	348145541		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM AQUITAINE	388620015		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM ATLANTIQUE	501734669		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM EST	419461546		FC	100.0%	100.0%	FC	100.0%	100.0%
COGEDIM SAS	54500814		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC BORDEAUX BACALAN INFLUENCE	803283910	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
SCCV ASNIERES ALPHA	529222028	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
SCCV RADOIRE ORDET	808870323		FC	80.0%	100.0%	FC	80.0%	100.0%
SCCV 62 CORNICHE FLEURIE	818641383		FC	55.0%	100.0%	FC	55.0%	100.0%
SCCV RACINE CARRE - AIX LA DURANNE	801954132	joint venture	EM	49.0%	49.0%	EM	49.0%	49.0%
SCCV PARIS CAMPAGNE PREMIERE	530706936		FC	51.0%	100.0%	FC	51.0%	100.0%
SCCV LAMY ILOT AUBERVILLIERS	798364030		FC	80.0%	100.0%	FC	80.0%	100.0%
SCCV PANTIN MEHUL	807671656		FC	51.0%	100.0%	FC	51.0%	100.0%
SCCV VITRY BALZAC	807649355		FC	90.0%	100.0%	FC	90.0%	100.0%
SCCV ALFORTVILLE MANDELA	814412391		FC	51.0%	100.0%	FC	51.0%	100.0%
SCCV JOINVILLE PARIS LIBERTE	814629655		FC	51.0%	100.0%	FC	51.0%	100.0%
SCCV RUEIL BONAPARTE MANET	817961196		FC	100.0%	100.0%	FC	55.0%	100.0%
SCCV MALAKOFF PAUL BERT	821555992		FC	50.1%	100.0%	FC	50.1%	100.0%
SCCV STRASBOURG RUE DE COLMAR	822392262		FC	85.0%	100.0%	FC	85.0%	100.0%
Office								
ALTAREA COGEDIM ENTREPRISE ASSET MANAGEMENT SNC	534207386		FC	100.0%	100.0%	FC	100.0%	100.0%
ALTAREA COGEDIM ENTREPRISE PROMOTION SNC	535056378		FC	100.0%	100.0%	FC	100.0%	100.0%
ACEP INVEST 2 CDG NEUILLY / EX ACEP INVEST 4	794194274	affiliate	EM	16.7%	16.7%	EM	16.7%	16.7%
AF INVESTCO ARAGO (SNC)	494382351	affiliate	EM	30.1%	30.1%	NI	0.0%	0.0%
AF INVESTCO 4 (Snc)	798601936	affiliate	EM	8.3%	8.3%	EM	8.3%	8.3%
ALTA VAI HOLDCO A (ex Salle wagram, ex theatre de l'empire)	424007425		FC	100.0%	100.0%	FC	100.0%	100.0%
GERLAND 1 SNC	503964629	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
PASCALPROPCO (SAS)	437929813	affiliate	EM	15.1%	15.1%	EM	15.1%	15.1%
SNC COGEDIM ENTREPRISE	424932903		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC EUROMED CENTER	504704248	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
SNC ROBINI	501765382	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%

4.3 Changes in consolidation scope

(in number of companies)	31/12/2016	Acquisition	Creation	Sale	Absorption, dissolution, deconsolidation	Change in consolidation method	31/12/2017
Fully consolidated subsidiaries	255	4	17		(4)		272
Joint ventures *	73	1	7				81
Associates *	103		16		(16)		103
Total	**431**	**5**	**40**	**–**	**(20)**	**–**	**456**

* Companies accounted for using the equity method

Detail of net acquisitions of consolidated companies, net of cash

The Pitch Promotion group was acquired during 2016.

€millions	31/12/2017	31/12/2016
Investments in consolidated securities	(0.0)	(116.7)
Cash of acquired companies	–	35.5
Total	**(0.0)**	**(81.3)**

4.4 Securities and investments in equity affiliates and unconsolidated interests

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

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

€millions	31/12/2017	31/12/2016
Equity-accounting value of joint ventures	27.2	18.1
Equity-accounting value of affiliated companies	124.5	116.0
Value of stake in equity-method affiliates	**151.7**	**134.0**
Non-consolidated securities	**1.1**	**0.7**
Receivables from joint ventures	43.3	26.8
Receivables from affiliated companies	141.9	85.1
Receivables from equity-method subsidiaries and non-consolidated interests	**185.2**	**111.9**
Total securities and receivables in equity affiliates and unconsolidated interests	**338.0**	**246.6**

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

€millions	*Joint venture*	*Affiliate*	**31/12/2017**	*Joint venture*	*Affiliate*	**31/12/2016**
Balance sheet items, Group share:						
Non-current assets	5.7	270.2	275.9	3.9	181.0	184.9
Current assets	161.0	276.4	437.5	154.0	290.1	444.1
Total Assets	**166.7**	**546.6**	**713.3**	**157.9**	**471.1**	**629.0**
Non-current liabilities	19.4	185.7	205.1	16.4	95.8	112.2
Current liabilities	120.1	236.3	356.5	123.4	259.4	382.7
Total Liabilities	**139.5**	**422.1**	**561.6**	**139.8**	**355.2**	**495.0**
Net assets (equity-accounting basis)	**27.2**	**124.5**	**151.7**	**18.1**	**116.0**	**134.0**
Share of income statement items, Group share:						
OPERATING INCOME	**11.1**	**29.0**	**40.1**	**13.9**	**25.8**	**39.8**
Net borrowing costs	(0.2)	(0.1)	(0.3)	(0.1)	(1.5)	(1.6)
Proceeds from the disposal of investments	–	0.0	0.0	–	0.0	0.0
Dividend	–	0.2	0.2	–	0.5	0.5
Net income before tax	**10.9**	**29.1**	**40.0**	**13.9**	**24.8**	**38.6**
Corporate income tax	2.4	(7.9)	(5.5)	(2.6)	(4.6)	(7.2)
Net income after tax, Group share	**13.3**	**21.2**	**34.5**	**11.3**	**20.2**	**31.4**
Non-Group net income	–	0.0	0.0	–	(0.0)	(0.0)
Net income, Group share	13.3	21.2	34.5	11.3	20.2	31.4

Group revenues from joint ventures amounted to €10.6 million for the year to 31 December 2017, compared with €4.7 million for 2016.

Group revenues from associates amounted to €16.0 million for the year to 31 December 2017, compared with €12.1 million for 2016.

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

Commitment given

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

Completion guarantees were given in connection with property development activities for joint ventures, for a Group share in the amount of €34.8 million.

NOTE 5 INCOME

5.1 Net property income

The Group's net property income came to €146.2 million for the year as against €107.4 million in 2016. The increase of €38.8 million is mainly supported by Residential.

5.2 Cost of net financial debt and other financial items

5.2.1 Cost of net financial debt

€millions	31/12/2017	31/12/2016
Bank interest expenses	(20.2)	(21.7)
Interest on partners' advances	(0.1)	(0.0)
Interest rate on hedging instruments	(0.0)	(0.0)
Non-use fees	(0.5)	(0.5)
Other financial expenses	(3.5)	(2.6)
Capitalised interest expenses	7.9	6.0
FFO financial expenses	**(16.4)**	**(18.8)**
Net proceeds from the sale of marketable securities	–	0.0
Interest on partners' advances	3.3	1.8
Other interest income	0.2	0.1
Interest income on bank current accounts	–	–
Interest rate on hedging instruments	3.5	6.5
FFO financial income	**7.0**	**8.4**
FFO NET BORROWING COSTS	**(9.3)**	**(10.3)**
Spreading of bond issue costs and other estimated charges (1)	(0.9)	(1.5)
Estimated financial expenses	**(0.9)**	**(1.5)**
NET BORROWING COSTS	**(10.3)**	**(11.8)**

(1) Relates mainly to the deferral in accordance with the amortised cost method of the issue costs of borrowings and issue premiums of bond borrowings in accordance with IAS 32/39.

Interest costs on loans from credit institutions include the effect of amortizing issuance costs in accordance with IAS 32 and IAS 39.

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

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

5.2.2 Impact of result of financial instruments

Changes in value of financial instruments and gains and losses on their disposal resulted in net expense of €2.9 million for 2017 compared with a net expense of €6.9 million in 2016.

5.3 Income tax

Analysis of tax expense

Tax expense is analysed as follows (breakdown between current and defferred taxes, breakdown by nature of deferred tax) :

€millions	31/12/2017	31/12/2016
Tax due	**(5.6)**	**(1.0)**
Tax loss carry forwards and/or use of deferred losses	(20.2)	(23.5)
Valuation differences	4.7	6.5
Fair value of hedging instruments	1.0	0.9
Net property income on a percentage-of-completion basis	(7.1)	(7.2)
Other timing differences	0.1	(2.0)
Deferred tax	**(21.5)**	**(25.2)**
Total tax income (expense)	**(27.1)**	**(26.2)**

Effective tax rate

€millions	31/12/2017	31/12/2016
Pre-tax profit of consolidated companies	**80.1**	**34.5**
Group tax savings (expense)	**(27.1)**	**(26.2)**
Effective tax rate	**(33.79)%**	**(75.84)%**
Tax rate in France	34.43%	34.43%
Theoretical tax charge	**(27.6)**	**(11.9)**
Difference between theoretical and effective tax charge	**0.5**	**(14.3)**
Differences related to treatment of losses	4.3	(13.3)
Other permanent differences and rate differences	(3.8)	(1.0)

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

Deferred tax assets and liabilities

€millions	31/12/2017	31/12/2016
Tax loss carry forwards	109.9	130.1
Valuation differences	(23.2)	(27.9)
Fair value of investment properties	–	–
Fair value of financial instruments	0.0	(1.0)
Net property income on a percentage-of-completion basis	(25.7)	(16.6)
Other timing differences	0.2	0.2
Net deferred tax on the balance sheet	**61.2**	**84.8**

Deferred taxes relating to valuation differences correspond primarily to the brands held by the Group. Deferred taxes relating to recognition of tax losses primarily relate to losses recognised in the Altareit tax group.

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

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

5.4 Earnings per share

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

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

Potential ordinary shares shall be treated as dilutive if the conversion in ordinary shares implies a reduction in the result per share.

€millions	31/12/2017	31/12/2016
Numerator		
Net income from continuing operations, Group share	79.5	37.3
Net income from discontinued operations, Group share	–	2.2
Net income, Group share	79.5	39.5
Denominator		
Weighted average number of shares before dilution	1,748,486	1,748,274
Effect of potentially dilutive shares		
Stock options	–	–
Rights to free share grants	–	–
Total potential dilutive effect	–	–
Weighted diluted average number of shares	1,748,486	1,748,274
Basic net income per share attributable to Group shareholders from continuing operations (in €)	**45.45**	**21.32**
Basic net income per share attributable to Group shareholders from discontinued operations (in €)	–	1.27
Basic net income per share attributable to group shareholders (in €)	**45.45**	**22.58**
Diluted net income per share attributable to Group shareholders from continuing operations (in €)	**45.45**	**21.32**
Diluted net income per share attributable to Group shareholders from discontinued operations (in €)	–	1.27
Diluted net income per share attributable to group shareholders (in €)	**45.45**	**22.58**

NOTE 6 LIABILITIES

6.1 Total equity

6.1.1 Capital, share-based payments and treasury shares

Capital (in €)

In number of shares and in €	Number of shares	Nominal	Share capital
Number of shares outstanding at 31 December 2015	**1,750,487**	**1.50**	**2,626,731 (*)**
No change in 2016			
Number of shares outstanding at 31 December 2016	**1,750,487**	**1.50**	**2,626,731 (*)**
No change in 2017			
Number of shares outstanding at 31 December 2017	**1,750,487**	**1.50**	**2,626,731 (*)**

(*) Share capital includes an amount of €1,000€ which corresponds to the nominal value of the 10 shares attributed to the managing general partner.

Capital management

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

Share based payments

Share based payments are transactions based on the value of securities of Altarea SCA, listed company that controls Altareit. Payment may be in equity or cash instruments, however plans for Altarea SCA will be settled exclusively in shares.

The gross expense recorded on the income statement for share-based payments was €11.2 million in 2017 compared to €10.2 million in 2016.

Free share grants

Award date	Number of rights awarded	Vesting date	Rights in circulation as at 31/12/2016	Awarded	Delivery	Amendments to rights (a)	Rights in circulation as at 31/12/2017
Stock grant plans on Altareit							
01 February 2016	22,765	01 February 2017	20 625		(20 074)	(551)	–
08 February 2016	20,914	08 February 2017	19 739		(19 569)	(170)	–
25 February 2016	10,700	25 February 2017	9 450		(9 612)	162	–
31 March 2016	18,550	31 March 2018	17 600		–	(768)	16 832
07 April 2016	5,390	07 April 2017	5 380		(5 160)	(220)	–
15 April 2016	5,225	15 April 2017	5 040		(4 748)	(292)	–
25 July 2016	4,160	25 July 2017	4 035		(3 713)	(322)	–
19 October 2016	2,000	30 March 2018	2 000			–	2 000
10 November 2016	3,334	30 March 2018	3 334			–	3 334
10 November 2016	3,500(b)	11 April 2019	3 500			–	3 500
14 December 2016	21,585(b)	10 April 2019	21 385			(593)	20 792
15 December 2016	19,170	1 February 2018	19 170			(1 069)	18 101
16 December 2016	23,079	1 February 2018	23 079			(658)	22 421
23 March 2017	,537	23 March 2018		537		–	537
6 April 2017	11,500(b)	30 April 2019		11 500		–	11 500
13 July 2017	3,310	13 July 2018		3 310		(235)	3 075
Total	**175 719**	**432 775**	**154 337**	**15 347**	**(62 877)**	**(4 715)**	**102 092**

(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.

Treasury shares

The acquisition cost of treasury shares was (completely allocated to a liquidity contract) was €60 thousand for 208 shares at 31 December 2017; compared to €30 thousand for 162 shares at 31 December 2016.

Treasury shares are eliminated and offset directly in equity.

In addition, a net income on disposal of tresuary shares was recognised directly in equity against a net income.

6.1.2 Dividends proposed and paid

No dividend was distributed over 2017.

No distribution of dividend shall be proposed at the General shareholders' meeting over the 2017 accounts.

6.2 Net financial debt and guarantees

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

	31/12/2016	Cash flow	"Non cash" change: Spreading of issue costs	Change in scope of consolidation	Present value adjustment	Other impacts	31/12/2017
Treasury bills	138.3	330.6	–	–	–	–	468.9
Bank borrowings, excluding accrued interest and overdrafts	679.8	(21.7)	0.9	(2.8)	–	(0.0)	656.2
Net bond and bank debt, excluding accrued interest and overdrafts	**818.1**	**308.9**	**0.9**	**(2.8)**	**–**	**(0.0)**	**1,125.1**
Accrued interest on bond and bank borrowings	5.2	(4.3)	–	(0.0)	–	–	0.9
BOND AND BANK DEBT, EXCLUDING OVERDRAFTS	**823.3**	**304.6**	**0.9**	**(2.8)**	**–**	**(0.0)**	**1,126.0**
Cash and cash equivalents	(253.1)	(199.1)	–	(0.7)	–	–	(452.8)
Bank overdrafts	2.0	(1.2)	–	(0.0)	–	–	0.8
Net cash	**(251.1)**	**(200.3)**	**–**	**(0.7)**	**–**	**–**	**(452.0)**
NET BOND AND BANK DEBT	**572.2**	**104.3**	**0.9**	**(3.5)**	**–**	**(0.0)**	**673.9**
Equity loans and Group and partners' advances	105.8	(51.2)	–	(2.1)	–	(0.3)	52.3
Accrued interest on shareholders' advances	–	–	–	–	–	–	–
NET FINANCIAL DEBT	**678.0**	**53.1**	**0.9**	**(5.6)**	**–**	**(0.3)**	**726.2**

Bank borrowings excluding accrued interest and bank overdrafts consisted essentially of:

- borrowings from credit institutions amounting to €364.7 million compared with €419.3 million at December 31, 2016,
- bank financing of Promotion operations for €285.4 million compared with €253.9 million as of December 31, 2016.

During the financial year, the Group notably:

- put in place corporate financing for an amount of €100 million;
- repaid maturing corporate financing of €100 million;
- continued issuing treasury notes (more than €330.6 million during the year).

All financing was not fully drawn at 31 December 2017

The current account with Altarea SCA amounted to zero at December 31, 2017 versus €45.2 million at December 31, 2016.

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

Borrowing costs are analysed in the note on earnings.

Net cash

Marketable securities classified as cash equivalents are recognised at fair value at each reporting date.

Breakdown of bank and bond debt by maturity

€millions	31/12/2017	31/12/2016
< 3 months	121.9	129.9
3 to 6 months	181.9	136.7
6 to 9 months	136.5	24.6
9 to 12 months	117.3	53.9
Less than 1 year	**557.6**	**345.0**
2 years	169.8	140.6
3 years	308.9	51.9
4 years	26.9	247.6
5 years	51.3	26.9
1 to 5 years	**556.8**	**467.0**
More than 5 years	**14.8**	**15.9**
Issuance cost to be amortised	(2.4)	(2.6)
TOTAL GROSS BOND AND BANK DEBT	**1 126.7**	**825.3**

The increase in the portion under one year of bank debt is attributable to the increase in treasury notes and their maturity schedule, offset by the maturing of corporate bank loans.

Breakdown of bank and bond debt by guarantee

€millions	31/12/2017	31/12/2016
Mortgage commitments	278.1	249.6
Moneylender lien	25.6	27.0
Pledging of receivables	6.0	6.5
Pledging of securities	235.0	235.0
Altareit SCA security deposit	109.0	159.0
Not Guaranteed	475.5	150.8
Total	**1,129.1**	**827.9**
Issuance cost to be amortised	(2.4)	(2.6)
TOTAL GROSS BOND AND BANK DEBT	**1,126.7**	**825.3**

Mortgage commitments and the lender's lien mainly concern Property Development activities. Pledges of securities and sureties are guarantees given for specific financing

Breakdown of bank and bond debt by interest rate

	Gross bond and bank debt		
€millions	Variable rate	Fixed rate	Total
At 31 December 2017	1,126.7	–	1,126.7
As at 31 December 2016	725.3	100.0	825.3

Fixed rate debt was extinguished in the period. The market value of fixed rate debt stood at €99.5 million at 31 December 2016.

Schedule of future interest expenses

€millions	31/12/2017	31/12/2016
< 3 months	2.6	7.1
3 to 6 months	2.7	1.8
6 to 9 months	2.6	2.3
9 to 12 months	2.5	2.2
Less than 1 year	**10.5**	**13.5**
2 years	8.2	7.2
3 years	6.9	5.6
4 years	1.6	5.1
5 years	0.9	0.4
1 to 5 years	**17.7**	**18.3**

These future interest expenses concern borrowings and financial instruments.

6.3 Provisions

€millions	31/12/2017	31/12/2016
Provision for benefits payable at retirement	7.5	6.5
Other provisions	7.1	8.5
Total Provisions	**14.6**	**15.0**

Provision for benefits payable at retirement was measured, as in previous financial years, by an external actuary. Valuation and accounting principles are detailed in the accounting principles and methods of the Company, § 2.3.15. 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 the 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 Goodwill and other intangible assets

€millions	Gross values	Amortisation and/or impairment	31/12/2017	31/12/2016
Goodwill	**383.3**	**(243.7)**	**139.6**	**139.6**
Brands	**89.9**		**89.9**	**89.9**
Customer relationships	**191.7**	**(191.7)**	**–**	**5.5**
Software applications, patents and similar rights	16.9	(12.9)	4.1	3.4
Leasehold Right	2.2	(2.2)	–	0.1
Other	0.2	(0.0)	0.2	0.2
Other intangible assets	**19.3**	**(15.0)**	**4.2**	**3.6**
TOTAL	**684.2**	**(450.5)**	**233.7**	**238.7**

€millions	31/12/2017	31/12/2016
Net values at beginning of the period	**238,7**	**182,6**
Acquisitions of intangible assets	1.9	1.8
Disposals and write-offs	(0.1)	(0.0)
Changes in scope of consolidation and other	–	60.1
Change in consolidation method		
Net allowances for depreciation	(6.8)	**(5.9)**
Net values at the end of the period	**233.7**	**238.7**

The brands relate to the Cogedim brand, and the Pitch Promotion brand acquired with the controlling interest taken in the property developer on 26 February 2016. These brands are an indefinite life intangible asset, and therefore not subject to amortisation.

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

The customer relationships associated with the acquisition of property developer Pitch Promotion, amortised on a straight-line basis since acquisition date, had been fully amortised as at 31 December 2017.

Goodwill from the acquisition of Cogedim and Pitch Promotion and Brands

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

As per the accounting principles and methods applied by the Group (§ 2.3.3 and 2.3.8), goodwill was tested for impairment as of 31 December 2017. On the basis of these assumptions, the fair value determined of the economic assets in the Residential and Office segments as calculated do not require recognition of impairment.

Cogedim and Pitch Promotion brands were assessed individually and as part of the Residential and Office CGUs. No impairment was to be recognised at 31 December 2017.

Goodwill recognised in the acquisition of Cogedim and Pitch Promotion thus remains unchanged at €139.6 million and €89.9 million at 31 December 2017 respectively.

7.2 Investment properties

Investment properties concerned offices asset, which are recorded at cost.

7.3 Operational working capital requirement

Summary of components of operational working capital requirement

€millions	31/12/2017	31/12/2016	Flows	
			Created by the business	Changes in consolidation scope and transfer
Net inventories and work in progress	**1,275.4**	**959.6**	**324.9**	**(9.2)**
Net trade receivables	189.4	137.3	51.9	0.2
Other operating receivables net	321.0	248.6	77.6	(5.1)
Trade and other operating receivables net	**510.4**	**385.9**	**129.5**	**(4.9)**
Trade payables	(496.3)	(395.5)	(101.0)	0.2
Other operating payables	(742.7)	(484.4)	(270.7)	12.4
Trade payables and other operating liabilities	**(1,239.0)**	**(879.9)**	**(371.7)**	**12.6**
Operational WCR	**546.9**	**465.6**	**82.8**	**(1.5)**

Nota: presentation excluding payables and receivables on the sale or acquisition of fixed assets.

7.3.1 Inventories and work in progress

€millions	Gross inventories	Impairment	Net inventories
At 1st January 2016	**696.9**	**(5.8)**	**691.2**
Change	138.0	0.1	138.1
Increases	–	(0.5)	(0.5)
Reversals	–	0.9	0.9
Transfers to or from other categories	(37.9)	(0.1)	(38.0)
Change in scope of consolidation	166.4	1.5	168.0
As at 31 December 2016	**963.4**	**(3.8)**	**959.6**
Change	328.5	0.0	328.5
Increases	–	(5.2)	(5.2)
Reversals	–	1.6	1.6
Transfers to or from other categories	0.8	(0.3)	0.4
Change in scope of consolidation	(9.6)	–	(9.6)
At 31 December 2017	**1,283.1**	**(7.7)**	**1,275.4**

Change in inventories are primarily due to changes in the Group's business, changes in scope of consolidation (including controlling interest acquired in property developer Pitch Promotion) and reclassifications in investment properties.

7.3.2 Trade and other receivables

€millions	31/12/2017	31/12/2016
Gross trade receivables	**190.5**	**138.0**
Opening impairment	**(0.7)**	**(0.6)**
Increases	(0.4)	(0.1)
Change in scope of consolidation	–	(0.0)
Reversals	0.0	(0.0)
Other changes	0.0	0.0
Closing impairment	**(1.1)**	**(0.7)**
Net trade receivables	**189.4**	**137.3**
Advances and down payments paid	28.0	30.0
VAT receivables	198.1	150.4
Sundry debtors	46.4	45.9
Prepaid expenses	48.9	26.5
Total other operating receivables gross	**321.4**	**252.8**
Opening impairment	**(4.3)**	**(4.1)**
Increases	(0.5)	(0.3)
Change in scope of consolidation	–	(0.0)
Reclassification	(0.1)	–
Reversals	4.5	0.1
Closing impairment	**(0.4)**	**(4.3)**
Net operating receivables	**321.0**	**248.6**
Trade receivables and other operating receivables	**510.4**	**385.9**
Receivables on sale of assets	0.2	0.2
Trade receivables and other operating receivables	**510.6**	**386.0**

Trade receivables

Receivables on off-plan sales (VEFA) are recorded inclusive of all taxes and represent revenues on a percentage-of-completion basis less receipts received from customers

Detail of trade receivables due:

€millions	31/12/2017
Total gross trade receivables	**190.5**
Impairment of trade receivables	(1.1)
Total net trade receivables	**189.4**
Trade accounts to be invoiced	22.5
Receivables lagging completion	(8.0)
Trade accounts receivable due	**158.9**

€millions	Total	On time	30 days	60 days	90 days	More than 90 days
Trade accounts receivable due	**158.9**	122.9	–	17.2	2.7	16.1

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.

7.3.3 Accounts payable and other operating liabilities

€millions	31/12/2017	31/12/2016
Trade payables and related accounts	**496.3**	**395.5**
Advances and down payments received from clients	551.5	322.9
VAT collected	80.4	59.9
Other tax and social security payables	41.7	36.8
Prepaid income	0.9	2.4
Other payables	68.2	62.5
Other operating payables	**742.7**	**484.4**
Amounts due on non-current assets	10.8	10.6
Accounts payable and other operating liabilities	**1 249.8**	**890.4**

Advances and down payments received from clients

This item includes net advances from clients in property programmes where trade receivables (incl. tax) calculated based on the percentage of completion are greater than calls for funds received.

NOTE 8 FINANCIAL RISKS MANAGEMENT

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

8.1 Carrying amount of financial instruments by category under IAS 39

At 31th December 2017

			Financial assets and liabilities carried at amortised cost		Financial assets and liabilities carried at fair value				
€millions	Total carrying amount	Non-financial assets	Loans Receivables	Liabilities at amortised cost	Assets available for sale	Assets and liabilities at fair value through	*Level 1**	*Level 2***	*Level 3****
NON-CURRENT ASSETS	**344.8**	**152.8**	**192.0**	**–**	**–**	**–**	**–**	**–**	**–**
Securities and investments in equity affiliates and unconsolidated interests	338.0	152.8	185.2	–	–	–	–	–	–
Loans and receivables (non-current)	6.8	–	6.8	–	–	–	–	–	–
CURRENT ASSETS	**976.4**	**–**	**958.1**	**–**	**–**	**18.2**	**18.2**	**–**	**–**
Trade and other receivables	510.6	–	510.6	–	–	–	–	–	–
Loans and receivables (current)	13.0	–	13.0	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–	–
Cash and cash equivalents	452.8	–	434.5	–	–	18.2	18.2	–	–
NON-CURRENT LIABILITIES	**570.6**	**–**	**–**	**570.6**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	569.6	–	–	569.6	–	–	–	–	–
Deposits and security interests received	1.0	–	–	1.0	–	–	–	–	–
CURRENT LIABILITIES	**1,859.2**	**–**	**–**	**1,859.1**	**–**	**0.0**	**–**	**0.0**	**–**
Borrowings and financial liabilities	609.4	–	–	609.4	–	–	–	–	–
Derivative financial instruments	0.0	–	–	–	–	0.0	–	0.0	–
Accounts payable and other operating liabilities	1,249.8	–	–	1,249.8 –	–	–	–	–	–

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

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

At 31th December 2016

€millions	Total carrying amount	Non-financial assets	Financial assets and liabilities carried at amortised		Financial assets and liabilities carried at fair value				
			Loans Receivables	Liabilities at amortised cost	Assets available for sale	Assets and liabilities at fair value through	*Level 1**	*Level 2***	*Level 3****
NON-CURRENT ASSETS	**253.3**	**134.7**	**118.5**	**–**	**–**	**–**	**–**	**–**	**–**
Securities and investments in equity affiliates and unconsolidated interests	246.6	134.7	111.9	–	–	–	–	–	–
Loans and receivables (non-current)	6.7	–	6.7	–	–	–	–	–	–
CURRENT ASSETS	**658.8**	**–**	**645.7**	**–**	**–**	**13.2**	**6.2**	**7.0**	**–**
Trade and other receivables	386.0	–	386.0	–	–	–	–	–	–
Loans and receivables (current)	12.7	–	12.7	–	–	–	–	–	–
Derivative financial instruments	7.0	–	–	–	–	7.0	–	7.0	–
Cash and cash equivalents	253.1	–	246.9	–	–	6.2	6.2	–	–
NON-CURRENT LIABILITIES	**481.4**	**–**	**–**	**481.4**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	480.5	–	–	480.5	–	–	–	–	–
Deposits and security interests received	1.0	–	–	1.0	–	–	–	–	–
CURRENT LIABILITIES	**1,341.2**	**–**	**–**	**1,341.1**	**–**	**0.0**	**–**	**0.0**	**–**
Borrowings and financial liabilities	450.7	–	–	450.7	–	–	–	–	–
Derivative financial instruments	0.0	–	–	–	–	0.0	–	0.0	–
Accounts payable and other operating liabilities	890.4	–	–	890.4	–	–	–	–	–
Amount due to shareholders	–	–	–	–	–	–	–	–	–

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

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

8.2 Interest rate risk

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

The Group did not elect to account for these swaps as cash flow hedges under IAS 39.

In compliance with IFRS 13, these instruments are measured by taking into account 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, takes into account 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. There was no impact in the period.

Position in derivative financial instruments

€millions	31/12/2017	31/12/2016
Interest-rate swaps	(0.0)	2.9
Accrued interest not yet due	(0.0)	4.0
Total	**(0.0)**	**6.9**

Derivatives were valued by discounting future cash flows estimated according to interest rate curves at 31 December 2017.

Maturity schedule of derivative financial instruments (notional amounts)

At 31th December 2017

€millions	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
ALTAREIT – pay fixed - swap	3.2	3.1	2.9	–	–	–
ALTAREIT – pay fixed - collar	–	–	–	–	–	–
ALTAREIT – pay fixed - cap	–	–	–	–	–	–
Total	**3.2**	**3.1**	**2.9**	**–**	**–**	**–**
Average hedge ratio	0.21%	0.21%	0.21%	0.00%	0.00%	0.00%

At 31th December 2016

€millions	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
ALTAREIT – pay fixed - swap	103.4	3.2	3.1	2.9	–	–
ALTAREIT – pay fixed - collar	–	–	–	–	–	–
ALTAREIT – pay fixed - cap	–	–	–	–	–	–
Total	**103.4**	**3.2**	**3.1**	**2.9**	**–**	**–**
Average hedge ratio	0.10%	0.21%	0.21%	0.21%	0.00%	0.00%

Management position

At 31th December 2017

€millions	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Fixed-rate bond and bank loans	–	–	–	–	–	–
Floating-rate bank loans	(1,126.7)	(569.2)	(399.4)	(90.5)	(63.7)	(12.4)
Cash and cash equivalents (assets)	452.8	–	–	–	–	–
Net position before hedging	**(673.9)**	**(569.2)**	**(399.4)**	**(90.5)**	**(63.7)**	**(12.4)**
Swap	3.2	3.1	2.9	–	–	–
Collar	–	–	–	–	–	–
Cap	–	–	–	–	–	–
Total derivative financial instruments	**3.2**	**3.1**	**2.9**	**–**	**–**	**–**
Net position after hedging	**(670.7)**	**(566.1)**	**(396.4)**	**(90.5)**	**(63.7)**	**(12.4)**

At 31th December 2016

€millions	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Fixed-rate bond and bank loans	(104.1)	0.0	–	–	–	–
Floating-rate bank loans	(721.2)	(480.3)	(339.7)	(287.8)	(40.1)	(13.3)
Cash and cash equivalents (assets)	253.1	–	–	–	–	–
Net position before hedging	**(572.2)**	**(480.3)**	**(339.7)**	**(287.8)**	**(40.1)**	**(13.3)**
Swap	103.4	3.2	3.1	2.9	–	–
Collar	–	–	–	–	–	–
Cap	–	–	–	–	–	–
Total derivative financial instruments	**103.4**	**3.2**	**3.1**	**2.9**	**–**	**–**
Net position after hedging	**(468.8)**	**(477.0)**	**(336.6)**	**(284.8)**	**(40.1)**	**(13.3)**

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 portfolio of the financial instruments
31/12/2017	+50 bps -50 bps	-€1,4 million +€1,6 million	+€0,0 million -€0,0 million
31/12/2016	+50 bps -50 bps	-€1,9 million +€1,1 million	+€0,0 million -€0,0 million

8.3 Liquidity risk

Cash

The Group had a positive cash position of €452.8 million at 31 December 2017, compared to €253.1 million at 31 December 2016. 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 31 December 2017, the amount of this restricted cash was €208.8 million.

On this date, in addition to the available cash of €244 million, the Group also had €173.3 million of additional available cash and cash equivalents (in confirmed corporate credit lines that had not been used).

Covenants

The covenants with which the Group must comply concern the listed corporate banking credits, for €344 million.

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

	Altarea Group covenants	31/12/17	Consolidated Cogedim covenants	31/12/17
Loan To Value (LTV)				
Net bond and bank financial debt/re-assessed value of the Company's assets	< 60%	36.1%		
Interest Cover Ratio (ICR)				
Operating income (FFO column or cash flow from operations)/Company's net borrowing cost (FFO column)	> 2	9.3		
Leverage				
Leverage: Net financial Debt/EBITDA			<= 5	2.2
Gearing: Net financial debt/Equity			<= 3	0.5
ICR: EBITDA/Net interest expenses			>= 2	8.9

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 Altareit

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

In percentage	31/12/2017 % share capital	31/12/2017 % voting rights	31/12/2016 % share capital	31/12/2016 % voting rights
Altarea	99.63	99.75	99.63	99.75
Altarea France	0.11	0.11	0.11	0.11
Alta Faubourg *	0.11	–	0.11	0.11
Altarea group controlling	*99.85*	*99.86*	*99.85*	*99.86*
Treasury shares	0.01	–	0.01	–
Public	0.14	0.14	0.14	0.14
Total	**100.0**	**100.0**	**100.0**	**100.0**

** Treasury shares*

Related party transactions

The related parties are legal entities whose directors are common with those of the company.

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

- Altarea, the group's holding company, and its subsidiaries, particularly those providing services,
- Altafi 2, non-associate manager of the Company and whose Chairman is Mr. Alain Taravella,
- Companies of the founding shareholders who hold shares in Altarea:
  - AltaGroupe, AltaPatrimoine and Altager, controlled by Mr Alain Taravella;

Altarea owns 99.63% Altareit and Altarea France, which is 100% controlled by Altarea, holds 0.11% of Altareit, while Alta Faubourg, 100% owned by Altareit, holds 0, 11% of Altareit.

Transactions with these related parties come either from services provided by the Group to related parties or from financing transactions (current accounts and guarantees). The amounts invoiced by the Altareit group to the related parties are at normal market conditions.

Altarea holds, under various loans, a joint surety of €275 million on behalf of Cogedim and carries a joint surety of €100 million on behalf of Alta Faubourg. Altarea granted a joint surety on behalf of Altareit for an amount of €242 million. In addition, Altarea has directly invested 50% in AF Investco 4 for the redevelopment of a building alongside the Altafund investment fund in which Altareit holds a 16.7% stake.

In order to formalise the services habitually provided to Altareit by Altarea, 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.

€millions	Altafi 2	Altarea and subsidiaries	31/12/2017	31/12/2016
Non-current assets		0.1	0.1	0.1
Current assets		1.4	1.4	2.1
TOTAL ASSETS	**–**	**1.5**	**1.5**	**4.2**
Trade, current account and other payables [(a)]	–	4.0	4.0	51.7
TOTAL LIABILITIES	**–**	**4.0**	**4.0**	**51.7**

(a) Mainly current account between Altareit and Altarea SCA

€millions	Altafi 2	Altarea and subsidiaries	31/12/2017	31/12/2016
Operating revenues	0.1	10.7	10.8	6.5
Operating expenses	(0.6)	(28.5)	(29.1)	(16.5)
Operating Income	**(0.6)**	**(17.8)**	**(18.3)**	**(10.0)**
Net borrowing costs	–	(3.2)	(3.2)	(2.3)
Net Income	**(0.6)**	**(20.9)**	**(21.5)**	**(12.3)**

Compensation of the founding shareholder-managers

In accordance with article 14 of the bylaws, Altareit pays the management of Altafi 2 represented by Alain Taravella. In this respect, the following expense was recognized:

	Altafi 2 SAS	
€millions	31/12/2017	31/12/2016
Fixed Management compensation	0.6	0.6
TOTAL	**0.6**	**0.5**

Compensation of the Group's salaried executives

€millions	31/12/2017	31/12/2016
Gross salaries[(a)]	1.4	1.5
Social security contributions	0.5	0.5
Share-based payments[(b)]	1.7	0.9
Number of shares delivered during the period	4 954	3 000
Post-employment benefits[(c)]	0.0	0.0
Other short- or long-term benefits and compensation[(d)]	0.0	0.0
Termination indemnities[(e)]		–
20% employer contribution for free share grants	0.4	0.2
Loans		
Post-employment benefit commitment	0.1	0.0

(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 to Altarea SCA's free share grants	31/12/2017	31/12/2016
Rights to Altarea SCA's free share grants	21,934	15,388
Altarea share subscription warrants	–	–
Stock options on Altarea shares	–	–

The information above refers to compensation and benefits granted to the main salaried executives in the Group. It does not include the compensation of the founding shareholder-managers and of the Chairman and members of the Supervisory Board.

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 “Financial risk management”.

All other material commitments are set out below :

€millions	31/12/2016	31/12/2017	Less than 1 year	1-5 years	More than 5 years
Commitments received					
Commitments received relating to financing (excl. borrowings)	**–**	**–**	**–**	**–**	**–**
Commitments received relating to company acquisitions	**4.5**	**14.3**	**12.0**	**–**	**2.3**
Commitments received relating to operating activities	**25.1**	**5.4**	**5.4**	**–**	**–**
Payment guarantees received from customers	25.1	5.4	5.4	–	–
Total	**29.7**	**19.8**	**17.4**	**–**	**2.3**
Commitments given					
Commitments given relating to financing (excl. borrowings)	**–**	**–**	**–**	**–**	**–**
Commitments given relating to company acquisitions	**110.3**	**57.2**	**0.5**	**15.2**	**41.5**
Commitments given relating to operating activities	**789.9**	**1 075.7**	**354.9**	**720.4**	**0.4**
Construction work completion guarantees (given)	704.9	983.8	321.4	662.4	–
Guarantees given on forward payments for assets	6.6	37.5	4.0	33.5	–
Guarantees for loss of use	64.3	38.8	24.0	14.4	0.3
Other sureties and guarantees granted	14.1	15.6	5.5	10.1	0.0
Total	**900.3**	**1 132.8**	**355.3**	**735.6**	**41.8**

Commitments received

Commitments received relating to acquisitions/disposals

Altareit and Majhip hold reciprocal put and call options for the balance of Histoire et Patrimoine shares still held by Majhip. These options are exercisable for 45-day periods starting from the date the financial statements are approved for the years ended 31 December 2017 and 2018. Altarea has also been given representations and warranties in connection with this acquisition.

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

Commitments received relating to operating activities

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 Office property development projects.

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 acquisitions

The main commitments concern an undertaking to subscribe for the capital of companies comprising the AltaFund investment fund in the amount of €56.2 million (firm commitment for identified projects). The commitment change depending on subscriptions and/or redemptions during the period.

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

The Group can grant indemnification commitments or earnout in case of disposals of investments relate to the Group's consolidated subsidiaries.

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 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 guarantees given to contractors at the signing of works contracts.

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 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.

The Group has a future offering consisting of unilateral preliminary sales agreements. The amount of these commitments is shown in the business review.

Lastly, the Group has announced its future headquarters at the Richelieu building, Paris second arrondissement, for which it has signed an off-plan lease. It should take effect in the second half of 2019.

Minimum future rents to be paid

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

€millions	31/12/2017	31/12/2016
Less than 1 year	16.5	13.9
Between 1 and 5 years	14.3	14.2
More than 5 years	0.1	0.3
Minimum rents to be paid	**30.9**	**28.4**

Rents to be paid concern:

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

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 2017 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

No major events occurred subsequent to the closing date and prior to the preparation of the financial statements.

NOTE 12 AUDITOR'S FEES

€millions	E&Y				Grant Thornton				Other				Total			
	Amount		%		Amount		%		Amount		%		Amount		%	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Statutory audit, certification, examination of individual and consolidated financial statements																
- Altareit SCA	0.0	0.0	3%	3%	0.1	0.1	32%	28%	–		0%	0%	0.1	0.1	8%	8%
- Fully consolidated subsidiaries	0.7	0.8	97%	96%	0.1	0.2	68%	70%	0.2	0.1	100%	100%	1.0	1.1	92%	91%
Services other than the certification of the financial statements																
- Altareit SCA	–	–	0%	0%	–	–	0%	0%	–	–	0%	0%	–	–	0%	0%
- Fully consolidated subsidiaries	–	0.0	0%	1%	–	0.0	0%	1%	–	–	0%	0%	–	0.0	0%	1%
Total	**0.7**	**0.8**	**100%**	**100%**	**0.2**	**0.2**	**100%**	**100%**	**0.2**	**0.1**	**100%**	**100%**	**1.1**	**1.2**	**100%**	**100%**

3.7 Statutory Auditors' report on the consolidated financial statements

Altareit

For the financial year ended 31 December 2017

At the General Shareholders' Meeting of the Altareit company,

Opinion

In accordance with the mission assigned to us by your General Shareholders' Meeting, we have carried out the audit of the consolidated financial statements of the Altareit company relating to the financial year ended 31 December 2017, as attached to this report.

In our opinion, the consolidated financial statements give a true and fair view of the result of operations in the elapsed year, and of the financial position and assets, at the end of the financial year of the companies and entities included in the consolidated group in accordance with IFRS standards as adopted by the European Union.

The opinion set out below is consistent with the content of our report to the Audit Committee.

Basis of the Opinion

Audit guidelines

We conducted our audit in accordance with professional standards applicable in France. We believe that the information we obtained provides a reasonable basis for our opinion given below.

Our responsibilities under these standards are set out in the section entitled "Responsibilities of the Statutory Auditors in auditing the financial statements" of this report.

Independence

We performed our audit respecting the applicable rules on independence, over the period from 1st January 2017 to the date on which our report was published, and, in particular, we have not provided any services prohibited under Article 5, paragraph 1 of EU regulation No. 537/2014 or under the Code of Conduct governing the profession of statutory auditor.

Basis for our assessments - Key points of the audit

In accordance with the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code in terms of the basis for our assessment, we draw your attention to the key points of the audit on the risks of significant anomalies which, in our professional judgement, were of the greatest importance in auditing the consolidated financial statements for the year, as well as our response to these risks.

Our assessments in this respect were made within the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion as to the items contained in these consolidated financial statements taken in isolation.

Measurement of goodwill and brands

Risk identified	Our response
As of 31 December 2017, goodwill and brands were recorded in the balance sheet in a net carrying amount of €299.5 million, of which €139.6 million in goodwill relating to the acquisitions of Cogedim and Pitch Promotion, and	We reviewed the process established by the Group for determining the recoverable amount of goodwill and brands, grouped into cash-generating units (CGU).

€89.9 million in goodwill relating to the Cogedim and Pitch Promotion brands.

Goodwill and brands are systematically tested for impairment annually, or more frequently if internal or external events or circumstances indicate a loss of value.

As described in note 2.3.8 to the consolidated financial statements, an impairment loss is recognised if the carrying amount of the assets (and certain associated liabilities) in the balance sheet is greater than the recoverable amount of the said assets.

The determination of the recoverable amounts of each group of assets tested is based on the discounted cash flow method, which requires the use of assumptions, estimates or assessments, and the peer comparison method.

In view of the amounts and sensitivity of these assets to changes in the data and the assumptions upon which the estimates are based, in particular the cash flow projections and discount rates used, we considered the assessment of the recoverable amount of goodwill and brands as a key point in the audit.

The work also involved:

- assessing the principles and the methods for determining the recoverable amounts of the CGUs to which the goodwill and the brands are allocated, as well as the corresponding net asset values;
- reconciling the net carrying amounts of the net assets attached to the CGUs tested with the Group's accounting data;
- assessing, including our valuation experts, the pertinence of the valuation models used as well as the long-term growth rates and discount rates applied in the said models;
- assessing, in consultation with management, the main assumptions on which the budget estimates underlying the cash flows used in the valuation models are based. As such, we also compared estimated cash flow projections from previous periods with actual results in order to assess the suitability and reliability of the forecasting process, and to corroborate the results of sensitivity analyses conducted by management by comparing them with our own;
- testing, on a sample basis, the arithmetical accuracy of the assessments used by the Group.

Valuation of deferred tax assets

Risk identified	Our response
At 31 December 2017, deferred tax assets relating to tax loss carryforwards amounted to €109.9 million. As stated in note 2.3.17 to the consolidated financial statements, deferred tax assets are recognised insofar as is likely that future taxable profits will allow their recovery based on a business plan for tax purposes prepared by management and derived from the Group's business plan drawn up for a reasonable period. The Group's capacity to use its deferred tax assets within a reasonable timeframe is assessed by management at the close of each financial year, taking into account, among other aspects, the estimated future taxable profits of the property development activity. We considered the measurement of the recoverable amount of deferred tax assets resulting from tax loss carryforwards as a key point in the audit due to the material nature of management's judgements in recognising these assets and the materiality of the amounts in question.	We analysed the consistency of the methodology applied for the recognition of deferred taxes with the tax rules in force at the end of the reporting period, in particular with the tax rates adopted and the rules for limiting tax loss carryforwards, specific to each jurisdiction. Our approach involved examining the business plans prepared for tax purposes, focusing primarily on the earnings forecasts for the property development activity in the Altareit tax group in order to assess the Group's ability to generate future taxable profits allowing the use of tax loss carryforwards. We compared these business plans for tax purposes with the cash flow projections used where appropriate as part of the annual impairment testing of goodwill and brands, and reviewed the reasonable nature of the main data and assumptions on which these projections of tax results are based.

- **Valuation of inventories, revenue and net property income.**

Risk identified	Our response
At 31 December 2017, the property inventories are recognised in the balance sheet for an amount of €1,275.4 million and net property income stands at €146.2 million for the financial year 2017. As indicated in note 2.3.18 to the consolidated financial statements, revenue and costs (net property income) are recognised in the Group financial statements in accordance with the percentage-of-completion method. This method is used for all off-plan (VEFA) and property development contract transactions. For these programmes, the revenue from notarised sales is recognised, in accordance with IAS 18 "Income from ordinary activities" and interpretation IFRIC 15 "Property asset construction contracts", in proportion to the technical percentage-of-completion of the programmes, measured by the amount of the costs attachable to the operation that have already been committed, and the percentage-of-completion of marketing, measured pro rata as closed sales over total budgeted sales. As indicated in note 2.3.9 to the consolidated financial statements, inventories are carried at cost less the portion of the cost price removed on a percentage-of-completion basis for off-plan sale (VEFA) or property development contract transactions. Impairment losses are recognised when the net realisable value of inventories and work in progress is less than the cost price. In view of the material nature of inventories and net property income in the Group's consolidated financial statements, we considered the measurement of these items as a key point in the audit.	Our approach involved examining the assumptions made by management in estimating the profit on property developments, and notably assumptions regarding selling prices, construction costs, service fees and internal expenses. The technical completion rates of developments representing significant revenue and costs (net property income) over the financial year were confirmed by the main contractors (independent confirmation) in charge of the property developments, and we reconciled the number of sales with notarised deeds by conducting sales-year-specific sales tests. Our teams of experts also carried out reliability tests of application controls related to the sales process. We also examined the costs incurred and yet to be incurred on the most significant projects in order to identify loss-making contracts, and, where applicable, reconciled these costs with the loss on completion of the contracts in question. Lastly, we tested, on a sample basis, the arithmetical accuracy of revenue and the associated net property income generated during the year and recorded in the consolidated financial statements using income at completion and rates of commercial and technical completion. The measurement of inventories for (i) projects not yet available for sale and (ii) projects delivered was the subject of particular attention. For developments not yet available for sale, we examined the existence of prospective profits, based on interviews with management and analysis of operating budgets. For projects delivered, we analysed the estimated selling prices of the units in inventory with the selling prices of the units recorded.

Verification of information about the Group given in the management report

We also carried out specific verification, as required by law, of information relating to the Group provided in the Management Board's management report, in accordance with professional standards applicable in France.

We have no comments to report with respect to the fairness of their presentation and consistency with the consolidated financial statements.

Information arising under other legal and regulatory obligations

- **Appointment of statutory auditors**

We were appointed as Statutory Auditors of the Altareit company by your General Shareholders' Meeting on 2 June 2008.

At 31 December 2017, our firms were in the tenth uninterrupted year of their contract.

Responsibilities of management and corporate governance officers in respect of the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that present a true and fair view in accordance with IFRS as adopted in the European Union, as well as to implement the internal controls it deems necessary for the preparation of consolidated financial statements containing no material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating the ability of the company to continue as a going concern, to present in these financial statements, as appropriate, the necessary information relating to the continuity of operations and to apply the going concern principle unless it is intended to wind up the company or cease trading.

It is the responsibility of the Audit Committee to monitor the process of producing financial information and the effectiveness of systems of internal control and risk management, as well as any internal audits, in respect of procedures for producing and processing accounting and financial information.

These consolidated financial statements have been approved by Management.

Responsibilities of the statutory auditors as regards the audit of the consolidated financial statements

■ Auditing objective and procedure

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements. Reasonable assurance means a high level of assurance, without forasmuch providing the guarantee that an audit conducted in compliance with industry standards systematically affords the detection of any significant anomaly. Anomalies may be the result of fraud or errors and are considered to be significant where it can be reasonably expected that, taken individually or together, they may influence the economic decisions of the users of the statements on the basis thereof.

As specified in Article L. 823-10-1 of the French Commercial Code, our assignment as auditors is not to guarantee the viability or quality of the management of your company.

In conducting an audit in compliance with industry standards in France, statutory auditors exercise their professional judgement throughout the said audit. Moreover:

- identifies and assesses the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, establishes and implements audit procedures to address these risks, and gathers evidence that it considers sufficient and appropriate on which to base its opinion. The risk of failing to detect a material misstatement attributable to fraud is greater than that of a material misstatement resulting from error, since fraud may involve collusion, forgery, deliberate omissions, misrepresentation or circumventing internal control;
- takes note of the relevant internal control for the audit in order to establish appropriate audit procedures in the circumstances, and not to express an opinion on the effectiveness of internal control;
- assesses the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the information concerning them provided in the consolidated financial statements;
- assesses the appropriateness of management’s application of the going concern principle, and, depending on the evidence gathered, the existence or otherwise of significant uncertainty related to events or circumstances liable to undermine the company’s ability to continue as a going concern. This assessment is based on the evidence gathered up until the date of their report, not overlooking the fact, however, that subsequent circumstances or events may jeopardise capacity as a going concern. If it finds that there is significant uncertainty, it draws the attention of readers of its report to the information provided in the consolidated financial statements in respect of this uncertainty or, if this information is not provided or is not relevant, it issues a qualified certification or a refusal to certify;
- assesses the overall presentation of the consolidated financial statements and assesses whether the consolidated financial statements reflect the underlying operations and events so as to give a true and fair view of them;

- as regards the financial information of the persons or entities included in the consolidation, it gathers the evidence it deems sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for the management, supervision and execution of the audit of the consolidated financial statements, as well as the opinion. expressed on these financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which sets out, in particular, the scope of the audit and the programme of work implemented, as well as the conclusions arising from our work. We also bring to their attention any significant weaknesses in internal controls that we have identified in terms of procedures for producing and processing accounting and financial information.

The items disclosed in the report to the Audit Committee include the risks of material misstatement that we considered to be the most significant in our audit of the consolidated financial statements for the year, and which therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also supply the Audit Committee with the statement required under Article 6 of EU regulation No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as they are set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Industry Code of Conduct for Statutory Auditors. Where appropriate, we discuss with the Audit Committee any risks affecting our independence and any safeguard measures thus applied.

Neuilly-sur-Seine and Paris-La Défense, 15 March 2018

The Statutory Auditors

Grant Thornton French member of Grant Thornton International	ERNST & YOUNG Audit
Laurent Bouby	Anne Herbein

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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4.1 Income statement

INCOME STATEMENT (listed)

(€ thousands)	2017	2016
Sale of goods		
Sold production (goods and services)	471.8	694.6
NET REVENUE	**471.8**	**694.6**
Production held in inventory		
Operating grants		
Reversals of provisions (and depreciation/amortisation), expense reclassifications		
Other income	0.0	2.4
OPERATING INCOME	**471.8**	**697.0**
Purchase of goods		
Change in inventory (goods)		
Purchase of raw materials and other supplies		
Change in inventory (raw materials and other supplies)		
Other purchases and external costs	4,482.3	2,603.7
Taxes, duties and equivalent payments	0.7	0.7
OPERATING ALLOWANCES		
On non-current assets: depreciation and amortisation charges		
On non-current assets: impairment provisions		
On current assets: impairment provisions		
For risks and charges: alowances to provisions		
Other expenses	(0.7)	14.5
OPERATING EXPENSES	**4,482.3**	**2,618.9**
OPERATING INCOME/(LOSS)	**(4,010.5)**	**(1,921.9)**
JOINT TRANSACTIONS		
Profits or transferred losses		
Losses or transferred profits		
FINANCIAL INCOME		
Financial income from investments	2,595.6	1,149.9
Income from other marketable securities and receivables on non-current assets		
Other interest and similar income	3,585.7	6,583.0
Reversals of provisions, impairment and expense reclassifications	4,117.0	1.1
Foreign exchange gains		
Net gains on the disposal of marketable securities		
FINANCIAL INCOME	**10,298.3**	**7,734.0**
Allowances for amortisation, impairment and provisions	77.6	2,207.7
Interest and similar expenses	3,304.6	2,386.7
Foreign exchange losses		
Net losses from the disposal of marketable securities		
FINANCIAL EXPENSES	**3,382.3**	**4,594.4**
NET FINANCIAL INCOME/(EXPENSE)	**6,916.0**	**3,139.5**
PROFIT BEFORE TAX AND NON-RECURRING ITEMS	**2,905.6**	**1,217.7**

INCOME STATEMENT (continued)

(€ thousands)	2017	2016
Exceptional income from non-capital transactions		
Exceptional income from capital transactions	8.4	6.5
Reversals of provisions, impairment and expense reclassifications		
EXCEPTIONAL INCOME	**8.4**	**6.5**
Exceptional expenses on non-capital transactions		
Exceptional expenses on capital transactions	1.9	
Allowances for amortisation, impairment and provisions		
EXCEPTIONAL EXPENSES	**1.9**	
NET EXCEPTIONAL INCOME/(EXPENSE)	**6.5**	**6.5**
Employee profit-sharing		
Income tax	(7,302.2)	(12,121.2)
TOTAL INCOME	**10,778.5**	**8,437.4**
TOTAL EXPENSES	**564.2**	**(4,908.0)**
PROFIT/(LOSS)	**10,214.3**	**13,345.4**

4.2 Balance sheet

ASSETS

(€ thousands)	Gross	Amortisation Provisions	31/12/2017	31/12/2016
Uncalled subscribed capital				
INTANGIBLE ASSETS				
Start-up costs				
Research and development expenditures				
Concessions, patents, licences, trademarks, procedures, software, rights and similar items				
Goodwill				
Intangible assets in progress				
Advances and down payments				
PROPERTY. PLANT AND EQUIPMENT				
Land				
Buildings				
Technical installations, plant and industrial equipment				
Other				
Property, plant and equipment in progress				
Advances and down payments				
NON-CURRENT FINANCIAL ASSETS				
Investments	248,727.3	88,582.9	160,144.4	160,144.4
Investment-related receivables	514,319.1	24,557.1	489,762.0	263,887.7
Other long-term investments				
Loans				
Other non-current financial assets				
NON-CURRENT ASSETS	**763,046.4**	**113,140.0**	**649,906.4**	**424,032.1**
INVENTORIES AND PIPELINE PRODUCTS				
Raw materials and other supplies				
Production work in progress (goods and services)				
Intermediate and finished products				
Goods and merchandise				
Advances and down payments made on orders				
RECEIVABLES				
Trade receivables and related accounts				
Other	98,217.1		98,217.1	68,512.5
Called, unpaid subscribed capital				
TRANSFERABLE SECURITIES FOR INVESTMENT				
Marketable securities (of which Treasury shares: 59,841.69)	5,059.8		5,059.8	30.0
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	95,151.0		95,151.0	16,137.7
ACCRUALS				
Prepaid expenses	662.7		662.7	1.8
CURRENT ASSETS	**199,090.6**		**199,090.6**	**84,681.9**
Deferred expenses				
Redemption premiums				
Translation differences – assets				
TOTAL	**962,137.0**	**113,140.0**	**848,997.0**	**508,714.1**

LIABILITIES

(€ thousands)	2017	2016
Capital (incl. paid-in 2,626,730.5)	2,626.7	2,626.7
Discounts, merger premiums, contribution premiums	76,253.6	76,253.6
Revaluation differences	58.4	58.4
Legal reserve	262.6	262.6
Statutory and contractual reserves		
Regulated reserves	26.8	26.8
Other	4,778.6	4,778.6
Retained earnings	169,502.0	156,156.6
NET INCOME (LOSS) FOR THE YEAR	**10,214.3**	**13,345.4**
Investment grants		
Regulated provisions		
EQUITY	**263,723.0**	**253,508.7**
Provisions for contingencies		
Provisions for expenses		4,117.0
PROVISIONS		**4,117.0**
Proceeds from issue of equity securities		
Conditional advances		
OTHER EQUITY		
FINANCIAL LIABILITIES		
Convertible bond issues		
Other bond issues		
Borrowings from credit institutions	109,193.5	59,177.4
Other borrowings and financial liabilities	474,837.0	191,737.3
Advances and down payments made for orders in progress		
OPERATING PAYABLES		
Trade payables and related accounts	1,186.1	173.6
Tax and social security payables		
OTHER PAYABLES		
Amounts due on non-current assets and related accounts		
Other payables	57.5	
ACCRUALS		
Prepaid income		
PAYABLES	**585,274.0**	**251,088.3**
Translation differences – liabilities		
TOTAL	**848,997.0**	**508,714.1**

4.3 Notes to the annual financial statements

Articles L. 123-13 to L. 123-21 and R. 123-195 to R. 123-198 of the French Commercial Code, Decree 83-1020 of 29 November 1983 and ANC Regulation 2016-07 of 4 November 2016 approved by the order of 29 December 2016.

Altareit is controlled by the Altarea company to 99.63% and comprises the promotion activities for third parties of the Altarea Cogedim Group and its diversification activities.

The Altareit company is listed on the Euronext Paris SA regulated market, compartment B. Consolidated financial statements were drawn up for the first time for the financial year ended 31 December 2008.

Altareit has been the head of the consolidated tax group since 1 January 2009.

These notes are presented in thousands of euros. These annual financial statements were approved by Management at its meeting on 5 March 2018 following review by the Supervisory Board.

4.3.1 Major events during the financial year

None.

4.3.2 Accounting principles, rules and methods

The annual financial statements have been prepared and presented in accordance with the provisions of applicable French laws and regulations. The annual financial statements are drawn up according to the 2014 accounting plan adopted by the CRC (*Comité de Réglementation Comptable*) in Regulation 2014-03 of 5 June 2014, amended by ANC Regulation 2016-07 of 4 November 2016 and approved by ministerial order on 29 December 2016.

The accounting principles and methods are the same as those applied in drawing up the financial statements for the year ended 31 December 2016, except for the change in accounting method required by ANC Regulation No. 2015-05 of 2 July 2015 as it relates to treasury instruments. This new regulation has no impact on the 2017 financial statements.

The main methods used are described below.

Participating interests

Participating interests are recognised at cost or transfer value.

Participating interests may be impaired where their carrying amount falls substantially below their value in use for the Company. This value in use is determined according to multiple criteria such as net asset value, profitability, profitability forecasts, long-term growth prospects and the economic environment. The market value of assets held by subsidiaries and sub-subsidiaries is taken into account.

Receivables attached to investments

Investment-related receivables or receivables related to indirect equity holdings of the Company are carried at their contribution or nominal value.

When there is evidence that the Company will not be able to collect all amounts due, an impairment loss is recorded taking into account in particular the nature of the advance, the subsidiary's capacity to repay and its development potential.

Receivables

The company's receivables are carried at nominal value. They are constituted by Group receivables.

When there is evidence that the company will not be able to collect all amounts due, receivables are recorded in doubtful accounts. Impairment losses are calculated separately for each customer after subtracting the security deposit and accounting for the length of time that the receivable has remained outstanding, any progress made on collection efforts, and any guarantees that have been received.

Treasury shares

Treasury shares are recognised as either:

• financial assets, when they are held for purposes of a capital reduction;

• marketable securities:

- when they are held under the "liquidity contract" with a service provider for the purpose of ensuring the liquidity and orderly trading of its shares or,

- when they are held for purposes of grants to employees of the Company or its subsidiaries.

They are shown in the balance sheet at acquisition cost. The FIFO method is used to determine the gross value of treasury shares sold.

An impairment loss is recognised if the value of shares held under the liquidity contract is less than their acquisition cost.

Treasury shares held for grant to the Company's employees are covered by a provision calculated over the past vesting period on a pro rata basis. Treasury shares held for grants to employees of the Company's subsidiaries are not subject to impairment insofar as the cost of such shares, which is equal to the cost of the shares plus any management fees, if applicable, will be passed on to these subsidiaries when granted. These rules comply with the provisions of CRC Regulation 2008-15 of 4 December 2008.

Other marketable securities

Term deposits are recognised in the balance sheet at their nominal value for the duration of the placings.

Financial instruments

The Company uses interest swap contracts (swaps) or interest purchase options (caps) to hedge credit lines and borrowings.

The corresponding interest income and expense are recognised in the income statement.

Unrealised gains and losses equal to the estimated market value of the contracts on their closing date are not recognised. Nominal value, maturity schedule and estimated unrealised gains or losses are presented under off-balance sheet commitments.

Provisions

In accordance with CRC Regulation 2000-06 on liabilities, a provision is a liability considered probable or certain representing an obligation that will cause an outflow of resources to a third party without equivalent consideration being received in exchange and of uncertain timing and amount.

4.3.3 Comments, figures and tables

4.3.3.1 NOTES ON THE ASSETS BALANCE SHEET

Non-current financial assets

Gross non-current financial assets (€ thousands)

Non-current financial assets	31/12/2016	Increase	Decrease	31/12/2017
PARTICIPATING INTERESTS	**248,727.3**			**248,727.3**
Impairment of equity securities	288,367.2	1,003,684.2	777,732.3	514,319.1
Loans and other fixed assets				
FINANCIAL RECEIVABLES	**288,367.2**	**1,003,684.2**	**777,732.3**	**514,319.1**
Total	**537,094.5**	**1,003,684.2**	**777,732.3**	**763,046.4**

The change in the "Investment-related receivables" is caused notably by the change in the Alta Faubourg receivable (+€186,060 thousand) and the Cogedim receivable (+€39,814 thousand).

The list of subsidiaries and participating interests appearing on the last page of this document shows the ownership interest in each subsidiary.

Provisions for non-current financial assets (€ thousands)

Impairment	31/12/2016	Increases during the year	Decreases during the year		31/12/2017
		Allowance	Reversal of unused provisions	Provisions used in the period	
Impairment of equity securities	88,582.9				88,582.9
Impairment of other non-current financial assets	24,479.4	77.6			24,557.1
Other impairment					
Total	**113,062.3**	**77.6**			**113,140.0**

The allowance for financial year 2017 relates to the Alta Penthièvre receivable.

Receivables

Receivables (€ thousands)

Receivables	Gross amount 2017	Provisions	Net amount 2017	Net amount 2016
Investment-related receivables	**514,319.1**	**(24,557.1)**	**489,762.0**	**263,887.7**
Trade receivables and related accounts				
Other receivables	**98,879.8**		**98,879.8**	**68,512.5**
Gover-ment, other authorities: value added tax	1,228.7		1,228.7	812.4
Government, other authorities: sundry receivables	425.1		425.1	4,315.8
Group and partners	96,563.3		96,563.3	63,384.3
Sundry debtors				
Prepaid expenses	662.7		662.7	
Total	**613,198.9**	**(24,557.1)**	**588,641.8**	**332,400.3**

The current account advances are remunerated at the annual average of 0.27% for FY 2017.

Breakdown of receivables by maturity date (€ thousands)

Receivables	Gross amount 2017	up to 1 year	1 to 5 years	More than 5 years
Investment-related receivables	514,319.1	514,319.1		
Trade receivables and related accounts				
Gover-ment, other authorities: value added tax	1,228.7	1,228.7		
Government, other authorities: sundry receivables	425.1	425.1		
Group and partners	96,563.3	96,563.3		
Sundry debtors				
Prepaid expenses	662.7	662.7		
Total	**613,198.9**	**613,198.9**		

Accrued income

Accrued income (€ thousands)

Accrued income included in the balance sheet line items	31/12/2017	31/12/2016
Loans		
Government – accrued income		
Trade receivables		
Other sundry debtors		4,011.5
Total		**4,011.5**

Marketable securities

Marketable securities consist of treasury shares for a market value of €57 thousand and TRESO PLUS term deposits for a value of €5,000 thousand opened at the Société Générale.

Marketable securities (€ thousands)

Marketable securities	31/12/2016	Increase	Decrease	PROVISIONS	31/12/2017
TRESO PLUS Term deposit		25,000	20,000		5,000
Treasury shares	30	125	95		60
Total	**30**	**25,125**	**20,095**		**5,060**
No. of Shares	162	461	415		208

At 31 December 2017, all treasury shares were held to make a market in the shares.

4.3.3.2 NOTES TO THE BALANCE SHEET - LIABILITIES AND EQUITY

Total equity

Changes in equity (€ thousands)

Equity	31/12/2016	Appropriation	Capital reduction, issue costs	Capital incr. & contributions	2017 Results	31/12/2017
Share capital	2,626.7					2,626.7
Share premium/additional paid-in capital/Revaluation differences	76,312.0					76,312.0
Legal reserve	262.6					262.6
General reserve	4,805.4					4,805.4
Retained earnings	156,156.6	13,345.4				169,502.0
Net income for the year	13,345.4	(13,345.4)			10,214.3	10,214.3
Investment grants						
Regulated provisions						
Total	**253,508.7**				**10,214.3**	**263,723.0**

At 31 December 2017, share capital stood at €2,626.7 thousand divided into 1,750,487 shares with a par value of €1.50 each and ten General Partner shares with a par value of €100 each.

Provisions

Changes in provisions (€ thousands)

Provisions for contingencies and expenses	31/12/2016	Increases during the year	Decreases during the year		31/12/2017
		Allowance	Reversal of unused provisions	Provisions used in the period	
Provisions for litigation					
Provisions for fines and penalties					
Other provisions for contingencies and expenses	4,117.0		4,117.0		
Total	**4,117.0**		**4,117.0**		

The provision concerns a subsidiary that has a negative net financial position.

Borrowings and other financial liabilities

Breakdown of payables by maturity date (€ thousands)

Borrowings and other financial liabilities	31/12/2017	up to 1 year	1 to 5 years	More than 5 years	31/12/2016
FINANCIAL LIABILITIES	**584,030.5**	**475,030.5**	**109,000.0**		**254,926.3**
Other bond issues					
Bank borrowings	109,193.5	193.5	109,000.0		59,177.4
Other borrowings and financial liabilities	468,992.2	468,992.2			138,392.0
Group and partners	5,844.8	5,844.8			57,356.9
Other payables					
ACCOUNTS PAYABLE AND OTHER LIABILITIES	**1,243.6**	**1,243.6**			**173.6**
Suppliers and related accounts	1,186.1	1,186.1			173.6
Employee-related and social security payables					
Tax payables					
Amounts due on non-current assets and related accounts					
Other payables	57.5	57.5			
Prepaid income					
Total	**585,274.0**	**476,274.0**	**109,000.0**		**255,099.9**

Other borrowings and financial liabilities consist of treasury notes.

Accrued expenses (€ thousands)

Expenses included in the balance sheet line items	31/12/2017	31/12/2016
Borrowings and financial liabilities	193.5	177.4
Suppliers and related accounts	66.1	173.6
Amounts due on non-current assets and related accounts		
Taxes, duties and equivalent payments		
Personnel costs		
Cash and cash equivalents, bank - expenses		
Miscellaneous	7.5	
Total	**267.1**	**351.0**

4.3.3.3 NOTES ON THE INCOME STATEMENT

OPERATING INCOME/(LOSS)

Revenue

The revenue is mainly constituted by management fees billed to its subsidiaries Cogedim and Alta Faubourg for €441.8 thousand and €30 thousand respectively.

Revenue breakdown (€ thousands)

REVENUE

	31/12/2017	31/12/2016
Services	471.8	644.7
Other		
Total	**471.8**	**644.7**

Operating expenses

Details of operating expenses (€ thousands)

OPERATING EXPENSES

	31/12/2017	31/12/2016
Current activity charges	10.1	7.6
Commissions and fees	2,522.6	1,554.7
Advertising and public relations	59.2	50.0
Banking services and similar accounts	1,890.4	991.4
Taxes and duties	0.7	0.7
Other expenses	(0.7)	14.5
Operating expenses	**4,482.3**	**2,618.9**

Commissions and fees mainly consist of €609 thousand in compensation paid to the management of Altafi 2 and €1,773 thousand for services provided by the Altarea Management company, a service provider and 100% subsidiary of Altarea.

All transactions are governed by standard agreements on normal terms between the companies.

The total amount of Directors' fees paid to members of the Supervisory Board stands at €9 thousand and is recognised in "Other expenses".

Financial income

Financial income table (€ thousands)

NET FINANCIAL INCOME/(EXPENSE)

	31/12/2017	31/12/2016
Financial income		
- Dividend		
- Income from current accounts	2,595.6	1,149.9
- Other interest and similar income	3,585.7	6,583.0
- Reversals of provisions, impairment and expense reclassifications	4,117.0	1.1
- Foreign exchange gains		
- Net gains on the disposal of marketable securities		
Total	**10,298.3**	**7,734.0**
Financial expenses		
- Net allowances for depreciation, amortisation and impairment	77.6	2,207.7
- Interest and similar expenses	3,304.6	2,386.7
- Foreign exchange losses		
- Net charges on disposals of marketable securities held for investment		
Total	**3,382.3**	**4,594.4**
Financial Income	**6,916.0**	**3,139.5**

Financial income mainly corresponds to interest income on swaps for €3,543 thousand, reversal of the provision for the negative net financial position of the subsidiary Alta Penthièvre for €4,117 thousand and current account income for an amount of €2,596 thousand.

The current account advances are remunerated at the annual average of 0.27% for FY 2017.

Financial expenses mainly correspond to interest on borrowing for an amount of €2,719 thousand.

Financial allowances mainly correspond to depreciation of the Alta Penthièvre company's receivables.

Exceptional income

Financial income table (€ thousands)

NET EXCEPTIONAL INCOME/(EXPENSE)

	31/12/2017	31/12/2016
Exceptional income		
- Exceptional income from non-capital transactions		
- Exceptional income from capital transactions	8.4	6.5
- Reversals of provisions and expense reclassifications		
Total	**8.4**	**6.5**
Exceptional expenses		
- Exceptional expenses on non-capital transactions		
- Exceptional expenses on capital transactions	1.9	
- Exceptional allowances for depreciation, amortisation and impairment		
Total	**1.9**	
Exceptional Income	**6.5**	**6.5**

4.3.3.4 OTHER INFORMATION

Related company transactions (€ thousands)

Balance sheet line item	Balance sheet amount	of which related companies
Assets		
Shareholdings and other securities	248,727.3	248,727.3
Investment-related receivables	514,319.1	514,319.1
Loans		
Trade receivables and related accounts		
Other receivables	98,217.1	96,563.3
Cash and prepaid expenses	100,873.5	
Amortisation and provisions	113,140.0	113,140.0
Liabilities		
Provisions		
Borrowings and financial liabilities	584,030.5	5,937.0
Trade payables	1,186.1	1,120.0
Tax and social security payables		
Other payables and prepaid income	57.5	50.0

Items concerning the income statement	Net amount to income	of which related companies
Operating income		
Sale of goods held for resale and properties		
Sold production (goods and services)	471.8	471.8
Reversals and expense reclassifications		
Other income	0.0	
Operating expenses		
Purchases and external costs	4,482.3	3,501.7
Taxes, duties and equivalent payments	0.7	
Other expenses	(0.7)	
Financial income		
Financial income from investments	2,595.6	2,595.6
Other interest and financial income	3,585.7	
Reversals and expense reclassifications	4,117.0	4,117.0
Financial expenses		
Share of losses from subsidiaries		
Allowances for amortisation, impairment and provisions	77.6	77.6
Interest and similar expenses	3,304.6	97.5
Exceptional income		
Exceptional income from non-capital transactions		
Exceptional income from capital transactions	8.4	
Reversals and expense reclassifications		
Exceptional expenses		
Exceptional expenses on non-capital transactions		
Exceptional expenses on capital transactions	1.9	
Exceptional allowances for depreciation, amortisation and impairment		

Transactions by the Company with related companies not concluded on an arm's-length basis

No material transactions have been concluded by the Company with related parties that were not on an arm's-length basis.

Tax position

The Altareit company has been a member of a consolidated tax group since 1 January 2009. Altareit SCA is the head of the group.

The adopted principle is that each subsidiary must recognise a tax expense in their account during the entire consolidation period, identical to the expense they would have recognised if they had been taxed separately.

The amount of the loss transferred to Altereit by its subsidiaries stands at €102,921 thousand on 31/12/2017. Its individual loss is €69,998 thousand on 31/12/2017.

Breakdown of tax expenses (€ thousands)

	Profit before tax	Tax	Net income
Profit before tax	2,912.1	(7,302.2)	10,214.3
Total	**2,912.1**	**(7,302.2)**	**10,214.3**

The tax income recognised on 31 December 2017 is a net amount of €7,302 thousands, mainly constituted by the subsidiaries' contribution.

In the absence of tax consolidation, the Altareit company would have had no tax expense.

Changes in deferred tax liabilities

	31/12/2016	Change		31/12/2017
Reductions		+	-	
Organic				
Tax loss	(421,354.7)		62,799.9	(358,554.8)
Total base	(421,354.7)		62,799.9	(358,554.8)
Tax or tax savings (33.33%)	**(140,451.6)**		**20,933.3**	**(119,518.3)**

The tax losses correspond to the combined losses of the member companies of the tax group.

.

Identity of the parent company consolidating the accounts

The company is fully consolidated in the consolidated financial statements of Altarea SCA (RCS PARIS 335 480 877) the head office of which is located at 8 avenue Delcassé 75008 Paris. This company's consolidated financial statements are available at the company's head office.

Post-closing events

None.

Off-balance sheet commitments

Commitments received

Altarea SCA stood surety for borrowing entered into by Altareit, for a nominal amount of €109 million, fully drawn on 31 December 2017.

Commitments given

None.

Financial instruments

Altareit holds a portfolio of swaps to hedge interest rate risk for a portion of its current and future floating-rate debt and that of its subsidiaries. The contract ended in May 2017.

Financial instruments (€ thousands)	2017	2016	2015
Swap		100,000.0	100,000.0
Cap floor			
Collar			
Total		**100,000.0**	**100,000.0**

Impact on the income statement

Effect on the income statement (€ thousands)	2017	2016
Interest income	3,543.0	6,530.9
Interest expense		
Other expenses related to financial instruments		
Total	**3,543.0**	**6,530.9**

4.3.3.5 SUBSIDIARIES AND ASSOCIATES

SUBSIDIARIES AND ASSOCIATES

Companies	Capital	Equity other than share capital	Group share	Securities, gross	Securities, net	Loans and advances granted	Net value of loans and advances granted	Earnings in the financial year	Dividends received by the company	Revenues excl. tax
SUBSIDIARIES (+50%)										
ALTA FAUBOURG	15,000.0	57,388.0	100%	44,294.3	44,294.3	270,283.0	270,283.0	43,825.5		
COGEDIM SAS	30,000.0	152,515.1	100%	115,750.0	115,750.0	219,479.0	219,479.0	30,802.9		
ALTA PENTHIEVRE	2.0	(24,560.3)	100%	88,582.9		24,557.1		3,995.1		
ALTA PERCIER	1.0	87.4	100%	100.0	100.0	(92.2)	(92.0)	(2.8)		
AFFILIATES (10% to 50%)										
TOTAL				**248,727.3**	**160,144.4**	**514,226.9**	**489,670.0**			

4.4 Statutory auditors' report on the annual financial statements

For the financial year ended 31 december 2017

At the General Shareholders' Meeting of the Altareit company,

Opinion

In accordance with the mission assigned to us by your General Shareholders' Meeting, we have carried out the audit of the annual financial statements of the Altareit company relating to the financial year ended 31 December 2017, as attached to this report.

In our opinion, the financial statements give a true and fair view of the company's operations during the financial year, as well as the company's assets, liabilities, and financial position at the end of the financial year, in accordance with accounting principles generally accepted in France.

The opinion set out below is consistent with the content of our report to the Audit Committee.

Basis of the Opinion

Audit guidelines

We conducted our audit in accordance with professional standards applicable in France. We believe that the information we obtained provides a reasonable basis for our opinion given below.

Our responsibilities pursuant to these standards are set out under the section of this report entitled, "Responsibilities of the Statutory Auditors in auditing the annual financial statements".

Independence

We performed our audit respecting the applicable rules on independence, over the period from the 1st January 2017 to the date on which our report was published, and, in particular, we have not provided any services prohibited under Article 5, paragraph 1 of EU regulation No. 537/2014 or under the Code of Conduct governing the profession of statutory auditor.

Basis for our assessment - Key points of the audit

In accordance with the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code in terms of the basis for our assessment, we draw your attention to the key points of the audit on the risks of significant anomalies which, in our professional judgement, were of the geatest importance in auditing the annual financial statements for the year, as well as our response to these risks.

The assessments thus made are based on the auditing of the Annual financial statements, taken as a whole, and the opinion formed by ourselves as expressed above. We do not express an opinion on any aspects of these annual financial statements taken in isolation.

Evaluation of participating interests, investment-related receivables

Risk identified	Our response
The participating interests and investment-related receivables included on the balance sheet at 31 December 2017, a net total of €650 million, represent one of the biggest balance sheet items (77% of assets). They are carried at their date of entry at the cost of purchase or transfer value and impaired on the basis of their value of use. As stated in the note 4.3.2 "Accounting principles and methods", under the paragraphs "Participating interests" and "Investment-related receivables", the value in use is determined according to multiple criteria such as net asset value, profitability, profitability forecasts, long-term growth prospects and economic conditions. The market value of assets held by subsidiaries and sub-subsidiaries is taken into account. Estimating the value of these assets requires Management to exercise its judgement in choosing the information to include depending on the investments in question, information which may be historic in nature (net reassessed position), or forecasts (long-term profitability or development outlook and economic conditions in the countries in question), as the case may be. Given the weight of participating interests on the balance sheet, the complexity of the models used and their sensitivity to data variations as well as assumptions on which estimates are based, we have considered the calculation of the value of use of participating interests and related receivables as a key point in our audit.	We have observed and noted the process used to determine the value in use of participating interests and related receivables. Our work also involved: • observing and noting the evaluation methods used and underlying assumptions in determining the value in use of participating interests and related receivables; • comparing the net assets included by the management in its valuations with the source data from the accounts of audited subsidiaries or those that have been subject to analytical procedures where relevant, and examining any adjustments made; • using sampling to test the mathematical accuracy of the formulas used to calculate book values; • using sampling to recalculate the impairments recorded by the company. To this end, we have, in particular: • assessed assumptions underlying cash flow forecasts for property development companies as well as the long-term growth rate and discount rate used to estimate the value in use of these investments. This work was carried out by including our valuation experts; • observed and noted the process used by the Group for the valuation of assets, assessed the sustainability and relevance of methodologies used in relation to industry practice and the various contexts, and corroborated the assumptions underlying the valuations. This work was carried out with the help of our valuation experts, where appropriate. Moreover, we corroborated the valuations with an alternative approach that consists in comparing the book value of securities with the consolidated net position group share prior to eliminating the interests of each of the entities in question, as shown by the Group's consolidated financial statements which have been audited or subjected to analysis. Over and above ascertaining the value of use of participating interests, where relevant our work also consisted in: • assessing the recoverability of investment-related receivables given the analysis performed on participating interests; • reviewing the need to account for a provision for risk in the event that the company is committed to bearing the losses of a subsidiary in negative equity.

Verifying the management report and other documents addressed to shareholders

We also carried out the specific verifications required by law, in accordance with professional standards applicable in France.

Information given in the management report and other documents addressed to shareholders, on the financial position and annual financial statements

We have no matters to report as to the true and fair nature and the consistency with the financial statements of the information provided in the management report and documents sent to Shareholders concerning the company's financial position and the full year financial statements.

Report on Corporate Governance

We attest to the existence, in the Supervisory Board Report on Corporate Governance, of the information required under articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

As regards the information provided pursuant to Article L. 225-37-3 of the French Commercial Code concerning remuneration and benefits paid to corporate officers, as well as commitments made in their favour, we have verified their consistency with the financial statements or with the information used to prepare the financial statements and, if applicable, with the information collected by the company from the companies controlling it or controlled by it. On the basis of this work, we confirm the accuracy and sincerity of this information.

As regards the information relating to items that your company deemed likely to have an impact in the event of a take-over bid or public exchange offer, provided pursuant to the provisions of Article L. 225.37-5 of the French Commercial Code, we have verified their compliance with the source documents that were forwarded to us. In light of this work, we have no comments on the said information.

Other information

Pursuant to applicable law, we have confirmed that the required information on acquisitions of the company's shares and voting rights, along with the identities of the company's shareholders and voting right holders, are disclosed in the management report.

Information arising under other legal and regulatory obligations

Appointment of statutory auditors

We were appointed as Statutory Auditors of the Altareit company by your General Shareholders' Meeting on 2 June 2008.

At 31 December 2017, our firms were in the tenth uninterrupted year of their contract.

Responsibilities of the management and individuals responsible for corporate governance in respect of the annual financial statements

It is the responsibility of the management to produce annual financial statements that present a true and fair view in compliance with French accounting principles as well as to implement the internal controls it deems necessary to produce annual statements that contain no significant anomalies, whether these are the result of fraud or error.

When producing annual financial statements, it is the management's responsibility to assess the company's capacity as a going concern, to present in these statements, where appropriate, the information required for operational continuity and to apply the accounting standard of operational continuity, unless there are plans to liquidate the company or cease trading.

It is the responsibility of the Audit Committee to monitor the process of producing financial information and the effectiveness of systems of internal control and risk management, as well as any internal audits, in respect of procedures for producing and processing accounting and financial information.

These annual financial statements have been approved by Management.

Responsibilities of the statutory auditors in auditing the annual financial statements

Auditing objective and procedure

It is our responsibility to produce a report on the annual financial statements. Our aim is to obtain reasonable assurances that the annual financial statements, taken as a whole, contain no significant anomalies. Reasonable assurance means a high level of assurance, without forasmuch providing the guarantee that an audit conducted in compliance with industry standards systematically affords the detection of any significant anomaly. Anomalies may be the result of fraud or errors and are considered to be significant where it can be reasonably expected that, taken individually or together, they may influence the economic decisions of the users of the statements on the basis thereof.

As specified in Article L. 823-10-1 of the French Commercial Code, our assignment as auditors is not to guarantee the viability or quality of the management of your company.

In conducting an audit in compliance with industry standards in France, statutory auditors exercise their professional judgement throughout the said audit. Moreover:

- they identify and assess risks that the annual financial statements may contain significant anomalies, whether these are the result of fraud or errors, establish and implement auditing procedures in the face of such risks, and gather any evidence they deem sufficient and appropriate on which to base their opinion. The risk of failing to detect a significant anomaly resulting from fraud is greater than that of a significant anomaly resulting from error, as fraud can involve collusion, falsification, deliberate omission, false statements or circumvention of internal controls;
- they observe and note the relevant internal controls for the audit in order to establish the appropriate auditing procedures in the circumstances and not with the aim of expressing an opinion on the efficacy of internal controls;
- they assess the appropriateness of accounting methods used and the reasonableness of the management's accounting estimates and the information relating to them provided in the annual financial statements;
- they assess the appropriateness of the management's application of the accounting standard for a going concern and, depending on the evidence gathered, whether or not there is significant uncertainty related to events or circumstances liable to undermine the capacity of to continue as a going concern. This assessment is based on the evidence gathered up until the date of their report, not overlooking the fact, however, that subsequent circumstances or events may jeopardise capacity as a going concern. Should they conclude that there is significant uncertainty, they draw the attention of readers of their report to the information contained within the annual financial statements in relation to this uncertainty or, if such information is not supplied or is not relevant, certification will either be withheld or given with reservations;
- they assess the overall presentation of the annual financial statements and whether the latter reflect the operations and underlying events in such a way as to give a true and fair view of them.

Report to the Audit Committee

We submit a report to the Audit Committee which sets out, in particular, the scope of the audit and the programme of work implemented, as well as the conclusions arising from our work. We also bring to their attention any significant weaknesses in internal controls that we have identified in terms of procedures for producing and processing accounting and financial information.

The information presented in the Report to the Audit Committee includes the risks of significant anomalies that we consider to have been the most important for the auditing of the annual financial statements for the financial year in question and which, as such, are the key points of the audit which it is our responsibility to describe in this report.

We also supply the Audit Committee with the statement required under Article 6 of EU regulation No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as they are set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Industry Code of Conduct for Statutory Auditors. Where appropriate, we discuss with the Audit Committee any risks affecting our independence and any safeguard measures thus applied.

Neuilly-sur-Seine and Paris-La Défense, 15 March 2018

The Statutory Auditors

GRANT THORNTON	ERNST & YOUNG Audit
French member of Grant Thornton International	
Laurent Bouby	Anne Herbein

4.5 Statutory auditors' special report on related-party agreements and commitments

ALTAREIT

General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2017

To the Shareholders,

As the Statutory Auditors of your Company, we hereby present you with our report on related-party agreements and commitments.

Our responsibility is to report to you, based on the information provided to us, the characteristics, the main terms and conditions, as well as the reasons justifying the interest for the Company, of the agreements and commitments brought to our attention or of which we may have become aware in the performance of our work, without expressing an opinion on their usefulness and appropriateness or determining the existence of any other agreements. It is your responsibility, pursuant to Article R. 226-2 of the French Commercial Code, to assess the company's interest in entering into these agreements before deciding on whether to approve them.

It is also our responsibility to report to you, as provided by Article R. 226-2 of the French Commercial Code, information pertaining to the performance of agreements approved by the General Meeting in prior years and that remained in effect during the past year.

We have taken the measures we deemed necessary in accordance with CNC professional guidelines relating to our audit.

Agreements and commitments submitted to the General Meeting for approval:

We would like to inform you that no notice was given of any agreement or commitment authorised over the last financial year to be submitted to the General Meeting under Article L. 226-10 of the French Commercial Code.

Agreements and commitments already approved by the General Shareholders' Meeting:

We would like to inform you that no notice was given of any agreement or commitment previously approved by the General Shareholders' Meeting, the execution of which continued during the elapsed financial year.

Paris and Paris-La Défense, 15 March 2018

The Statutory Auditors

GRANT THORNTON	ERNST & YOUNG
French member of Grant Thornton International	
Laurent Bouby	**Audit Anne Herbein**
Partner	Partner

CORPORATE SOCIAL RESPONSIBILITY (CSR)

5

Preamble: Altareit is a 99.85% owned subsidiary of Altarea Cogedim. Therefore, the Group applies Altarea Cogedim CSR strategy.

5.1 Editorial

Creating sustainable cities

The urgency of climate change, the need for a circular economy, the growth of the sharing economy, a shift from possession-based to use-based consumption patterns, etc. in this changing environment, the city is becoming the theatre of transitions that are interacting and amplifying each other in a feedback loop: transitions that are territorial, ecological and societal, but also technological. These major transformations are prompting a re-conceptualisation of cities as pleasant, high-density, resilient, smart and inclusive places to live.

Residents and stakeholders have also become better informed, more careful and more demanding. They have high expectations in terms of quality, but also in terms of ethics and commitment to tackling social and environmental issues.

Faced with the extent and urgency of these challenges, and given the significant environmental impact of the property sector, it is absolutely necessary to think about the city of tomorrow in terms of quick, effective and sustainable solutions for environmental impact, mobility, functional diversity, generational diversity and social diversity and the integration of progress generated by digital and new technologies. It is no longer enough to simply upgrade existing models. It is imperative that the paradigm be changed and that new models for development and living together be developed, taking into account evolving lifestyles.

The Group is taking action for the city, participating in the reinvention of its territorial, ecological, economic and societal dynamics, in order to ensure an ever greater quality of life for its residents. Altareit's property development activities make it a full-fledged participant in this approach.

The Group has repositioned its CSR approach in line with the new challenges.

The CSR approach entitled "Tous engagés !" (We're all involved!) was launched at Group level in 2017. The programme is based on the new materiality matrix.

The approach is based on three principles:

- **partnering with cities**, to develop the sustainable, people-centred city of tomorrow;
- **supporting customers** by engaging in continuous dialogue;
- **developing talent**, the company's biggest asset in embodying its convictions and achieving its objectives.

CITIES

Altareit wants to be a public interest partner for cities. The Group develops high-quality property solutions for a more dense, smarter, more diversified and friendlier city which creates jobs and drives economic development. This city also has a smaller environmental footprint.

2017 Highlights

- **Contributing to local development**: Altareit supported over 32,000 jobs across France in 2016. With this significant footprint as its starting point, it wants to go further and develop an approach to supporting the local economic fabric;
- **Sustainable buildings**: 100% of the Group's projects under development have a quality and/or environmental label or certification;
- **Carbon footprint**: the Group built on its carbon strategy in 2017, by committing to work towards reducing the biggest contributing sources to its scope 3 emissions;
- **Partnerships in support of inclusive urban areas**: as a ten-year partner of Habitat et Humanisme, the Group helps to providing housing for the most disadvantaged.

In 2017, for the second year, Altarea Cogedim ranked number one in the GRESB, the benchmark in global real estate ranking.

CUSTOMERS

Lifestyles, customs, aspirations… customers' expectations are changing. Altareit intends to strengthen its relationship of trust with its clients, users, visitors, tenants and all of its partners. The Group has initiated a dialogue and listening exercise across all of its activities: through surveys and studies, face-to-face or digital interactions, etc.. Customer satisfaction is the Group's top priority and it is also achieved through quality of life and well-being in all its projects.

2017 Highlights

- **Customer satisfaction**: In 2017 the Group was awarded "Customer Service of the Year: 2018" prize, in the property development category;
- **Quality of life and well-being of occupants**: in each of its activites, the Group ha implemented a specific comfort, health and well-being approach. In 2017, over 80% of office projects in the Paris Region are on the way to achieving WELL *Core&Shell* certification;
- **New uses and digitisation**: the Group is continuing to disseminate a culture of innovation in its activites and to develop innovative services. It launched its first neighbourhood app, Easyvillage, in Massy, giving residents access to smart urban services.

TALENTS

In order to support its growth and meet new urban challenges, in 2017 the Group reaffirmed its commitment to job creation and talent and skills management.

2017 Highlights

- **Headcount**: for two years, the headcount has increased by almost 14% a year, reaching 1,187 employees at 31 December 2017 (Pitch Promotion included);
- **Skills development:** in 2017, in accordance with the Group's new strategic training plan, training hours increased by 55%;
- **Compensation**: in early 2016, the management council introduced a three-year bonus share plan resulting in the distribution of €20 million in shares each year. This scheme, "Tous en Actions!" (shares for all), which was extended in 2017, enabled each employee on a permanent contract to have a stake in the growth and results of the Group.

5.2 CSR context, governance and strategy

5.2.1 The property sector in France

Ecological urgency and, in particular, climate change, the depletion of resources and the acceleration of damages on biodiversity mean that companies, and society more generally, have to adapt, become leaner and more resilient.

In the face of these challenges, the implementation of environmental and social regulations has been accelerating at the international, European and national levels. At the global level, COP 21 in 2015 saw 195 countries agreeing on the need to contain global warming “well under 2°C”. In France, the 2007 Grenelle Environment Round Table and the 2015 energy transition law for green growth are two key elements which have a significant impact on the Group’s activities.

The Grenelle law implemented thermal regulations (RT 2012) and the future Responsible Building Regulations (RBR 2020) for new buildings. The renovation of existing private and public service buildings between now and 2020 is addressed in the Grenelle law.

The energy transition law for green growth sets a goal for a reduction in greenhouse gas emissions of 40% by 2030 compared to their 1990 levels. It also sets a goal to reduce final energy consumption by 50% by 2050 compared to 2012 levels with the following objectives for the building sector: "renovate buildings to save energy, lower bills, and create jobs".

Lastly, Article 225 of the Grenelle II Law of July 2010 requires that Altareit, as a listed company, publish non-financial information in its Registration Document and have it verified by an independent third-party organisation.

Since 2011, Altareit has called upon an independent auditor to verify the main environmental, social and societal indicators applied to its assets in order to improve its reporting process and the reliability of the data.

In 2017, the Group contracted Ernst & Young, one of its Statutory Auditors, to carry out the following:

- verification of the presence of the required CSR information;
- verification of the truthfulness of the information published.

The information selected for verification is detailed in the chapter on reporting methodologies, in paragraph 5.7.1.

The Group is also getting ready for future regulations, particularly the new requirement for the 2018 financial year to publish a "non-financial performance report" following the transposition of the European Directive of 22 October 2014 on non-financial reporting. The Altarea Cogedim Group's integrated strategic report already includes information on the business model, non-financial risks and responses by Altarea Cogedim to manage its risks and create opportunities.

5.2.2 The CSR approach

5.2.2.1 “TOUS ENGAGÉS !”

Working at the heart of a particularly dynamic sector, Altareit believes that there is no growth without environmental and social responsibility.

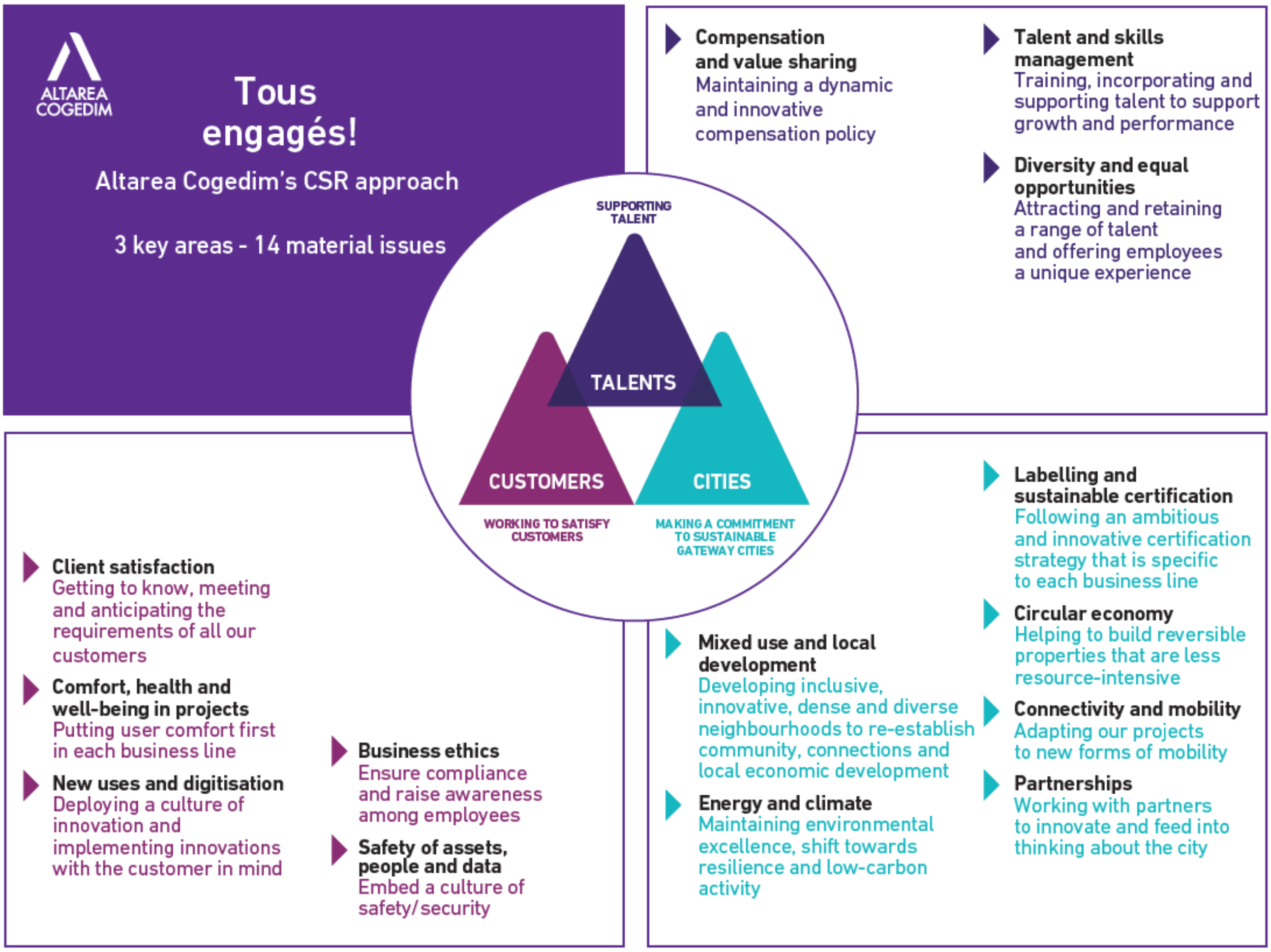
In 2017 the Group launched its "Tous engagés !” (We're all involved!) program which sets the course for corporate social responsibility over the next five years.

To get this programme off the ground, the Group's CSR approach, launched in 2009, was updated in 2016 - 2017. Whilst pursuing its continuous approach to reporting on, managing and improving its environmental and societal footprint as well as its social action, the Group updated its materiality matrix so as to determine the issues that are material to the group and focus its future activities on the most relevant areas. The objectives for the 2016 - 2020 period have also been brought up to date.

The "Tous engagés !” initiative is based on three main areas of action:

- the city: being a public interest partner for cities whilst contributing to local development and offering property solutions combining sustainability and innovation;
- customers: placing customers at the heart of our strategy, working on customer satisfaction across all our business lines;
- talent: promoting the Group's growth through the operational excellence of our teams.

The Group's CSR approach



Progress on the main objectives for each of these strands is set out in the tracking table available in Chapter 5.3.1, and detailed in all of the sections within this chapter.

5.2.2.2 CSR MATERIALITY MATRIX

The matrix positions the CSR issues based on two factors set out in the graph below:

- the impact of the issue on the Company's business model;
- the level of expectation of internal and external stakeholders.

Altareit created its new matrix in 2016 thanks to a three-step process:

- a detailed analysis of the regulatory environment and trends;
- interviews of a panel of thirteen external stakeholders: investors, clients, retail brands, local authorities, etc.;
- consultation with the internal CSR committee.

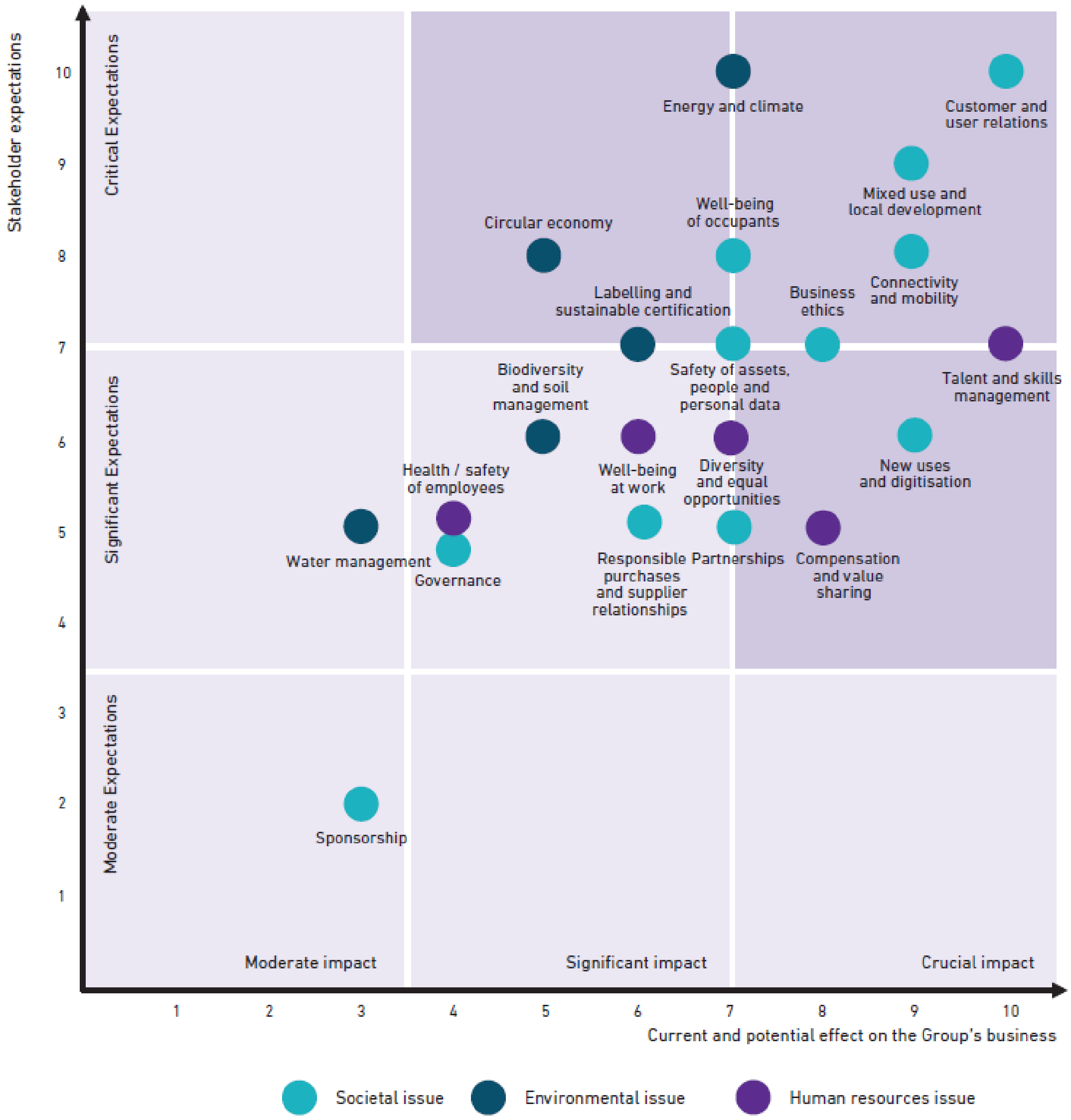
The matrix drawn up was validated by the Management Committee at the end of 2016 and enables the establishment of the Group's medium-term CSR priorities.

It enabled the selection of 14 issues material to the Group out of 21 which are at the top right hand corner of the matrix:

- eight societal issues;
- three environmental issues;
- three human resources issues.

This chapter sets out the challenges and Altareit's responses: each paragraph presents a challenge and its impact on the Group, the objectives and policies implemented to meet that challenge and the results.

Materiality matrix



5.2.2.3 RELATIONS WITH STAKEHOLDERS

Altareit's development model exposes it to a wide range of stakeholders with which exchanges provide opportunities to demonstrate the relevance of the sustainable development approach.

These stakeholders include:

- home buyers;
- users of offices and hotels;
- investors;
- central government and local authorities;
- suppliers, service providers and subcontractors;
- employees and applicants;
- analysts and the financial community.

5.2.2.4 DEPLOYMENT OF THE CSR APPROACH: GENERAL MANAGEMENT SYSTEM (GMS)

For operational aspects, in order to disseminate best practices across all of its activities, Altareit has implemented management systems suited to each of the Group's business lines which, overall, constitute the General Management System of the Group.

The implementation of this GMS facilitates access to the requirements of qualitative and environmental certification guidelines while developing employee skills.

General Management System

Property Development (Residential)	Property Development (Offices)
Guide to best practices for residential properties **NF Habitat** **NF Habitat HQE™**	SME office projects **BREEAM®** **NF HQE™**
Additional tools: training on regulatory changes and certifications, biodiversity guide, well-being guidelines, etc.	

5.2.2.4.1 Environmental Management System (EMS) for Residential development certifications

As a Residential property developer, the Group takes a certification approach to its development and construction process: the “Guide to best practice for residential properties.”

As of 30 June 2016, all residential property production is certified NF Habitat (excluding co-development, rehabilitations and serviced residences). Altareit exceeds NF Habitat requirements for some of its buildings, notably in the Paris Region, and has committed to the higher-level HQE environmental approach providing additional benefits to residents such as more comfort in use, lighter and better thermal performance.

5.2.2.4.2 Environmental Management System (EMS) for office development certifications

In parallel, starting in 2010, the Group designed “SME Projets Tertiaires” (Office Development Projects EMS). It provides each developer or operations staff with a tool to meet all requirements for NF HQE™, BREEAM® (Building Research Establishment Environmental Assessment Method) or LEED® (Leadership in Energy and Environmental Design) certifications at every stage of the project, as well as guidance for development and construction of Altareit's commercial operations (Offices).

5.2.2.4.3 Tools to complement EMS

In addition to the measures cited above, the teams have the following tools available to them.

Training

The teams undergo regular training, in particular with each significant change to regulations or the main certification frameworks.

At the end of 2016, the Government announced that the 2012 Thermal Regulations would come to an end by 2020 and be replaced by the Responsible Building Regulations 2020. Although the threshold for these future regulations has yet to be set, by moving from a thermal approach to a more comprehensive environmental approach, they will introduce new concepts in order to meet their objective of promoting positive-energy buildings. In 2017, the Group's technical teams underwent training in the issues raised by the future regulations.

Awareness-raising can also be carried out within internal committees or at briefing meetings.

Thematic guides

Since 2016, a Biodiversity and Biophilia guide produced by the CSR team with a steering committee of operational staff, has been distributed to all teams involved in housing, offices, hotels and mixed-use development projects. The aim of these guides is to provide information about ways to develop and make use of biodiversity in the Group's work. The guide provides the regulatory constraints and best practice for each step of the life cycle of projects as well as examples of concrete actions and potential partners.

5.2.3 CSR governance structure and model

Altarea Cogedim's CSR Department is part of the Institutional Relations, Communication and CSR Department. It is made up of four employees and reports to an executive committee member. It advises the Executive Committee and the Management Council and the Executive Committee on the Group's social, societal and environmental responsibility approach.

The role of this department is to guide the Group's CSR approach, which applies to Altareit. A person in Altarea Cogedim's CSR department works full time on implementing the "Tous engagés !" programme at Altareit.

The department relies on a network of 16 CSR coordinators who represent each of the Group’s business areas, both business line and cross-functional, at CSR committee meetings held once a quarter. Altareit has significant representation within the committee via the Group's cross-functional departments and dedicated representatives for offices, residential and managed residences.

Ad hoc working groups are also formed to focus on targeted and operational topics with particular coordinators and other participants. In 2016, working groups were set up on the topics of carbon and local development.

This structure makes it possible to significantly advance the Group’s sustainable development approach and to facilitate the exchange of information between entities and operational deployment within the business, drawing on a cross-cutting network of coordinators.

Contact: developpementdurable@altareacogedim.com

5.2.4 CSR ratings

The Altarea Codegim group complies with several ratings, and the compliance process includes Altareit's activities, which represent a significant part of Group and, therefore, of the CSR approach.

5.2.4.1 GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)

Since 2011 the Group has been voluntarily participating in the GRESB (Global Real Estate Sustainability Benchmark), the reference in the real estate sector for sustainable development with 823 companies and funds evaluated around the world in 2017.

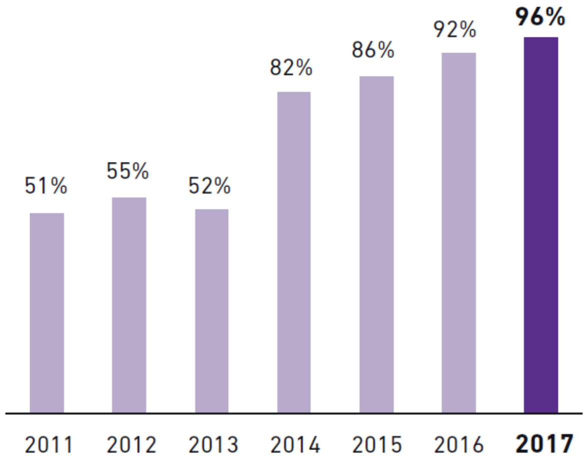
The Group continued its upward trend in 2017 with a four point increase compared with 2016. This has enabled it to obtain a score of 96/100 and retained its Green Star and Sector Leader status.

The Group is also recognised as leader, ranking first:

- among all listed companies worldwide;
- among all European companies.

Moreover, the Group obtained an A rating in "transparency" in recognition of the quality of its publications, the reliability and exhaustive nature of its reporting and its CSR publications.

Changes in the Group's GRESB score



5.2.4.2 CARBON DISCLOSURE PROJECT (CDP)

In 2017, the Group once again participated in the CDP (Carbon Disclosure Project), the benchmark international ranking of the carbon strategies of major corporations. Once again the Group obtained an A- rating in recognition of its initiatives and commitments to managing its greenhouse gas emissions.

5.2.4.3 OEKOM

Oekom, one of the world's leading non-financial rating agencies assessed the Group and awarded it Prime status in 2016.

Oekom evaluates almost 5,500 businesses every year.

5.2.4.4 GAÏA - ETHIFINANCE INDEX

The Group was listed in the ISR Gaïa index in 2017.

This index is made up of 70 companies offering outstanding guarantees in terms of their management of ESG risks.

5.2.5 External commitments

The Altarea Cogedim group is a member of several sector associations and makes public commitments regarding its CSR approach. All of these activities directly impact Altareit.

5.2.5.1 PARTICIPATION IN SECTOR-SPECIFIC ORGANISATIONS

The Group participates in external committees and working groups, particularly in order to anticipate regulatory trends in sustainable development, and to share best practices in the sector.

Accordingly, in the area of sustainable development, the Group is an active member of in the following organisations:

- FPI (Fédération des Promoteurs Immobiliers), the French federation of real estate developers;
- FSIF (Fédération des Sociétés Immobilières et Foncières), the French property company association;
- C3D (Collège des Directeurs du Développement Durable), the French sustainable development officers' group;
- Alliance HQE® - GBC France;
- Charte tertiaire du Plan Bâtiment Durable (sustainable building plan charter for office buildings);
- Association BBCA (*Bâtiment Bas Carbone*, or Association for Low-Carbon Construction).

In addition, the Group is a founding member of the Observatoire de l'Immobilier Durable (Sustainable Real Estate Observatory – OID) and serves as its vice-chair. This is an independent association made up of public and private players in the office real estate sector and which aims to promote sustainable development in real estate.

In 2017, the Group contributed to OID (Sustainable Real Estate Observatory) publications on comfort and well-being in buildings, in particular, in offices, on carbon reporting and on measuring consumption by building.

Finally, the Group signed a diversity charter in December 2013.

5.2.5.2 EXTERNAL COMMITMENTS

The Group is committed to working with the City of Paris as part of its Climate Energy Plan (Plan Climat Energie).

The Group is signatory to the Paris Climate Action Charter (Charte Paris Action Climat). Thus, since 2015, the Group has committed to measurable targets for the reduction of greenhouse gas emissions and energy consumption by 2020. For its new projects in Paris, Altareit has committed to energy performance that exceeds applicable thermal regulations:

- by 10% on new residential property;
- by 40% on new and renovated commercial property.

In 2017, the Group continued its work with the City of Paris by taking part in consultations to set the new objectives of the Climate Plan 2020 - 2030. With around three work meetings each year, the aim is to identify the challenges and barriers, to share experiences, to take tangible action towards accelerating the energy transition and to identify opportunities for action with the City of Paris. Certification, labelling and cooling systems are examples of issues tackled in 2017.

5.2.5.3 CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

Altareit wants to contribute to the United Nation's Sustainable Development Goals (SDGs).

In particular, the Group is committed to Goal 11, "Sustainable cities and communities: Make cities inclusive, safe, resilient and sustainable" Altareit believes that urban development, if done in a lean and inclusive way, can be part of the solution to environmental, development, employment and other issues facing our cities.

A few examples of the Group's contributions:

- *ensuring access to housing for all and adequate, secure basic services at an affordable cost*: the Group is one of the founding partners of Habitat et Humanisme, which works to promote housing and social integration and to re-establish social bonds;
- *reducing the negative environmental impact of cities by residents, with particular attention on air quality and waste management*: the Group is developing projects that are leading the way from an environmental point of view (see chapter "Environmental performance");
- *ensuring access for all to green spaces and safe public spaces, particularly women and children, older people and people with disabilities*: the design of pleasant, comfortable, safe and green spaces is one of the group's priorities (see paragraph "Comfort, health and well-being in projects").

5.3 Tracking table and scope

5.3.1 Tracking table

The table below sets out a summary of objectives and annual performance. The detail is provided in the following paragraphs.

The information in the tracking table was reviewed by the Statutory Auditors.

CUSTOMERS: PLACING CUSTOMERS AT THE HEART OF OUR STRATEGY

Scope	Commitments	2017 Results
Customer and user relations: Getting to know, meeting and anticipating the requirements of all our customers		
Group	**Working to satisfy customers across all our business lines**	8th place in HCG's ranking of customer hospitality
Residential	**Commitment to customer satisfaction**	The Group was awarded Customer Services of the Year 2018[(a)]
Residential	**Guarantee quality through NF Habitat certification**	100% of projects certified NF Habitat[(b)]
Offices	**Listening to customers' requirements**	Conducted a survey of 18 users in 2017
Comfort, health and well-being in projects: Put user comfort first in each business line		
Mixed-use projects	**Develop pleasant living spaces**	1st neighbourhood pilot of WELL Community Standard (Issy Coeur de Ville)
Offices	**WELL certification for 100% of projects in Paris Region**	82% of projects in Paris region on course for WELL certification
New uses and digitisation: Instil a culture of innovation with a focus on customer service		
Group	**Instil a culture of innovation**	8 internal awareness-raising events held in 2018
Residential and mixed-use projects	**Innovating with customers in mind**	Launch of the Cogedim 3D housing configurator and of an application for neighbourhood services
Offices	**Test digital connectivity labels**	71% of projects in the Paris Region working towards a connectivity label
Business ethics		
Group	**Train and raise awareness of employees identified as most at risk of corruption and fraud**	Fraud awareness-raising exercise twice a year at Group level
		2 training sessions for most at-risk groups
Safety of assets, people and data		
Group	**Embed a culture of safety**	Creation of a Group safety department

(a) Property Development category – BVA Group research and consulting firm – Viséo CI – May to July 2017 – More information at escda.fr

(b) Excluding co-development, rehabilitations and managed residences.

TALENT: HELPING OUR TALENT TO ACHIEVE OPERATIONAL EXCELLENCE

Scope	Commitments	2017 Results
TALENT AND SKILLS MANAGEMENT		
Group	**Support Group growth**	Headcount of 1,187 employees (+14%) with 312 new hires on permanent contracts
Group	**Roll out the strategic training plan**	13,304 hours of training (+55%) [(a)]
COMPENSATION AND VALUE SHARING		
Group	**Give employees a stake in the results**	Republication of the bonus share plans
DIVERSITY AND EQUAL OPPORTUNITIES		
Group	**Increase the proportion of women in management bodies**	Women make up 22% of the management committee (-2%)
Group	**Promote youth employment**	133 young people on work-study contracts

(a) Excluding Pitch Promotion

CITIES: WORKING IN THE PUBLIC INTEREST OF CITIES

Scope	Commitments	2017 Results
Mixed use and local development: develop a diverse, compact, inclusive and innovative city		
Group	**Focus on mixed-use projects incorporating office, residential and retail space**	9 mixed-use projects in large mixed districts 78% of office and hotel space also has additional residential or retail space
Group	**Measure and improve the employment footprint for all of the Group's activities**	Over 32,000 jobs supported in France (2016 data)
Residential	**Measure share of local purchases**	66% of purchases for construction sites are from local sources (within the department)
Connectivity and mobility: propose smart projects that promote low-carbon mobility		
Residential	**Select new land near public transport**	98% of surface areas are less than 500 m from public transport[(a)]
Offices	**Select new land near public transport**	100% of surface areas are less than 500 m from public transport
Group	**Promote low-carbon transport for employees**	Company mobility plan published
Partnerships: innovation through collaboration with stakeholders		
Group	**Implement a process of open innovation**	Partnerships with 3 incubators to identify new partners
Energy and climate: maintain environmental excellence, shift towards resilience and low-carbon activity		
Group	**A global carbon commitment:** **- take measures to reduce emissions in major categories** **- work with stakeholders on avoided emissions**	3 ktCO_2e emitted by the Group for scope 1 and 2 (scope 1: 2 ktCO_2e, scope 2: 1 ktCO_2e) 4,085 ktCO_2e emitted by the Group for scope 3 (of which purchases of materials: 938 ktCO_2e, and other headings including occupant travel, occupant energy etc.: 3,147ktCO_2e)
	- train technical teams in the issues of carbon in buildings	92% of Offices/Residential teams trained
Offices	**Maintain a high level of energy performance**	100% of surface areas have a performance that is at least 30% better than the RT
The circular economy: producing buildings that are less resource-intensive and reversible		
Offices	**Favour rehabilitations to reduce resource consumption**	The proportion of rehabilitation is 66% in Paris Region
Labelling and sustainable certification: follow an ambitious and innovative certification strategy that is specific to each business line		
Residential	**100%of new projects labelled D or higher in the Paris Region[(b)] certified NF Habitat HQE™**	100% of surface areas certified
Offices	**100%of new projects certified NF HQE™ "Excellent" and BREEAM® "Very Good" minimum**	100% of surface areas certified

(a) Excluding Pitch Promotion

(b) Excluding co-development, rehabilitations and managed residences.

5.3.2 Scope of reporting and guidelines

With the aim of comprehensively measuring the societal, social and environmental impact of its business within the broadest possible scope, the Group defines and specifies all of its scopes and reporting periods, thus making it easier to fully understand its reporting. For greater transparency and ease of comparison, Altareit bases its reporting on the major national and international indicators and guidelines (GRI G4 Construction and Real Estate Sector Supplement, EPRA, etc.).

5.3.2.1 COMPREHENSIVENESS OF REPORTING SCOPES AND GUIDELINES USED

Reporting covers virtually all of Altareit's property development activity. CSR reporting coverage rates provide an appreciation of its comprehensiveness compared to financial reporting.

Comprehensiveness of non-financial reporting

	THE ENVIRONMENT				SOCIAL
ENTITY	COGEDIM		PITCH PROMOTION		ALTAREIT
BUSINESS	PROPERTY DEVELOPMENT (RESIDENTIAL)	PROPERTY DEVELOPMENT (OFFICE)	PROPERTY DEVELOPMENT (RESIDENTIAL)	PROPERTY DEVELOPMENT (OFFICE AND COMMERCIAL)	CORPORATE
GUIDELINES	Internal definition ("Methodology and table of indicators" chapter)				GRI CRESS
PERIOD	at 30 September year N	1 October year N-1 to 30 September year N			1 January to 31 December year N
SCOPE	225 projects 21,577 residential units	21 projects 426,902 m² "hors oeuvre nette" (net surface area) or floor area	30 projects 3,397 residential units in the Paris Region	21 projects 190,562 m² "hors oeuvre nette" (net surface area) or floor area	1,599 employees (including Pitch Promotion)
REPORTING COVERAGE	100%	100%	100%(1)	100%	100%

(1) 100% of projects in the Paris Region

5.3.2.1.1 Compliance of reporting with national and international guidelines

In the interests of transparency and to embed the CSR reporting process, Altareit drew on recognised national and international guidelines to produce its internal reporting guidelines and its non-financial communication.

The non-financial reporting follows the directives of Article 225 of the Grenelle environmental law. It is compatible with the GRI G4 CRESS sector supplement (Construction & Real Estate Sector Supplement).

5.3.2.1.2 Reporting period

To ensure consistency with financial reporting, Altareit chose, whenever possible, to base its non-financial reporting on the same period.

However, for environmental and societal data related to the procurement of goods and services (particularly indirect jobs), the length of the calculation processes for property development require the use a staggered reporting period. The methodology is set out in detail below.

5.3.2.2 INFORMATION ABOUT THE REPORTING SCOPE

The activities of Histoire et Patrimoine, of which Altareit acquired 55% of the capital in 2014, are equity-accounted and are not included in the reporting.

In 2016, Altareit acquired 100% of the capital of Pitch Promotion, whose data are included in the social and environmental reporting.

5.3.2.2.1 Information about the scope of social reporting

The scope of social reporting includes all of Altareit's legal entities with full financial consolidation and a non-payroll. The headcount of Pitch Promotion, acquired in 2016, has been included in the data for 2017.

Description of environmental reporting scopes

Altareit developed indicators which are more representative of its activities as a property developer.

Method for accounting for Cogedim's new Office developments in the scope of reporting

In order to ensure the quality and comparability of information communicated during a time of sustained growth for Altareit, the methodology for defining the scope was adjusted this year: the scope of projects accounted for now includes 100% of Office projects which, between 1 October 2016 and 30 September 2017:

- were initiated after receiving a building permit;
- were under construction, initiated in previous financial years and are to be delivered in a future financial year;
- were delivered during the year.

Because there are few Hotel projects under development, the data were included with the Offices data.

The 2016 data were restated to ensure data comparability.

Method for accounting for Cogedim's new Residential developments in the scope of reporting

Annual reporting of Cogedim's Residential projects, includes 100% of projects present in the financial scope at 30 September and:

- for which the land was acquired;
- under construction;
- which were delivered within the year.

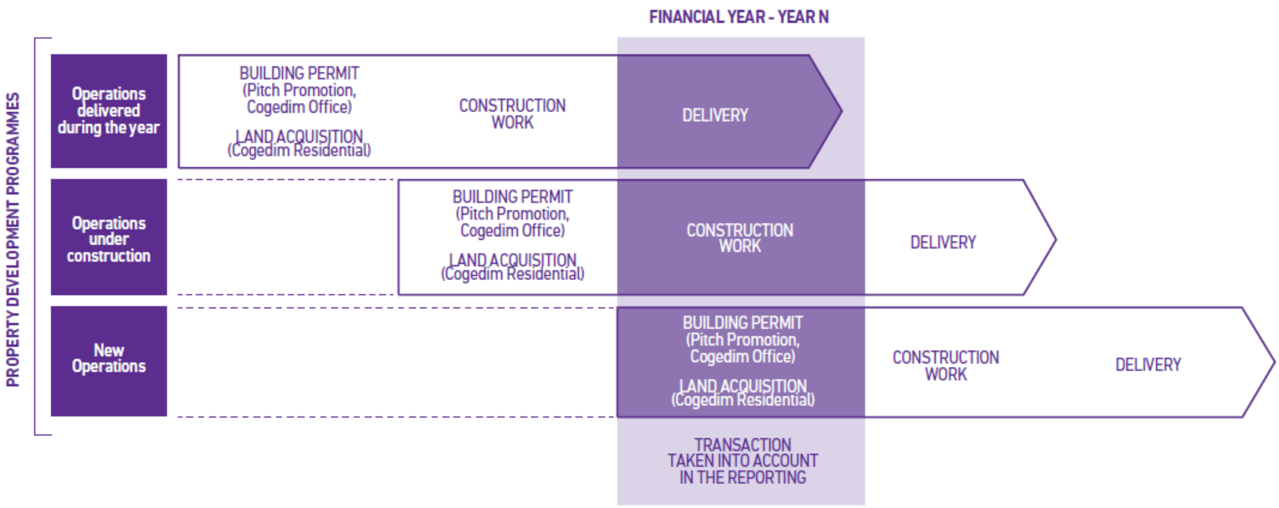
Method for accounting for new Pitch Promotion Residential and Office developments within the scope of reporting

The annual reporting of Pitch Promotion projects includes 100% of projects which, between 1 October 2016 and 30 September 2017:

- were initiated after receiving a building permit;
- were under construction, initiated in previous financial years and are to be delivered in a future financial year;
- were delivered.

Because there are few Hotel and Retail projects under development, the data were combined with Office projects. Logistics projects accounting for around 5% (in terms of surface area) of commercial projects are considered significant and, consequently excluded from office reporting.

Summary of the methods for accounting for new projects under development in the scope of reporting



In order to facilitate understanding of the indicators related to the property development projects, Altareit opted to retain the same accounting method for each category, each environmental certification and each energy label, although the key dates in the certification process vary according to category of asset and environmental certification.

5.4 Societal performance

5.4.1 Customer and user relations

Materiality level: crucial			
Scope	**Commitments**	**2017 Results**	**Comments**
Group	**Working to satisfy customers across all our business lines**	8th place in HCG's ranking of customer hospitality	In 2017, the Group is continuing to make customer satisfaction a priority: speed and quality of responses given to customers and gradual roll-out of new Cogedim stores at national level
Residential	**Commitment to customer satisfaction**	Awarded Customer Services of the Year 2018[(a)]	This award in the Property Development category recognises the Group's many years of work on customer service
Residential	**A quality guarantee: 100% of projects certified NF Habitat[(b)]**	100% of projects certified NF Habitat	The Group has been 100% NF Habitat certified for two years, reflecting its continuous efforts to strive for quality
Serviced residences	**Establish a formal dialogue with residents to improve services**	At least one monthly meeting with residents in each of the ten residences	More regular meetings took place in 2017, up to once a month
Offices	**Listening to any new customer requirements**	18 users interviewed in 2017	The Group ramped up its dialogue with users in 2017 by conducting a survey of their expectations

(a) Property Development category – BVA Group research and consulting firm – Viséo CI – May to July 2017 – More information at escda.fr
(b) Excluding co-development, rehabilitations and managed residences.

5.4.1.1 CUSTOMER SATISFACTION

Altareit has made customer satisfaction and well-being a priority: Altareit centres its strategy on its customers in every area of its business.

The Group has wide ranging types of customer and seeks to offer each of them the best possible experience. The Group's approach is through a systematic assessment of customer requirements and satisfaction and the implementation across each business line of specific measures with dedicated teams where appropriate:

In the Residential category, the key indicator is the recommendation rate, and improving it is a priority for the Group. To do so, a dedicated team was set up in 2015.

This year in Offices, the Group conducted a survey of major users to better understand their expectations and adapt its offering whilst looking ahead to changing habits and practices.

These efforts are being rewarded:

- in October 2017 the Group was awarded the "Customer Service of the Year: 2018" prize, in the property development category; This year for the first time, the "Elu service client de l'année" (Customer Service of the Year) award focussed on property developers and used mystery shoppers to carry out tests based on several evaluation criteria: (telephone service, availability by email, the customer relationship on social media, etc.)
- in January 2018, the Group moved up 23 places ranking 8th in HCG's customer hospitality rankings for 2018. This ranking pits the customer services of the 200 biggest companies in France against each other by testing all of their channels: telephone, letter, email, website and social media.

5.4.1.1.1 Residential

In 2015, the creation of a dedicated customer unit implemented a global customer approach for the Residential business in France. This approach was first formalised with the implementation of dedicated processes in-house and initiatives to strengthen the relationship with customers at each stage of the customer process. The opening of the first Cogedim Store, a one-stop-shop for customers, was a flagship development.

This Customer unit also plays a mediation role to assist local departments in the event of conflict with buyers in order to ensure comparable treatment throughout the country.

In 2017, changes to the customer approach included:

- the creation of a hotline as part of the customer process;
- the roll-out of new Cogedim stores in France;
- raising awareness customer relationships across all business lines.

A dedicated customer process

The unit implemented a dedicated customer management process in 2015 which takes two forms:

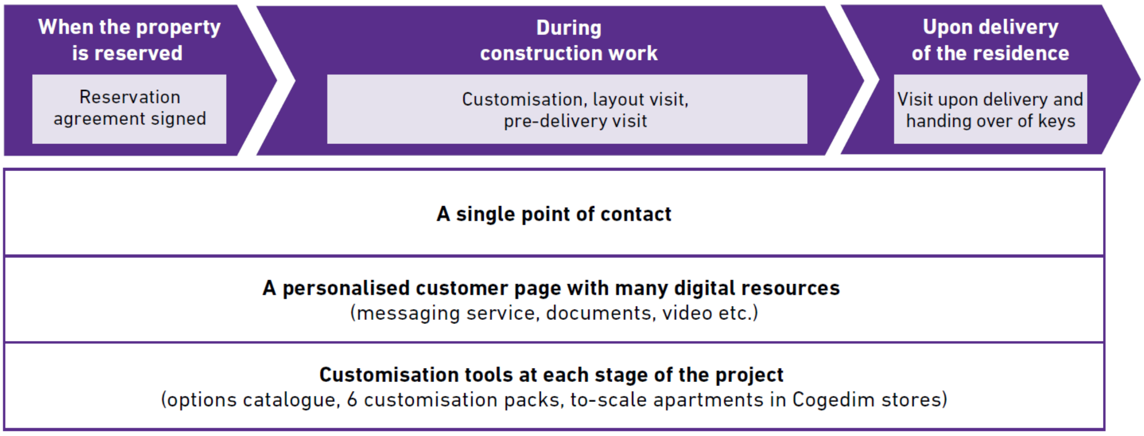
- a single point of contact for each customer: for each sale of a residential property, a customer relations manager is appointed and becomes the sole point of contact for the purchaser throughout the process which lasts several years, from the reservation agreement through delivery;

- a dedicated customer page: buyers have access to a personalised online customer page where they can learn about the steps involved in the buying process and get answers to their questions via forums and FAQs (for example: alteration work, construction progress, visits, etc.).

A national after-sales department was also set up to take over as the single point of contact after delivery to ensure continuity in customer support.

In 2017, Altareit stepped up its support for customers through the process with the creation of its customer listening programme. This includes a single point of contact for all customers through a dedicated helpline. It ensures customers are supported if their dedicated customer relations manager is unavailable.

Key stages of the customer process



Unique places dedicated to new-builds across the whole of France

To complement the existing customer process, in 2016 Altareit opened its first Cogedim Store, a one-stop shop for its customers, at the heart of the Bercy Village shopping centre. In order to respond to all of its customers' questions and provide personalised support, this location implements a complete process explaining everything about new properties. It is very different from traditional sales offices which simply show photos or models.

This innovative and avant-garde space of over 600 m² enables buyers and visitors to discover flats reproduced in actual size, a room of their choice and personalisation packs. It also provides immersive digital experiences… The Cogedim Store intends to bring the magic back to buying a flat, facilitate the buying process and rethink support and the customer relationship.

In 2017, Altareit extended this concept with the opening of its second Cogedim store in Toulouse. This store has the same functionalities as the Paris one but differs in that it has a Cogedim Management & Services space dedicated to offering investors support in arranging rental management services.

This new store represents the first step in rolling out the concept to major regional gateway cities. A new Cogedim store opened in Bordeaux in January 2019 and others are to follow throughout the year.

A major satisfaction survey

To measure its progress and obtain detailed data about customer satisfaction throughout the country, the Customer division deploys a far-reaching system of annual satisfaction surveys with the help of KANTAR TNS. The aim of these surveys is to measure customer satisfaction at different stages of the buying process: first, on signing the deed of sale, then four months after their property is delivered.

In total in 2017, almost 1,500 buyers answered questions, providing a wide range of responses across France. The information was consolidated at the national and regional levels in order to enable the Group and the regional offices to better understand customer expectations and the possible shortcomings encountered during the buying process. Another role of the Customer division is to suggest improvement plans and to use these surveys to measure the effectiveness of the actions that are implemented.

The survey questions covered a wide spectrum including the level of customer trust at purchase time, their satisfaction at delivery, recommendation rates, etc. The likelihood to recommend is the indicator that is considered to best express customers' experience because it makes it possible to measure their attachment to the brand by qualifying their likelihood to recommend Cogedim to friends, family or colleagues. As such, Altareit set itself the target of a 70% recommendation rate for each of the regional departments. In 2017, the approach bore fruit with the recommendation rate up ten points on 2015.

Continuous strengthening of customer relationships

In parallel to monitoring this satisfaction rate, Altareit wants to improve its relationship with its customers at each contact point: on the website, at sales offices, on the telephon, etc.. To better understand the challenges, the Group has sent out mystery shoppers around the country with tests carried out both on visits in person to sales offices and through exchanges by mail and social networks. INformation derived from these measures feeds back to the Customer unit and enables continuous improvement to better support customers.

These multi-pronged efforts led to Altareit being awarded the "Customer Service of the Year: 2018"[1] prize in the property development category.

The Group wants to increase the opportunities for direct dialogue with its customers. In 2017, over 5,000 letters were sent to customers to gather their impressions of the customer process. After delivery, face-to-face meetings are increasingly organised to determine sources of both satisfaction and dissatisfaction. These meetings take place in the presence of the teams involved, irrespective of their business lines, since each employee is part of the customer support chain.

All stakeholders in customer relationships

The customer-centred culture is one of the Group's core values. In its publicity campaign of Summer 2017, Cogedim wanted to showcase what sets its employees apart. The campaign was first launched in-house to raise awareness of employees' respective roles in creating value for the company, particularly with its customers in mind. Through this campaign, Cogedim specifically chose employees who set Cogedim apart: interior designers, customer relationships managers, people who are an asset for its customers.

In order to support the respective customer relationship roles, Altareit plans to raise awareness of customer relationships across the business lines at a dedicated event in early 2018.

This aim of this approach is to drive a real customer-centred culture. i.e. shared corrections and values within the various residential functions.

5.4.1.1.2 Serviced residences

Under the Cogedim Club® brand, Altareit designs and develops senior residences ensuring that they meet the expectations of senior citizens in terms of architecture, atmosphere, location, services and budget. Each of the residences has a team on site to meet the needs of residents.

In addition, in 2017, the Group implemented an in-depth system for exchange with residents to be able to better take into account their expectations and their needs within the framework of the law on adapting society to an ageing population.

A plenary meeting is organised between tenants and residents in each of the ten residences once a month, at which the following subjects are discussed:

- the opening of residences and support team organisation;
- life in the flats;
- life in the communal areas;
- meals;
- the activities available;
- overall satisfaction level.

Moreover, a half-yearly meeting is organised with the management of Cogedim Club® and is a forum for discussing areas for improvement or changes needed in agreement with residents.

The goal for the Group is to understand the satisfaction level of residents in each area and their use of the facilities and to identify their expectations for change.

The Group then analyses all of the comments with a view to taking any necessary action.

The information about the residences is reported to the teams in question in order to integrate it into specifications and adapt the product on a continuous basis.

Finally, Cogedim Club® is involved in work to introduce a quality label in consultation with members of the SNRA (*Syndicat National des Residences pour Aînés* - National Syndicate for Retirement Homes). This certification, which is to be launched in 2018, will guarantee quality standards in line with specifications approved by the AFNOR, the French organisation for standardisation.

5.4.1.1.3 Offices

In a context of rapidly changing work patterns and employee expectations in terms of their work environment, the Group is listening to its partners and users.

Altareit designs offices that promote team productivity and the comfort and well-being of employees.

In 2017, Altareit conducted 18 interviews with the property departments of major companies in order to assess their needs and expectations. Themes included the context in which major accounts are operating, consequences for their property projects, their perception of lessor-user relations, as well as their requirements in terms of services and flexibility, and produced the characteristics of a building that reflected their needs as closely as possible. The results of this survey may result in changes to the Group's products.

[1] *(Property Development category – BVA Group research and consulting firm – Viséo CI – May to July 2017 – More information at escda.fr*

5.4.2 Local development

Materiality level: crucial			
Scope	**Objectives/Commitments**	**2017 Results**	**Comments**
Group	**Focus on mixed-use projects incorporating office, residential and retail space**	9 mixed-use projects in large mixed districts 78% of office and hotel space also has additional residential or retail space.	The Group offers mixed-use options across all of its major projects to promote proximity and bring cities to life.
Group	**Measure and improve the employment footprint for all of the Group's activities**	Nearly 32,000 jobs supported in France (2016 data)	The Group supports an increasingly extensive ecosystem of suppliers, service providers and services and makes a significant contribution to employment nationwide
Residential	**Measure share of local purchases**	Creation of the measurement tool: 66% of purchases for construction sites are from local sources (within the department)	Altareit monitors this indicator to strengthen its contribution to the local economy

5.4.2.1 VISION OF THE CITY

Driven by the aspirations of the new generation, the growth of new technologies and the networking culture, city life is reinventing itself. Today, residents' expectations revolve around proximity, intensity of use, conviviality and peace and quiet.

Altareit is aware of its responsibilities as a real estate developer. The unique know-how of the Group in residential, offices and retail is used to develop large mixed-use projects to upgrade neighbourhood and to make a specific contribution to local development.

As such, for over a year, the Group has been carrying out an in-depth study into the actions and indicators of its contribution to local development, whether in economic, community, societal or environmental terms. Altareit's key contributions:

- **the development of mixed-use neighbourhoods**: Altareit believes that sustainable cities take the form of diverse neighbourhoods offering a mix of residential properties, commercial activities and leisure (retail, offices, leisure etc.). This proximity creates conviviality and sustainability, reduces travel and gives the city a more people-centred focus;
- **contributing to local development**: Altareit wants to contribute to local economic development through its projects: support for entrepreneurs and local start-ups, support for reducing food miles, buying locally, etc.;
- **support for employment:** Altareit's activities have a significant impact on employment and wealth creation in France, in particular through the high volume of its purchases. The Group has updated its method for calculating its economic footprint this year;
- **integrating projects in their environment:** the Group wants to facilitate the integration of its projects in their environment, both by taking into account the local environmental context (in particular biodiversity) and by ramping up dialogue with residents.

Overall results for 2017 are detailed below.

Finally, in order to extend its study, the Group has been taking part in a think tank on cross-pollinating companies since the end of 2016. The purpose of the group of companies is to work on the development of the local economy and co-construction with the regions, through discussions with innovative businesses and players in that area.

5.4.2.2 THE DEVELOPMENT OF MIXED NEIGHBOURHOODS

Diversity is at the heart of what the Group does: Altareit draws on all its skills to devise and implement large, innovative mixed-use projects, blending retail, residential property, offices and hotels. Projects are delivered in collaboration with local authorities, developers, private stakeholders, investors and individuals. They enable the Group to engage on issues around complex urban redevelopment and regional development.

The Group is involved with 9 mixed-use projects across France at 5 March 2018: large-scale, bold projects, the forerunners of the urban living environments of tomorrow.

Thus, in the second half of 2017, Altareit delivered the first new mixed-use district of the Grand Paris area, at Massy in the Essonne. This site, located at a transport hub, is a four-hectare city centre completed in a single tranche in a record time of two and a half years. It was the biggest construction site in the Paris Region.

Other current projects include the 100,000 m² of "Issy Coeur de Ville", in Issy-les-Moulineaux, the redevelopment of Bobigny city centre, etc.

In addition to these ambitious projects, Altareit includes mixed-use wherever it can in other projects: 78% of office and hotel surface area is not dedicated to a single activity but hosts other activities such as residential property or retail;

Altareit works on Altarea Cogedim's other projects to develop mixed use: in particular, Altareit's residential projects can be combined with Altarea Cogedim's convenience store offering, called Altaproximité. About thirty joint projects are currently in progress. The aim is to breathe life into residential developments by linking them with retail outlets and creating a real urban fabric. Integrated marketing at Group level guarantees a mix of complementary retail units to suit neighbourhood life and which are also sustainable as a result of an economic model developed upstream.

5.4.2.3 CONTRIBUTING TO LOCAL DEVELOPMENT

Altareit intends to play a role in the economic development of the areas where it is established. There is a natural connection between the economic fabric and its activities which are largely reliant on local life.

In order to better identify and quantify initiatives, share good practice and develop a global approach, in 2017 the Group launched an audit of local economic initiatives instigated by operational teams. The audit showed that there was a real local presence, particularly in Cogedim's regional offices and at Pitch Promotion: most of its subsidiaries were developing partnerships with local players.

For example subsidiaries are establishing links with local start-ups. In Nantes, for example, the Cogedim subsidiary helped to organise a competition involving start-ups on innovative themes such as the "smart hall" or, "inhabiting the rooftops". Over 130 start-ups took part.

The Group-wide approach is in the process of being developed.

In parallel, Altareit began work on quantifying its local purchases for its Cogedim residential business. This study, conducted in for the first year in 2017 shows that 66% of construction contractors used (representing 63% of amount paid) are based in the same département as the construction site, and over 90% are located in the same administrative region. The Group will now conduct more in-depth analysis, region by region, and make any appropriate improvements to give its projects a strong local anchorage.

5.4.2.4 EMPLOYMENT FOOTPRINT

For a number of years Altareit has been quantifying its indirect economic contribution in terms of employment and local development. In 2017, in order to reflect the Group's rapid growth and therefore its headcount and purchases, the Group updated the study of its socio-economic footprint. The figures now include the activities of Pitch Promotion and are also available for each gateway city where the Group operates.

The Group's activities in terms of property development, generate a significant volume of purchases, which have a substantial multiplier effect: in 2016, for one direct job at Altareit in France, some 35 additional jobs were supported in the French economy (see below).

In total, over 31,800 jobs are directly supported by the Group's activities (purchases, wages, taxation etc.). The Group generates over €1.7 billion of GDP in France.

31,800 jobs

supported by Altareit in France

The 35-fold multiplier can be explained by the Group's activities which generate a lot of purchasing and sub-contracting, particularly in the areas of construction, surveying and maintenance.

> **The LOCAL FOOTPRINT® methodology**
>
> Altareit worked with the Utopies firm which applied its LOCAL FOOTPRINT® methodology. This robust methodology is based on the macro-economic concept of input-output tables (source EUROSTAT) which can be used to peform economic modelling based on national accounts.
>
> Based on actual purchasing (by location and sector) and payroll data gathered by the teams at Altareit, the methodology can be used to simulate the socio-economic impact of a business in France and in metropolises where the Group is established.

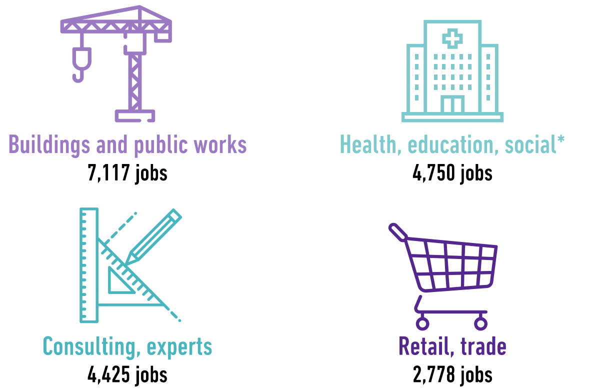
The indicators monitored as part of the study are as follows:

- indirect jobs: jobs directly related to purchases of goods and services by the different Group entities;
- induced jobs: jobs created by the consumption of direct and indirect employees in France.

Jobs supported by the Group's activities (2016 data)

The study also showed that the three main sectors supported are buildings and public works (22% of jobs), health, education and social care (15% of jobs), and intellectual services (consulting, experts: 14% of jobs).

Main sectors supported by Altareit



For its activities that create many indirect jobs, the Group is studying the possibility of applying, in the medium term, clauses that encourage economic development and job creation by forming partnerships with local authorities and the multiple employment and social integration players.

2017 data

The Group extrapolated the data from this study to calculate its socio-economic footprint in 2017 and reflect the growth of its activities and headcount. On this basis, the Group directly supported 40,500 jobs in 2017.

5.4.2.5 INTEGRATING PROJECTS IN THEIR ENVIRONMENT

In order to ensure projects are integrated in the local fabric and make a positive contribution regionally, Altareit takes care to protect and enhance the local environment, particularly during construction work. At the environmental level, particular attention is paid to the site's ecological potential.

In terms of local integration, the Group strives to maintain regular dialogue with residents and notify them of plans during construction. At the Issy Coeur de Ville project, for example, an exhibition was created to show residents the changes the site has undergone, illustrating its multiple "lives" since the 14th century until the development of the new ecodistrict by the Group.

The Group also strives to breathe life into its major construction sites during period of inactivity in particular (pop-up villages). In Nantes, the former detention centre, which was awaiting demolition, was made available to a non-profit which held an exhibition featuring the work of ten artists on its walls. More than 15,000 people visited the exhibition before the site was converted into homes. Another example is the Campagne Première project in Paris: prior to the transformation of an old post office into a residential building, 1,600 m² were made available to around thirty artists for a site-specific artwork over a number of weeks. This pop-up workshop was open to the public and gave visitors the opportunity to see the artists at work behind the scenes.

These initiatives bring activity to the neighbourhood and enable residents to take ownership of the projects.

5.4.3 Connectivity and mobility

Materiality level: crucial			
Scope	**Objectives/Commitments**	**2017 Results**	**Comments**
Residential	**Select new land near public transport**	98% of surface areas under development are located less than 500 m from public transport[(a)]	Proximity to transport has remained stable since 2016 in the case of residential and has increased in the case of offices. This demonstrates the Group's commitment to projects with good transport links, which offer convenience and low carbon mobility.
Offices	**Select new land near public transport**	100% of surface areas under development are located less than 500 m from public transport	
Group	**Promote low-carbon transport for employees**	Company mobility travel plan established (in Paris & Lyon)	The Group has begun a medium-term study into reducing the proportion of petrol or diesel powered cars used for employee travel and commute

(a) Excluding Pitch Promotion

Location and good connections to the transport network are key issues for the property sector and are becoming more important with the mass growth of sustainable mobility and questions around the town planning of the future and the place of personal vehicles.

For Altareit, the main topics of study related to mobility are the movements of the occupants of the residential and office buildings sold. The transport modes used to reach Altareit's buildings are the Group’s principal source of indirect greenhouse gas emissions.

For its new projects, in all business lines (Residential, Offices), the Group has been committed for several years to ensuring the proximity of local public transport networks and to providing sustainable, practical and economical mobility solutions. The Group believes that current buildings must provide alternative solutions to increase the use of public transport and parking spaces: car sharing, shared parking, etc. Altareit is therefore committed to giving its new projects significant connectivity in order to connect different living spaces.

5.4.3.1 RESIDENTIAL AND OFFICES

5.4.3.1.1 Public transport access

Since 2014, Altareit has set itself the goal of systematically developing its new projects less than 500 metres from a public transport network.

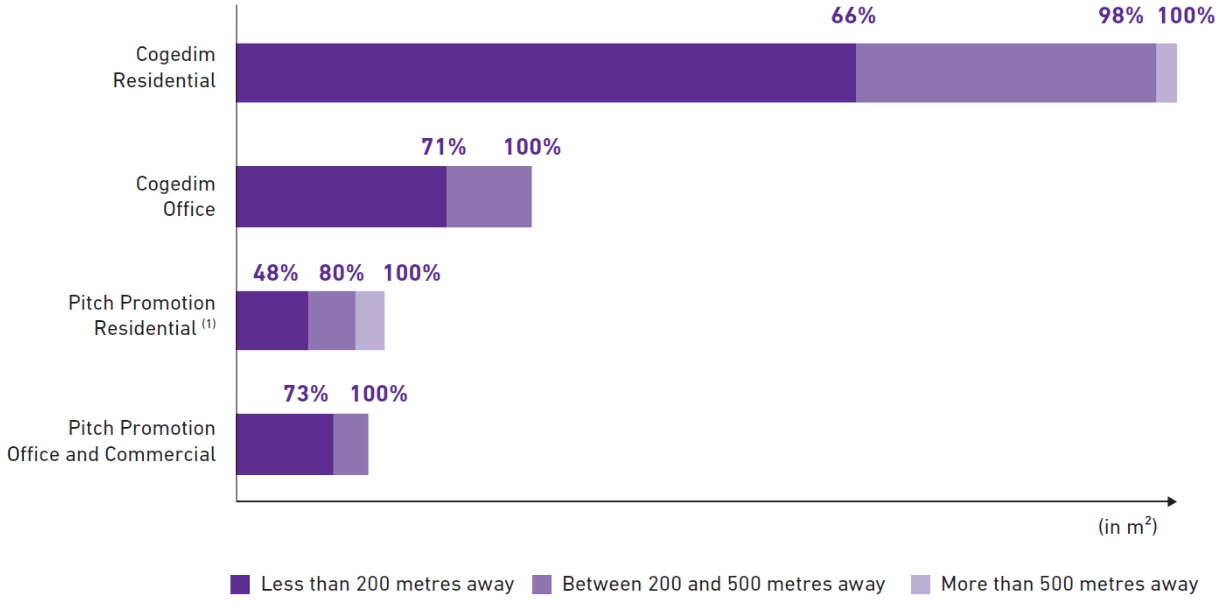
With this approach, the Group can foster a more sustainable and comfortable use and lifestyle for its customers and users, and for society in general.

The Group has chosen to be transparent regarding the proximity of transport networks for all of its projects under development.

In 2017, 97% of surface area developed by Altareit, all subsidiaries combined, were located less than 500 metres on foot from a public transport stop, a total of 2 million m² in surface area.

To report this commitment, the distance by foot to the closest public transport stop and the type of transport available are analysed for each project under development.

Proximity of projects to public transport



(1) Scope: projects in the Paris Region

These numbers are stable compared to 2016.

5.4.3.1.2 Relationship between projects under development and their environment

Altareit strives to promote projects that respect sites' neighbours and environment.

An impact analysis is carried out prior to studies for all Group projects under development. In particular, this analysis addresses the following issues: visual, olfactory, acoustic and electromagnetic nuisances; access to the sun and light; construction site pollution; road and parking congestion around the plot.

During the construction phase, construction site charters are applied to all new Group projects under development to provide for effective communication with local residents. Through mailings or poster campaigns, this charter describes the project and its architecture, specifies the construction work to be undertaken, puts forth a provisional schedule and provides a way to contact the Group directly. Information meetings may also be held with local residents at the start of construction.

5.4.3.1.3 New uses

in order to prevent the premature obsolescence of a building and to provide optimal living and working conditions, each project must incorporate fixtures or fittings that reflect new ways of living.

In response to the growth in electric transport, Altareit has created parking spaces fitted with charging stations for electric vehicles at its Office projects and systematically takes forward-looking measures to enable them to be installed during the building's operational phase. In 2017, one hundred parking spaces fitted with a electric vehicle charging station are under development at Office projects in the Paris Region.

In parallel, the Group is considering innovative mobility solutions for its projects, such as car-sharing and pooled parking.

5.4.3.2 CORPORATE: GROUP MOBILITY PLAN

The Group has introduced mobility plans at its Paris (Cogedim and Pitch Promotion) and Lyon offices to reduce the number of petrol or diesel cars used for employee travel. A short-term study has begun into developing sustainable and innovative transport solutions.

5.4.4 Comfort, health and well-being in projects

Materiality level: crucial			
Scope	**Commitments**	**2017 Results**	**Comments**
Mixed-use projects	**Develop pleasant living spaces**	First neighbourhood pilot of WELL Community Standard developed at Issy Coeur de Ville	As a result of this neighbourhood pilot, the Group plans to build up its expertise in quality of life in the neighbourhoods.
Offices	**WELL certification for 100% of projects in Paris Region**	82% of projects in the Paris Region have at least *Core&Shell Silver* WELL certification or are on course to achieve it	The Group created this indicator in 2017 and set itself this new target to realise its well-being ambition.

In order to offer the best customer experience, Altareit pays particular attention to comfort, health and well-being in the sites it develops. Thus, the Group is working across its business lines on publishing guidelines for these issues based on external certifications (such as WELL) as well as internal requirements.

Altareit includes in the issue of well-being all technical issues connected to comfort and health in buildings (quality of air, acoustics, light, esthetics) as well as all services that might be provided to occupants to improve their experience of time spent in the building: access to comfortable facilities, rest areas, access to high-quality food, leisure services, art, or services to make life easier. These two strands are then broken down for each business line within the group according to their specificities.

With respect to its Offices business, the Group is convinced that buildings designed taking into account the well-being of future occupants will be buildings that promote productivity and contribute to providing tenant companies with greater appeal.

With respect to its Residential business, buildings which promote social bonds and conviviality are appealing for local authorities and provide a guarantee of asset value for buyers which will not deteriorate over time.

The Group deploys systems intended to improve the customer's well-being experience in each of its business areas. It goes beyond Health and Safety regulations to offer a real benefit to users.

5.4.4.1 OFFICES

The Group believes that the well-being of its employees, as users of their workplace, has a direct impact on their productivity and as such on company performance.

The theme of well-being has already been embedded for a number of years through BREEAM® and NF HQE™ certifications on which the Group's CSR approach for its Offices business is based. Altareit is going further in taking into account well-being in the design of its projects and drawing on the most recent standards such as WELL and the concept of biophilia.

5.4.4.1.1 WELL certification

This new standard, promoted by the International Well Building Institute (IWBI), puts the user at the heart of real estate projects. It promotes the implementation of comfortable, high-quality facilities in seven key areas (air, water, light, comfort, fitness, food and spirit).

Thus, Altareit has set itself the objective of obtaining WELL *Core&Shell Silver* level certification as a minimum for all of its Office projects in the Paris region. In 2017, over 82% of projects achieved this objective.

82% of office projects in the Paris region are certified WELL *Core&Shell Silver* level or higher

5.4.4.1.2 Biophilic design

Altareit is convinced that biophilic design – i.e. the integration of elements from nature in buildings – is a tool to promote the well-being of occupants. Recent studies have demonstrated that design which imitates nature has a positive impact on health, creativity and stress reduction.

The Group has therefore explored this approach in several Office projects, carrying out audits to analyse the degree of integration of biophilic design principles in the buildings (notably visual and auditory connections with nature, lighting in line with circadian rhythms, water, forms and motifs inspired by nature, the presence of "cocoon" spaces for solitude, etc.).

The Boréal Office project delivered by Altareit in Lyon in 2017 is one of the projects which incorporates the principles of biophilic design. The presence of nature is expressed by incorporating natural light, work on flexible, organic forms, the choice of materials such as wood and access to green roof terraces.

In future, AltaFund, the Group's Office investment fund, will systematically carry out biophilic audits for its projects. An initial audit of the Richelieu office in Paris was conducted.

5.4.4.1.3 Comfort in use, health and safety qualities

Altareit complies with the Health and Safety regulations in force for all of its projects under development.

As part of its systematic process of NF HQE™ and/or BREEAM® certification for its Office projects under development, Altareit surpasses regulatory requirements for visual, acoustic, olfactory and hygrothermal comfort and for air quality and living areas:

Access to natural light and visual comfort

100% of Offices projects under development for long-term occupancy offer access to natural light and views. Through WELL certification, Altareit is going further by introducing the concept of circadian rhythm in buildings, determining the periods of activity and the periods of sleep of an individual based on the ambient light.

Indoor air quality and olfactory comfort

For all of its Office projects undergoing environmental certification, Altareit identifies sources of pollution, both internal (VOCs and formaldehyde) and external (major roads, construction products, business conducted on premises, soil, etc.) and sees to it that there is effective ventilation and adequate air flows for business activities on the premises to ensure healthy distribution of fresh air. It also works to control sources of unpleasant odours.

Furthermore, the commissioning process initiated for 100% of its new Office projects since 2014 ensures that technical equipment, in particular heating, cooling and ventilation systems, are installed properly to guarantee optimal comfort for occupants.

Hygrothermal comfort

The Group conducts Dynamic Thermal Simulations during the design phase of Office projects under development. These tests are used to decide on the technical and architectural options that strike the best balance between comfort of use and energy consumption.

Based on the various design studies, Altareit uses systems that provide the most comfortable temperature and humidity levels in both summer and winter:

- in winter, a suitable overriding control makes it possible to maintain a stable temperature in the building;
- in summer, protection from the sun and dissipation of excess heat are essential for comfortable temperature and humidity levels.

Acoustic comfort

To offer customers superior acoustic performance, Altareit optimises the position of spaces in relation to each other based on internal nuisance and conducts surveys studies to assess the level of ambient noise and sound insulation between spaces. These surveys are used to choose the appropriate systems and equipment to meet the project's acoustical objectives. In Offices, for example, the noise level of equipment must be below 45 dB in open office space and below 40 dB in individual and shared offices.

Health quality of spaces

The health quality of the spaces raises two major concerns: creating specific health conditions and limiting exposure electromagnetic nuisances

Altareit is taking the following measures at 100% of Office projects under development:

- construction materials are chosen with an eye to limiting fungal and bacterial growth;
- zones and areas susceptible to specific hygiene problems are identified and measures are taken to create optimal health conditions in accordance with the specific health environment of each project;
- the sources of electromagnetic waves such as from energy or telecommunications in the surrounding area are identified and, where appropriate, measures taken to limit their impact.

5.4.4.2 RESIDENTIAL

For its Residential operations, Altareit wants to develop healthy and comfortable offices that promote social bonds and conviviality. For this it relies on the NF Habitat HQE™certification process and its team of interior designers.

5.4.4.2.1 Well-being and NF Habitat certification

All newbuild residential propoerties by the Group are eligible for NF Habitat HQE™ certification (see paragraph 5.6.2), for which the concept of quality of life is essential.

Among other things, the guidelines are intended to make living spaces pleasant, practical and comfortable, with, notably, specific requirements related to acoustic quality, visual comfort and transportation services near the residences.

5.4.4.2.2 Comfort in use, health and safety qualities

Altareit complies with the Health and Safety regulations in force for all of its projects under development.

As part of its systematic approach to sustainable certification for its projects under development, Altareit goes beyond regulatory requirements on issues related to comfort, in particular air quality, visual comfort and olfactory comfort.

Indoor air quality and olfactory comfort

For Residential projects under development, Altareit addresses the issue of air quality in a comprehensive manner, imposing health criteria for materials used and equipment commissioned, as well as by supporting buyers in a healthy and responsible approach to building use.

The group's approach to improving the indoor air quality of residential properties

MATERIALS	X	VENTILATION	X	AWARENESS	=	AIR QUALITY
Progressively standardise materials labelled A or A+ for surfaces in contact with indoor air		Thorough and systematic checks of ventilation systems (DIAGVENT 2)		Gradual availability of an indoor air quality guide for residential properties		Improvement of interior air quality for future occupants

Access to natural light and visual comfort

Altareit focuses on living space layouts that offer proximity to windows and which promote access to views of the outside whilst taking care to prevent annoyances such as glare from the sun.

For example, for the Esprit Sagan project, Pitch Promotion fitted electrochromic windows which tint according to the rotation of the sun. As such, occupants benefit from natural light and views whilst managing glare and excessive heat.

Acoustic comfort

In multiple occupancy properties, sources of noise can come from outside (traffic, passers-by etc.), from inside (footsteps) or from infrastructure (lifts, ventilation etc.).

Altareit is committed to developing residential properties with better sound insulation than required by regulations. For example, noise from any dual-flow ventilation fitted is reduced by five dB.

5.4.5 New uses and digitisation

Materiality level: crucial		
Scope	**Commitments**	**2017 Results**
Group	**Instil a culture of innovation**	Awareness-raising events: four test & learn conferences, three planning conferences, one start-up pitching session
Residential and mixed-use projects	**Implementation of innovations with customers in mind**	Cogedim 3D housing configurator launched Local services app developed in Massy
Offices	**Gradually systematise digital connectivity quality standards and labels for projects in the Paris Region.**	71% of Office projects in the Paris region are working towards a digital connectivity label

5.4.5.1 INNOVATION WITHIN THE GROUP

In order to take into account this major challenge, the Group created a digitisation and innovation department in 2016 reporting directly to Management. Its objective is to support the Group through its transformation to meet new uses and the requirements of all its stakeholders.

Within this department, the Innovation team, called Altafuture, is both a watch unit which identifies innovations with growth potential, and a system to support their deployment throughout the Group. It manages processes enabling innovation to be embedded across business lines, leads on open innovation and is responsible for disseminating a culture of innovation across the Group. It also chairs an Innovation Committee which meets each quarter.

The Innovation team's road map is based on the following themes which permeate the whole business:

- establishing and maintaining internal processes that facilitate the embedding of innovation across business lines including, in particular, chairing a committee dedicated to each business;
- implementing innovations to accelerate business growth;
- identifying and managing new economic models for the city;
- developing and coordinating open innovation at the Group;
- strengthening the Group's culture of innovation.

5.4.5.2 OPEN INNOVATION

The Group believes that innovation must take place in-house but also that it must be enriched by collaboration with external partners. The Altafuture team identifies and selects potential innovative partners to involve them in the Group's activities.

The Group has partnered with incubators who enable it to keep track of new trends and add innovative value to its projects:

- Paris & Co, a real estate innovation specialist;
- Real Estate Disruptive Lab, a specialist of disruption in real estate;
- the French postal service's digital hub (Hub Numérique de La Poste) which focusses on French start-ups in the connected objects sector.

The Group is also a member of the Smart Building Alliance (SBA), an association which promotes the development of smart buildings, through multi-disciplinary discussion between its members in the property sector. Discussions at SBA foster and encourage Altareit's thinking, particularly on Offices projects.

5.4.5.3 INTEGRATING NEW USES

The digital transition and new uses are a must for working people and the real estate business. Altareit is looking ahead to the evolution of buildings and their uses, both internally and in its projects.

Internally, the Group has set up a Youth Committee, made up of employees younger than 30, the aim of which is to think about new issues facing the Group and to challenge the decisions of the Executive Committee.

In its projects, the Group tests innovations and advancements in its buildings, always with the customer in mind.

As such, to guarantee its customers' long-term technological performance, Altareit was one of the first in France to trial the WiredScore label for its offices. It assesses the standard of internet connectivity, infrastructure and the building's potential for connectivity. In November 2017 the Landscape property complex (initially called Tours Pascal) was awarded the label WiredScore Gold. In total, 71% of Office projects under development in the Paris Region (in terms of surface area) are working towards a digital connectivity label such as WiredScore.

71% **of Office projects in the Paris region are working towards a digital connectivity label**

The Group has also signed, the Ministry for Territorial Cohesion's charter to promote "smart, people-centred, community-focussed buildings" and to share good practice and trials with other stakeholders in the local real estate sector.

In the case of its residential activities, Altareit is innovating in order to offer customers tools to facilitate their experience: the teams have introduced a digital tool enabling buyers to project themselves into the future with a 3D tour of apartments, including different materials for them to choose. This configurator is available in Cogedim Stores, one-stop shops for buyers and visitors.

Finally, in its neighbourhood projects, the Group wants to facilitate resident integration and adaptation and thus developed a local neighbourhood app incorporating smart urban services for greater practicality, comfort and interactions between and for the benefit of residents. The Easyvillage app was developed in partnership with the French postal service's Digital Hub and was launched at the opening of the Massy Place du Grand Ouest neighbourhood (91). It incorporates access to the residential concierge service, a local social network, retailers' product ranges and the ability to manage each resident's connected objects.

5.4.5.4 STRENGTHENING THE GROUP'S CULTURE OF INNOVATION.

The Altafuture team's role also involves disseminating a culture of innovation across the Group. For this, it organises internal events and leads creativity sessions for project teams.

Thus, in 2017, Altafuture organised four "test & learn" events to showcase new projects: a presence at the CES, virtual reality activities and pitches by start-ups from partner incubators. Three conferences for Group employees were organised with well-known speakers who presented forward-looking themes such as digital transformation, the city of tomorrow and the future outlook for retail.

Teams are also provided with a collaborative platform which pools information on trends, intelligence, presentations of the Group's innovations and contact details of potential partners.

5.4.6 Partnerships

Materiality level: crucial			
Scope	**Objectives/Commitments**	**2017 Results**	**Comments**
Group	**Implement a process of open innovation**	Partnerships with three incubators to identify new partners: Paris & Co, Real estate disruptive lab, The French postal service's digital hub (Hub Numérique)	The Group is continuing its search for innovative partners and partnered with new incubators in 2017

Altareit is developing partnerships with a number of professional organisations and working groups external to the Company, notably to share best practices.

The Group believes that cooperation with stakeholders provides a way to gain a faster understanding of the transitions facing the sector, notably with respect to digital and environmental issues. The partnerships are described below.

5.4.6.1 START-UP INCUBATORS

Altareit is implementing a process of open innovation and has partnered with incubators:

- Paris & Co, a real estate innovation specialist;
- Real Estate Disruptive Lab, a specialist of disruption in real estate;
- the French postal service's digital hub (Hub Numérique) which focusses on French start-ups in the connected objects sector.

The Group also held a half-day event to showcase the start-ups of the incubator Paris & Co: several young companies presented their innovative solutions to Group operations staff.

5.4.6.2 STUDY GROUPS AND THINK TANKS

The Group is involved in many different study groups on the real estate of tomorrow, which feed into Altareit's actions.

The Group is a founding member of the Fondation Palladio. The result of an original initiative by the real estate industry, the Fondation Palladio, under the aegis of the Fondation de France, was created in 2008 on the premise of the major challenge of the 21st century, that is, the building of the city and its living spaces. It is where political decision-makers who manage the city, thinkers, investors and implementers meet to invent the city of tomorrow together. The working method used is that of contrasting perspectives and challenges between managers, experts, students, business lines etc.

The Group is heavily involved in supporting cities and wanted to launch an in-depth quantified study of its local impact and added value at the scale of the metropolitan region. Within this framework, since 2016 the Group has been taking part in a think tank dedicated to cross-pollinating companies, with Utopies and ten partners. In 2017 this working group resulted in the publication of a report and conference on the local presence of businesses. The Group is continuing to think about and research solutions to support local entrepreneurship.

The Group is a founding member of the Observatoire de l'Immobilier Durable (Sustainable Real Estate Observatory) the aim of which is to promote sustainable development in the property sector. In 2017, the Group contributed to OID (Sustainable Real Estate Observatory) publications on comfort and well-being in buildings, on carbon reporting and on measuring consumption by buildings.

5.4.7 Professional ethics

Materiality level: crucial		
Scope	**Commitments**	**2017 Results**
Group	**Train and raise awareness of employees identified as most at risk of corruption and fraud.**	Fraud awareness-raising exercise twice a year at Group level
		Two training sessions for most at-risk groups on offences related to misconduct (corruption, conflict of interest, trafficking influence, favouritism etc.)
		Quiz on "rights and responsibilities" introduced on induction days

5.4.7.1 VALUES AND ETHICS

All of Altareit's employees and corporate officers must comply with the principles established in the Ethics Charter. This Ethics Charter, which is available on the Group's intranet site and systematically appended to the employment contracts of new hires, covers all aspects of the relations between Altareit and its stakeholders, employees, customers/tenants, service providers/suppliers, and best practices for internal functioning:

- protection of privacy;
- rules a publicly listed company must respect concerning the use of inside information;
- duty of loyalty and conflicts of interest;
- respect for the law and applicable regulations;
- environmental protection and the principle of integrity, prohibited practices and corruption.

In 2017, in order to ensure new employees adhere to the Group's rules, values and principles and that they have a thorough understanding of how they must be applied, systematic training in the form of a quiz was implemented on induction days. It addresses topics related to Rules of Procedure, the I.T. Charter, the Ethics Charter and aspects of health and safety.

Any employee who has trouble discerning how to behave in a particular situation can refer their situation to their Manager or, if need be, to the Ethics Director appointed by Management. The consultation with the Ethics Director and their advice are confidential under the Ethics Charter.

Provisions on I.T. security and customer data protection are described in Chapter 6.6.2.2 (Risks to physical security and information systems of the Group).

5.4.7.2 GOVERNANCE AND COMPENSATION

The information necessary to understand Altareit's governance and compensation policies is provided in the description of these policies in Chapter 7.3 (Compensation of administrative, management and supervisory bodies).

5.4.7.3 FIGHT AGAINST MONEY LAUNDERING, FRAUD AND CORRUPTION

The Group's anti-corruption policy is restated in its Ethics Charter. The policy aims primarily to set forth the values and rules of conduct to be observed, and to guide employees in their daily activities regarding any ethical question or conflict of interest they may be confronted with. For example, the Group prohibits individuals from commissioning work for their own benefit from companies or service providers who maintain a business relationship with the Group, unless such work is authorised by the Ethics Director. It also prohibits payment in cash, even within the limits authorised by applicable regulations, unless such payment is explicitly authorised.

These principles must also be mutually enforced in relations with the authorities and customers: Any act that is likely to be construed as an attempt to corrupt is prohibited. Any payment or acceptance of illicit funds is strictly forbidden in the conduct of Group operations. Where there is doubt as to the legality of a payment, the Ethics Director must be consulted immediately for their opinion.

As part of its activities, Altareit uses the services of many external companies. They are selected according to formalised systems and generally framed by calls for tender (no supplier monopolies, one-year contracts for service providers in shopping centres, etc.). At the Group's most recent update to its risk map in 2016 the risk of fraud, though limited given the Group's activities and structure, was assessed as being slightly greater. This was due to increased media coverage of fraud cases and by the increase in “fake president” scams which the Group was a target of. To ensure that these attempts at fraud do not succeed, awareness-raising messages are now circulated to the most at-risk groups at least twice a year prior to periods of leave when such incidents are most likely to occur.

In order to support the successful implementation of the Group's whole professional ethics policy, in 2017 the awareness raising campaign on misconduct from 2017 was republished and set to employees identified at being the most at risk. Also, with the help of a specialist law firm, courses were held on different ideas of corruption, conflicts of interest, trafficking influence, favouritism and the criminal repercussions associated therewith, particularly in relations with the public sector. This awareness campaign has continued through messages regularly issued to employees by senior executives at events such as seminars, committee meetings and at induction days for new arrivals.

Moreover, the Property Legal Department ensures that clauses specific to anti-corruption legislation are included in business introducer contracts or contracts with third parties. In particular, these clauses stipulate that third parties must undertake to respect the applicable anti-corruption rules and, in the event they are not respected, that the contract may be terminated in advance.

Finally, the Group is continuing to strengthen its compliance programme to meet the requirements of the Sapin 2 law on transparency, the fight against corruption and the modernisation of the economy.

5.4.8 Safety of assets, people and personal data

Materiality level: crucial		
Scope	**Commitments**	**2017 Results**
Group	**Implement a culture of safety in all business lines**	Creation of a Group security department, with an information systems security manager Creation of a position to oversee compliance with General Data Protection Regulation

Information on safety of assets, people and personal data is available in Chapter 6.6.3 (risk control systems).

5.4.9 Responsible purchases and supplier relationships

Materiality level: significant

Group procurement has a large societal impact, both in terms of volume of purchases and their connection to a large number of economic sectors. Three quarters of the Group's purchases are construction-related.

Since 2014 Altareit has been taking initiatives on responsible purchasing across its business lines. The aspects currently in place across divisions are standard documents (contract clauses in particular) requiring the Group and its service providers to continuously improve. These documents are described in more detail in the sections below.

The Group is currently developing its approach as part of wider thinking on procurement across the Group. In particular, assessment of an initial selection of suppliers was begun by Ecovadis in 2017.

Responsible purchasing process

General framework: key issues for evaluating suppliers

- Economic situation
- Certification and labelling (ISO 14001, FSC etc.)
- Use of healthy and eco-responsible materials
- Introduction of standard environmental management procedures for EMSs (energy, waste, water, carbon etc.)
- Compliance with national and international labour standards (Global Compact, human rights, illegal labour, discrimination, etc.)
- Employee health and safety
- Fight against corruption

Application in Offices, Residential, Large Projects

Assessment of suppliers' CSR performance:

- Ecovadis assessment of suppliers of residential services

Introduction of requirements:

- Project management contracts
- French national framework agreements for safety and health protection
- Low-nuisance construction site charter and its toolkit

Altareit makes quality a priority for all of its projects (Residential, Offices and Large mixed-use projects) and expects that same of its suppliers.

Construction contracts and architecture and engineering services are the Group's top procurement item. Altareit seeks to involve suppliers in a process of continuous improvement of their CSR performance by:

- embedding CSR criteria in its commercial relations with its suppliers;
- evaluating the performance and progress of its suppliers.

5.4.9.1 REQUIREMENTS PLACED ON SUPPLIERS

As part of its responsible procurement policy, Altareit uses its influence to make its suppliers respect a number of requirements such as preventing undeclared work, employee health and safety and respect for the environment.

Contracting phase

Residential, Office and Large Projects have standard project management contracts (architects, operational project managers). The aim of these contracts and their appendices is to include the sustainable development goals of a given project in the terms of the contract. A clause to support local employment is increasingly included in construction contracts for large projects.

Altareit uses an external service provider to collect, archive and manage all regulatory certifications from companies necessary for the signing of the contracts and authorisation of the various subcontractors. This measure was put in place in 2015 for all new Residential and Office Property operations.

At the same time, a low nuisance construction site charter is appended to all works contracts. Under this charter, all service providers, working on the project are required to meet commitments relating to:

- reducing nuisances (noise, dust) caused to residents by the construction site;
- reducing risks of water and soil pollution from the construction site;
- sorting and reducing construction site waste that goes to landfill;
- protecting nature and biodiversity;
- managing water and energy resources.

Construction phase

In order to ensure the requirements are applied during the construction phase, various actors, such as the "clean construction site" contact person, and the Health and Safety protection (H&S) coordinator, are called upon. In particular, five national framework agreements have been signed with technical monitoring companies specialising in H&S and Environment Works Management to harmonise monitoring tasks in all residential operations and to ensure safety and proper application of the low nuisance construction site charter. At the end of the operation, contractors are evaluated according to qualitative and/or environmental criteria to assess whether labour and environmental clauses have been fully applied.

5.4.9.2 ASSESSMENT AND PROGRESS OF SUPPLIERS

En 2017, Altareit launched a supplier assessment process using the Ecovadis platform. The aim of this assessment is to identify the progress made by its suppliers in terms of CSR and to help them improve.

The first phase of the evluation relates to suppliers of fixtures and fittings for Cogedim residential properties (hardware, electrics in particular). The assessment is in the process of being finalised and the next stage will involve, on the one hand, Altareit working with the least advanced suppliers to help them improve and reduce areas of risk and, on the other, showcasing best practices and the responsible procurement process to customers.

5.4.10 Governance

Materiality level: significant

Points relating to corporate governance can be found in Chapter 7 (Corporate Governance).

5.4.11 Sponsorship and partnership

Materiality level: Moderate

All sponsoring actions are managed at the Altarea Cogedim group level.

5.4.11.1 SPONSORSHIP AND SUPPORT FOR ARTISTIC CREATION

The Group is always keen to promote young talent in various art forms: sculpture, painting, music, through a number of initiatives.

The Group is a long-term partner of the Matheus ensemble which has become one of the most recognisable musical groups in the world thanks to its daring artistic approach open to all.

The Group has also been an official partner of the Festival d'Aix since 2015. This is a must-attend event for lovers of opera and classical music. A commitment born of the desire to share common values through a passion for art in all of its forms. The Festival d'Aix is a nationally and internationally recognised venue for excellence in opera. It also encourages the introduction of new artists as well as access to opera by a wide audience. These values are also the Group's: a responsible and committed company which wants to share its passion for art with as many people as possible. In future, the Group intends to increase its commitment in this area as a partner of the Rencontres Économiques d'Aix-en-Provence organised by the Cercle des Économistes.

The Group has partnered with the Pompidou Centre, becoming the sponsor of its programme in the Children's Studio, the Children's Gallery and Studio 12/16 as well as at its spin-offs outside the centre. This commitment to the contemporary art centre dedicated to modern and contemporary creation, where the fine arts rub shoulders with books, design, music andfilm, has significance for the Group as it reflects its values of innovation and making culture accessible to all. Ultimately this partnership may also be used for the Group's projects.

5.4.11.2 SOCIAL INITIATIVES

For more than ten years, the Group has been a major partner of *Habitat et Humanisme*, to contribute to this non-profit organisation recognised for its vitality and social innovations, to help find housing solutions for disadvantaged persons. This commitment has been driven by three, three-year agreements, implemented and orchestrated entirely by a bipartite Oversight Committee. At 31 December 2016, this commitment represented a total financial investment of €3.5 million, primarily apportioned as follows:

- participation in the funding of ten social or intergenerational residences corresponding primarily to boarding-houses and intergenerational houses. Eight are already in service;
- financing of three *Habitat et Humanisme* manager positions in the Paris Region for the past seven years;
- expertise-sharing sponsorship initiatives to resolve technical and legal issues.

In total, over the last 10-plus years, the Group has contributed directly to the creation of 300 housing units with capacity for nearly 450 people.

In future, the Group will also take part in the Habitat et Humanisme crowdfunding project.

5.4.11.3 TRANSMISSION AND EDUCATION

The Group is a founding member of the Fondation Palladio which supports the construction of the city of tomorrow (more details are available in paragraph 5.4.6.2 Partnerships).

In 2017, Alain Taravella sponsored the University of Paris Dauphine's "Property Management" masters The Group organised various exchanges and site visits throughout the academic year.

In 2017 the Group became the sponsor of the "Rencontres Economiques d'Aix-en-Provence" in 2017. Created by the "Cercle des Economistes" these unique events involve intelligence sharing through high-level debates. Each year a forward-looking theme is chosen and discussed at a number of sessions and debates attended by academics, politicians, representatives of international institutions and business leaders from all over the world with the aim of contributing to the economic debate in France, Europe and worldwide. To this end, the Chairman and Founder of the Group spoke at a session entitled, "our future lives".

5.5 Social performance

At the end of 2017, Altareit had 1,329 employees, compared to 1,165 at the end of 2016[1], an overall growth of 14% of its workforce over one year. The change in Altareit's size in recent years, coupled with sustained operational momentum, reinforces the strategic nature of the management of its Talents, in terms of recruitment, integration, dissemination of the corporate culture, career management (skills and dynamic compensation).

Reporting to a Group HR director, the Group Human Resources Department, which was created in 2016, is now organised around operational HR directors dedicated to each business line and three areas of expertise (Human Capital, Social Law & Social Innovation, and Social Management (which combines payroll activities, personnel administration, social management oversight, compensation and HR IT)).

5.5.1 Headcount and organisation

5.5.1.1 ORGANISATIONAL CHANGE

To support its step-up in scale, Altareit has put in place cross-group support functions that act to support all its subsidiaries.

In 2017, the Group Human Resources Department initiated major actions to address both short-term issues and lay the foundations for its longer-term ambition.

In terms of recruitment, Altareit has set up a new centralised IT tool to improve efficiency and undertaken substantive work on the employer brand. Internal mobility has also been encouraged with the automatic publication of vacancies and the creation of a mobility charter.

During 2017, there were 381 new recruitments. To welcome these new employees, in September, Altareit completely overhauled its integration seminar (now called Crescendo). It lasts two or three days, and its satisfaction rate among leaders and participants has reached 100%.

As regards career management, the Group has created the "The Academy, talent developer". A strategic training plan has been defined with emphasis on specific training to support managers. A Talent review has been conducted, and soon individualised support plans and certification programmes for the Grandes Ecoles will be established.

Finally, in terms of salary policy, the renewal of the "Tous en Actions!" (shares for all) programme for the third year in a row, and its high rate of employee subscriptions, underscores the relevance of the Altreit's compensation system. The programme aims to offer employees the opportunity to build up significant assets.

In the longer term, Altareit's HR strategy is built around three aims:

- becoming a reference employer to continue to attract and retain the best talent;
- maintaining the fundamental balance between operational and functional staff;
- structuring human resources, in line with the Group's DNA: entrepreneurship, creativity, innovation and diversity.

To achieve this, Altareit relies on digitalisation and major cross-functional projects.

In 2017, digital transformation gave rise to several structuring projects that employees can use, along with high-performance equipment and tools, such as: collaborative platforms, a new intranet called "SmartPortail" and online connected tablets and telephones, for which support was given during the familiarisation stage.

A Human Resources Department digitisation programme called "Ambition SIRH" to support the payroll system and talent and career management was launched in May 2017 and will be gradually implemented in the first half of 2018.

Finally, a programme focusing on "Performance" was launched to enhance the effectiveness of the organisational structure, methods and processes. It has been the focus of several structuring cross-functional projects, for both operational and functional activities.

5.5.1.2 CHANGES IN THE WORKFORCE

To support its change in size and the growth of its activities, Altareit has stepped up recruitment. Over the past two years, annual workforce growth has been around 15%.

	2016			2017			Change 2016-2017		
	Permament contract	Fixed-term contract	Total	Permament contract	Fixed-term contract	Total	Permament contract	Fixed-term contract	Total
Women	539	29	568	619	19	638	15%	-34%	12%
Men	462	7	469	538	11	549	16%	57%	17%
Total	1,001	36	1,037	1,157	30	1,187	16%	-17%	14%

Including Pitch Promotion, excluding Histoire & Patrimoine

In response to the growing number of projects under development, Altareit has recruited a large number of real estate developers, sales consultants and project management specialists throughout the country.

Altareit also hired people in its Serviced Residences division to help run its self-managed senior residences.

The growth of the workforce has had little impact on the average age of employees (38.7). By contrast, Altareit's average seniority has fallen slightly to five years.

[1] *Including Pitch Promotion and Histoire et Patrimoine (company 55% owned by the Group) and corporate officers or members of the Cogedim Management Board (4 employees in 2017, 1 in 2016).*

	2016		2017	
	Age average	Average seniority	Age average	Average seniority
Women	39.9	6.5	39.1	5.6
Men	38.2	4.6	38.3	4.5
Total portfolio	**39.1**	**5.6**	**38.7**	**5.1**

Including Pitch Promotion, excluding Histoire & Patrimoine

5.5.1.2.1 Headcount by gender and geographical region

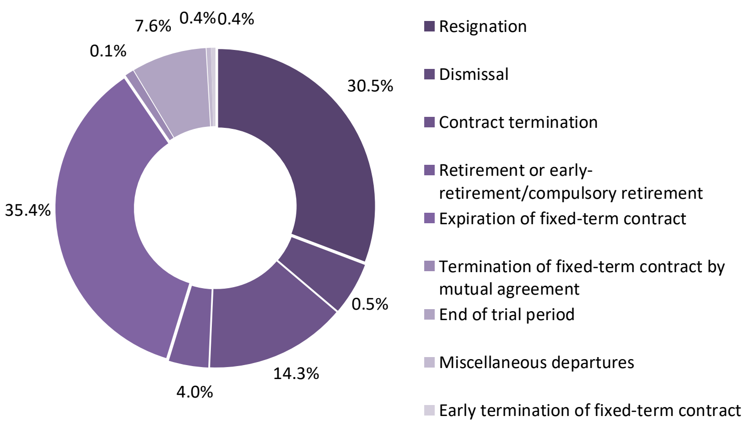
In 2017, Altareit was only present in France.

5.5.1.2.2 Headcount changes

Altareit recruited 381 employees in 2017, 312 on permanent contracts and 69 on fixed-term contracts, confirming its appeal in a competitive market. At the end of 2017, 97% of Altareit employees were on permanent contracts.

In 2017, despite strong pressures in the real estate sector, the departure rate of employees on permanent contracts remained stable compared to 2016 at 13.6%, reaffirming the talent retention policy implemented by HR.

Reasons for leaving



Including Pitch Promotion, excluding Histoire & Patrimoine.

The two main causes of departure were the end of fixed-term contracts and resignations.

5.5.1.3 ORGANISATION OF WORKING HOURS

In accordance with the provisions of company agreements on the 35-hour working week, work in the Cogedim Unité Economique et Sociale (economic and social unit) is organised around one of two systems, depending on the employee's status: a set number of days per year for autonomous Managers and a collective number of hours per work week for Managers not eligible for a fixed number of days and for non-management staff. "RTT" days (days for recuperation of time worked) are granted to employees working full-time, excluding executives. 2.77% of Altareit's total headcount is made up of part-time employees, and 53% of part-time employees work at least 80% of a full-time position.

To support the strong growth in activity while maintaining the flexibility necessary for any cyclical activity, an RTT monetisation policy has been offered for the past three years. It allows all employees to monetize up to seven "RTT" days (days for recuperation of time worked) each year. 94% of employees monetised RTTs in 2017, for a total of more than 5,000 days. 125% compensation is paid for these days.

5.5.2 Recruitment, diversity and equal opportunities

Materiality level: crucial

Altareit promotes integration and diversity in its recruitment policy and the management of its employees' careers through attentiveness to all potential factors of discrimination (gender, age, disability). Quality social dialogue and respect for the fundamental conventions of the International Labour Organisation supplement this policy of diversity and equal opportunities.

5.5.2.1 RECRUITMENT POLICY

The “Human Capital” expert unit of the Group's Human Resources Department pursues a recruitment policy that is inspired by the Group's values of creativity, functional diversity and entrepreneurship and emphasises non-discrimination, integrity, ethics, objectivity, diversity and intergenerational cooperation.

In December 2013, Altareit signed the Diversity Charter and all new employees are made aware of this commitment through a welcome booklet and integration seminar.

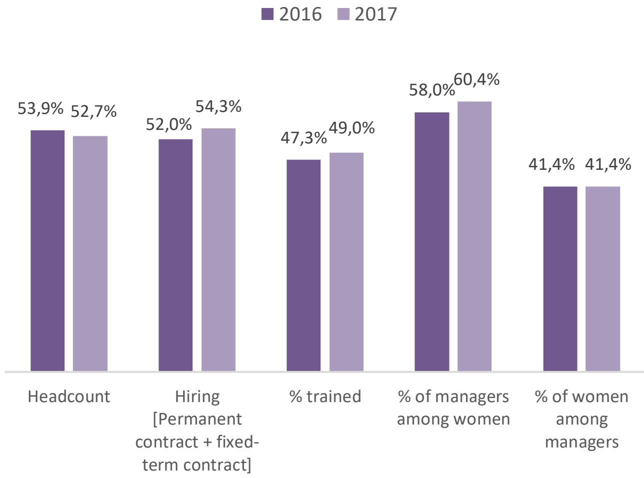
The recruitment process is strictly based on the skills and qualifications of the candidates. Compensation for new employees is determined according to objective criteria based on qualifications, professional experience and market practices. Management ensures that the principle of non-discrimination is strictly complied with in every way in all external recruiting and for all mobility within the Group. In order to combat stereotyping, the Group's Human Resources Department ensures that the wording of job offers, including those from temporary employment agencies, recruitment agencies and the "Careers" website, is objective and non-discriminatory, reflects the characteristics of the position in terms of the skills and experience required and makes sure every job offer includes the term (F/M). Candidates are all received by Human Resources Department employees who have been specially trained in issues related to discrimination.

The Recruitment, School Relations and Internal Mobility Department develops relations with schools by partnering with existing employment partners in the *Grandes Écoles* and universities. Altareit makes these institutions aware of its non-discrimination principles in order to instil best practice. The "Schools" policy also involves communication about Altareit's business lines through articles in the student press or through its presence on numerous forums. In December 2017, Altareit was present at the ESTP recruitment Forum (Porte de Versailles) with operational staff from each entity and human resources teams.

5.5.2.2 PROMOTION OF GENDER EQUALITY

Gender equality has always been viewed as furthering collective growth and social cohesion. Altareit has implemented professional equality action plans (action plans of 21 and 23 March 2017), the scope of which has been broadened and formalised based on concrete themes: compensation, access to training, professional development, working conditions, and the balance between professional and personal life.

Representation of women



Excluding Pitch Promotion, Histoire & Patrimoine

On the enlarged Group-level Executive Committee, the share of women rose to 20% in 2017, compared with 18.2% in 2016.

5.5.2.3 ACCESS TO EMPLOYMENT BY YOUNG PEOPLE AND OLDER PEOPLE

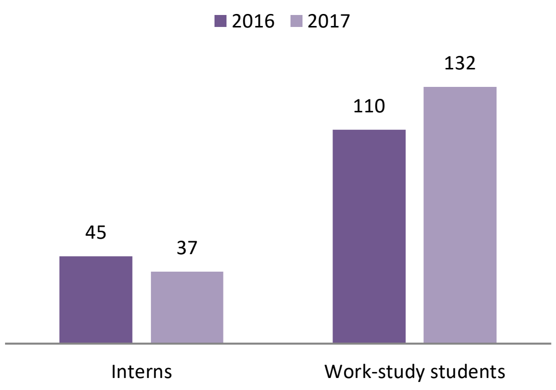
As a responsible company, Altareit sees access to employment for young people and older people as a priority. Its objective is to facilitate the long-term employment of young people under the age of 27 via permanent contracts, to promote the hiring and long-term employment of employees at least 55 years old and to ensure the transmission of know-how and skills.

At 31 December 2017, 17% of total Altareit employees were over 50 and nearly 19% were under 30.

Altareit's work-study policy is being strengthened further this year (+20%). Altareit has developed kits that specify the expectations, requirements and expected behaviours of all parties so that this experience is a complete success for the company and for the work-study students or interns.

A partnership has been signed with Engagement Jeunes, a platform for sharing profiles of young people between companies (big companies and SMEs). It hopes to play a societal role by training these young employees in both know-how and behaviour in a corporate setting to facilitate their transition into professional life. For this reason work-study students are not included in the operating budgets.

Change in the number of interns and work-study students



Excluding Pitch Promotion, Histoire & Patrimoine

5.5.2.4 DISABILITY POLICY

At 31 December 2017, ten employees are declared disabled workers.

In addition, ESATs (*Établissement et service d'aide par le travail*, organisation working for insertion of the disabled into the workforce) are used to provide a range of services (purchase of supplies).

In 2018, Altareit wants to strengthen its disability policy through more targeted actions. An internal communication campaign about declarations of disability will be launched to raise employees' awareness of this issue.

5.5.2.5 DIALOGUE WITH EMPLOYEE REPRESENTATIVES

The companies in Altareit's scope include 25 employee representatives.

Representatives to the Works Council (WC) have been regularly informed and consulted on plans to set up new organisations and new projects.

More than 30 meetings with the elected representatives of the WC and Health, Safety and Working Conditions Committee (CHSCT) took place in 2017. All elected representatives have been consulted on various topics, including the head office relocation project.

In 2017, several collective agreements were signed or renewed, such as the three-year incentive agreements signed on 31 May 2017.

5.5.2.6 COMPLIANCE WITH THE EIGHT ILO CONVENTIONS

Altareit complies with the eight main International Labour Organisation conventions and ensures that they are applied in its operations, in particular:

- respect for freedom of association and right to collective bargaining;
- elimination of discrimination in respect of employment and occupation (ILO);
- elimination of forced or compulsory labour;
- effective abolition of child labour.

The Ethics Charter sets out the mutual rights and duties of employees and the Company, emphasising compliance with laws and regulations. The charter is available on the Intranet and included in the welcome kit of all new hires.

Altareit has not undertaken any additional action in favour of human rights.

The companies in Altareit's scope do not have any entities or sites in other countries.

5.5.3 Compensation and value sharing

Materiality level: crucial

5.5.3.1 A DYNAMIC COMPENSATION POLICY

5.5.3.1.1 A bonus share plan for everyone

In early 2016, the Management Council introduced a three-year bonus share plan which distributes more than €20 million in shares each year.

This scheme, "Tous en Actions!" (shares for all) enabled each employee on a permanent contract to be involved in Altareit's growth and results. For its third year, the Management Council decided to continue the process as part of a voluntary campaign for 2017-2018 to recognise the contributions of each employee to Altareit's success.

The free shares scheme for all, called "Plan général 20-50" was renewed for all employees via the allocation of the equivalent of one month’s salary based on a minimum of twenty shares and maximum fifty shares or, alternatively, the payment of the equivalent of 50% in cash.

5.5.3.1.2 Monetisation of RTTs

Each employee who has RTT days was able to monetise up to seven of them on the basis of a 125% increase for each of the days, and the amount was paid to the employee or placed in their PERCOG (Group retirement savings plan).

5.5.3.2 A BONUS POLICY ACKNOWLEDGING SUCCESS

The awarding of bonuses is a managerial act that acknowledges actual performance and reflects the achievement of individual objectives. Taking into account contractual commitments and changes in the workforce, the average volume of performance bonuses awarded in 2017 (for 2016) was maintained.

5.5.3.3 A SALARY POLICY FOR TARGETED AUDIENCES

For the 2018 campaign, Altareit pursued an aggressive salary policy to reward employees after an intense 2017, drive growth and retain talent, with a total salary increase of +3.1% of payroll (higher than the practices of French companies over the same period, +2%). The campaign targeted deserving young employees with the potential to progress, and employees recently promoted. A general increase was granted for certain categories of employees.

An external study[1] confirmed that Altareit's salary policy, in particular the one implemented over the past three years, is a great incentive and allows all employees who want to participate in all aspects of the scheme to create significant assets.

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[1] *The Group commissioned a specialist consultancy to conduct a study on the real estate sector in 2017.*

5.5.4 Talent and skills management

Materiality level: crucial

5.5.4.1 STRATEGIC TRAINING PLAN FOR 2017 - 2018

At the end of 2016, Altareit identified training as one of the major focuses of its HR policy to support its rapid growth, and it established a new two-year training plan.

Its mission is to support employees in developing their collective and individual skills and to ensure their employability in line with the Company's strategy.

Its goal is to promote the real estate business lines of tomorrow thanks to a strategic training plan initiated upstream with Altareit's Managers and based on the business challenges of each line.

The plan is structured around three types of training:

- "core business", a basic foundation of skills for all employees;
- "professional development", with particular focus on management with a concentration, in addition to technique, on the cross-functional challenges and synergies of the Group;
- "new uses" centred on the digitisation of working methods, collaborative tools, etc.

Learning opportunities are varied and if online training is selected, content and practice will evolve along with integration of digital activities via LMS platforms (e-learning) and co-construction and co-development workshops.

More broadly, the strategic training plan supports major Altareit transformation projects, notably those promoted by the Digitisation & Innovation Department, by providing support to each audience based on their expectations and needs.

5.5.4.2 AN IMPACTFUL FIRST YEAR

More than 13,304 hours of training were provided under the new plan, a significant increase of +55% (for a scope excluding Pitch Promotion and Histoire et Patrimoine).

The training given to employees and managers covered the technical, managerial and digital growth of their business lines.

In accordance with the commitments made at the end of 2016, internal business training programmes were strengthened (with employees being trained as trainers where appropriate), and managerial programmes revamped to address our transformation challenges. Support for digitisation of work methods started at all sites, and there was a "Digital Cooperation Month" in September, during which one tool per week (Skype, OneNote, etc.) was covered over a one-month schedule with remote and onsite assistance. Training sessions were organised for the implementation of a vast project for the dematerialisation and digitisation of the Group's entire document base.

As is the case every year, a majority of employees (74%) took advantage of "core business" training hours. That said, the "professional development" and the "new uses" training courses took on more importance this year.

Excluding Pitch Promotion, the investment in training in 2017 represented 2.80% of payroll (versus 2.55% in 2016). The increase in the budget can be explained in particular by the financing of large and more in-depth training programmes such as managerial courses, training in new digital equipment and support for young people in vocational training.

	2016	2017	% change	2017 (Pitch Promotion included)
Hours of training	8,559	13,304	+55%	14,557
Number of training initiatives	1,396	1,701	+ 22 %	1,844
Employees trained	696	821	+18%	894
Average cost in €	1,838	1,945	+6%	NA
Average numbers of training hours (over average headcount)	11	14	+32%	13
Average number of training hours (per employee trained)	12.30	16.20	+32%	16.3

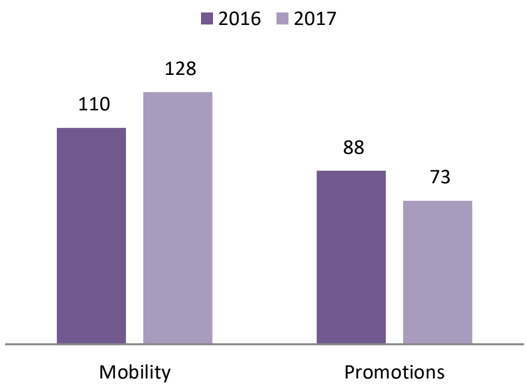
Data presented and change calculated excluding Pitch Promotion, acquired in February 2016, and excluding Histoire et Patrimoine.

5.5.4.3 THE ACADEMY

The training plan is an integral part of "The Academy", a “learning & development” programme to accelerate and develop individual and collective performance, build up the skills capital of business lines, strengthen the employer brand and thus attract the right candidates and create a space for sharing experiences.

This programme includes integration of employees, which Altareit has completely overhauled in 2017. As a result, all new employees undergo a formal interview and participate in a collective seminar within two to three months of arrival. This seminar involves many leaders from inside the Group and the members of Co-Management and the Executive Committee, who all come to explain and share their vision of the business. Since this challenge is shared by everyone, a "manager's kit" was also created and made available to all managers. Other supports of this type were developed internally for tutors, work-study students and interns.

5.5.4.4 MOBILITY AND PROMOTIONS



Excluding Pitch Promotion, Histoire & Patrimoine

Mirroring the training initiatives, internal mobility and promotion was strong. The inherent diversity of jobs in the real estate industry naturally fosters employee mobility.

In 2017, the growth of internal mobility (professional or geographic) was supported by the smooth running of business, the consolidation of newly created functions or organisations, and the establishment of a Career and Communication site and an internal mobility charter.

As of 31 December 2017, 128 Altareit employees (excluding Pitch Promotion) were redeployed (a mobility rate of 13.84%) and 73 were promoted (a promotion rate of 7.89%).

The aspirations of the company's employees were gathered during professional interviews to serve as a basis for reflection on a formal talent review.

For 2018, the continuation of annual, professional and integration interviews and the analysis of mobility and training expectations that will result from them will result in the implementation of a common 100% digitised tool for all Altareit entities.

5.5.5 Health and safety of employees

Materiality level: significant

5.5.5.1 SAFETY, HEALTH AND WELL-BEING OF EMPLOYEES

As Altareit's business does not present a significant risk for employee Health and Safety, no collective agreement was concluded in this area in 2017. There were no occupational illnesses reported within Altareit.

Ongoing initiatives to promote a safe working environment and ensure the health and well-being of employees include updating the single document on occupational risk assessment and raising awareness of precautionary measures and personal protective equipment for employees working on construction sites.

Employees and their beneficiaries enjoy complete and quality supplementary healthcare and disability coverage.

More broadly, quality of life and well-being at work are becoming a central concern and a priority for the companies within Altareit's scope.

The infirmary, which was set up this year at the Paris head office, provides specific actions or workshops (flu vaccination campaign at the end of 2017, introduction to first aid, etc.).

Moreover, in 2016, Altareit set procedures to enable employees to fully exercise their right to disconnect as of 1 January 2017 in order to respect the personal and family life of employees and ensure their health, in accordance with the Law of 8 August 2016.

This right means that employees are not under any obligation to answer emails or calls outside of normal working hours and have the right to report non-compliance. Information measures will also be taken.

The right is part of the overall Digital Equipment Transformation programme initiated by the Group which also involves the proper use of email and social networks.

5.5.5.2 ABSENTEEISM

Absenteeism is the subject of an exhaustive and detailed review each year, with an analysis of each reason by entity.

Excluding Pitch Promotion, the absenteeism rate[1] for permanent and fixed-term employees was 2.22% in 2017, compared to 2.17% in 2016.

Absences for non-occupational illness representing 98% of all absences. While the share of absenteeism due to workplace accidents increased this year, it remained low at 2.21% in 2017.

The rate of short-term absenteeism, which corresponds to the number of days of absence for ordinary sickness less than one month for the average workforce, is decreasing (1.73% in 2017 versus 3.58% in 2016).

	Workplace accidents (excluding commuting accidents)		Commuting accidents		Occupational illnesses	
	2016	2017	2016	2017	2016	2017
Number of incidents	0	6	2	5	0	0
Number of days	0	204	2	17	0	0

Excluding Pitch Promotion, Histoire & Patrimoine

[1] *Number of days of absence due to occupational illness, non-occupational illness, commuting incidents, workplace accidents and unexcused absences with the theoretical number of days worked. (in %).*

5.6 Environmental performance

5.6.1 Energy and climate

Materiality level: crucial					
Scope	**Objectives/Commitments**	**Indicators**	**2017 data**	**Change**	**Comments**
Group	**A global carbon commitment - take measures to reduce emissions from all major sources - work with stakeholders on avoided emissions**	GHG emissions (scope 1, 2, 3)	**Scope 1 and 2: 3 ktCO₂e Scope 3: 4,085 ktCO₂e**	**N/A**	Scope 3 accounts for over 99% of emissions and includes a share of purchases of materials (938 ktCO₂e) and other headings including occupant travel, occupant energy, etc.: (3,147 ktCO₂e). The Group has reduction plans for the main contributing sources.
	- train all technical teams on the issues of carbon in buildings	Share of Offices/Residential technical teams trained	**92% of employees**	**NA**	7 training sessions were held in 2017 throughout France with a participation rate of 92%
Offices	**Maintain a high level of energy performance**	Surface areas with better performance than the applicable thermal regulation requirements	**100%**	**stable** compared to 2016	In order to reduce occupant consumption, 100% of Offices surface area outperforms the RT by at least 30%

The climate emergency makes it necessary to change the production methods of buildings and evolve towards a more sober city that adapts itself to the new climate challenges. With the energy transition law for green growth, France committed to reduce its greenhouse gas emissions by 40% between 1990 and 2030 and to decrease its greenhouse gas emissions fourfold between 1990 and 2050.

The construction industry is one of the most energy-hungry and biggest producers of greenhouse gases in France. Altareit is aware of its impact and has made commitments to measure and reduce its impact: the Group has performed structuring work that was co-developed internally and set new targets in 2017 that include Scope 3 (see paragraph 5.6.1.3).

Following its reflection on its indirect impacts, Altareit makes every effort to offer responses that are proportionate to the emissions from each source and are adapted to each activity.

5.6.1.1 ENERGY EFFICIENCY

A high energy performance level is considered a prerequisite for the projects developed by Altareit.

Since 1 January 2013, the Group's production is subject to the 2012 Thermal Regulations (RT 2012). The regulations are among the most ambitious in Europe and intended to make Low Energy Building (Bâtiment Basse Consommation – BBC) more common.

In anticipation of the changes in regulations, which will increase the level of energy performance and impose a carbon threshold to be complied with, Altareit's technical teams were trained in controlling energy and carbon issues in the real estate portfolio in 2017. More specifically, this involved:

- better understanding the profound changes in the real estate industry towards low-carbon buildings;
- introducing future regulations and their implications;
- understanding existing tools and labels for the topics discussed.

Seven half-day sessions were held at the Group's various sites in France with a participation rate of over 90%.

Finally, in addition to its overall national goals, Altareit also takes into account those of each region. As a result, the Group is working with the City of Paris to help it achieve the goals of its Energy Climate Plan and renewed its commitment in 2016 with the following objectives:

- for its current new office real estate projects in Paris: energy performance exceeds the thermal regulations for new and renovated projects by at least 40%;
- for its current new residential real estate projects in Paris: energy performance exceeds the thermal regulations for new projects by at least 10%.

5.6.1.1.1 Cogedim Offices

For its Offices projects under development, Altareit consistently seeks to achieve a level of energy consumption that outperforms the thermal regulations applicable to each project.

In 2017, all Offices projects exceeded the thermal regulations requirements applicable to each project.

More specifically, Altareit has set itself the goal of achieving at least a 30% level of energy outperformance for projects subject to RT 2012. In 2017, that objective was exceeded since all projects, regardless of the regulations applicable to the project, achieved that performance. The projects achieved an average gain of over 40% (surface area).

100% of Offices projects exceed thermal regulation requirements by more than 30%

All of the hotel projects exceeded the RT 2012 requirements with an average gain of almost 15% (surface area) in 2017.

These numbers are stable[1] compared to 2016.

Altareit launches test operations for new labels to anticipate future regulations. Boréal, the first Group project to receive the BEPOS Effinergie 2013 label, was delivered in 2017 and will provide feedback for future projects. More specifically, it is a label designed to promote buildings that, as defined by the thermal regulations, produce as much energy as they consume for heating, cooling, ventilation and lighting.

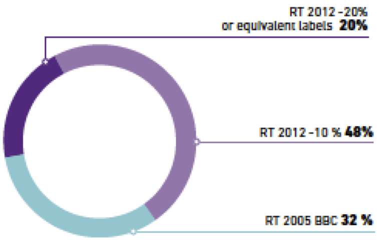
In addition, to ensure proper functioning of technical equipment, notably systems responsible for heating/cooling production and output, a commissioning process was made standard for 100% of Offices projects under development as of 2014.

5.6.1.1.2 Cogedim Residential

As part of the NF Habitat and NF Habitat HQE™ certifications, energy labels can also be sought. These include the various Effinergie labels and the "RT 2012 - 10%" and "RT 2012 - 20%" levels granted as part of an NF Habitat certification.

In 2017, Residential projects under development with an energy label represent 22% of projects under development (in number of residential units). The breakdown is as follows:

Breakdown of the number of labelled residential units by category



The rate of labelled projects is gradually decreasing as a result of the tightening of regulations: the RT 2012, which requires stricter energy performance, applies to all projects whose permit application was filed on or after 1 January 2013.

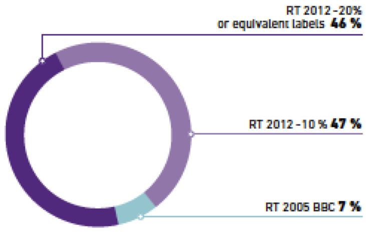
In addition to energy labels, some projects have their own ambitions. For example, several projects located in Grenoble aim for an outperformance level of at least 30% compared to RT 2012.

5.6.1.1.3 Pitch Promotion Residential and Offices

In 2017, nearly 80% of Offices projects exceeded the thermal regulation requirements to which each project is subject by at least 30%.

Furthermore, more than 35% of the residential units under development in the Paris Region have an energy label in addition to the NF Habitat and NF Habitat HQE™ certifications (in number of units) with the following breakdown:

Breakdown of the number of labelled residential units by category



These numbers are stable compared to 2016.

5.6.1.1.4 Energy metering systems and occupant awareness

For Offices projects under development that undergo environmental certification (over 98% of its production), Altareit goes beyond regulatory requirements for metering and makes equipment for detailed monitoring of energy consumption available to occupants. These systems empower occupants, giving them the tools necessary to understand their consumption in detail by use or zone and to rapidly identify sources of overconsumption.

The supply of this equipment is regularly analysed for projects which include housing, in particular major mixed-use projects. It can consist of an application on a smartphone/tablet which tracks the energy consumption of each residential building and offers suggestions on how to optimise consumption.

5.6.1.2 DEVELOPMENT OF RENEWABLE ENERGIES

In order to strengthen its contribution to the fight against climate change, Altareit uses renewable energies whenever possible.

In the design phase, Altareit examines the possibilities of connecting to existing heat networks and carries out feasibility studies for the supply of energy to major commercial projects. These studies make it possible to compare various possible energy solutions to cover a building's needs and thus identify the possibility of supplying renewable energy. This is particularly the case with the Bureau Kosmo, Bridge or Boréal projects. This last operation, which was labelled BEPOS Effinergie 2013, produces as

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[1] *The calculation methodology for the Offices energy performance indicator was revised in 2017. It is described in Chapter 5.7, Reporting methodologies.*

much energy as it consumes for heating, cooling, ventilation and lighting as defined by thermal regulations.

Such solutions can also be recommended for Residential projects. For example, the heating needs of the Nouvel Horizon project in Annecy are 100% covered by renewable energies thanks to the installation of a wood pellet boiler.

5.6.1.3 ALTAREIT'S CARBON FOOTPRINT

The Group's total emissions were estimated at 4,088 MtCO2e in 2017. These emissions break down into 3 ktCO2e for scopes 1 and 2 (scope 1: 2 ktCO2e, scope 2: 1 ktCO2e) and 4,085 kt CO2e for scope 3 (of which purchases of materials: 938 ktCO2e, and other headings including: occupant travel, occupant energy, etc. 3,147 ktCO2e)". Given the Group's property development activity, the share of direct emissions is under 1%.

In all, more than 99% of emissions consist of "upstream" and "downstream" items which the Group emits indirectly via its value chain. For example, they consist of emissions related to the materials used by construction companies, and, downstream, of emissions related to the operation of buildings by users and created by their travel. Altareit has limited control over these indirect sources of emissions.

The remaining 0.2% corresponds to "internal" emissions related to activities directly controlled by the Group, notably business travel and the energy used by offices.

The methodology used to calculate these emissions is compatible with the Bilan Carbone® assessment, the GHG Protocol and the ISO 14 064 standard.

The precise breakdown of emissions according to the different scopes, in accordance with the GHG Protocol and Article 75 of the Grenelle Environment Round Table, and the calculation methodologies used for each business area, are presented in paragraph 5.7.4.1.

In addition to the precise quantification of emissions sources included in the Group's business, structuring work was co-developed with the operational teams in 2016 and 2017, leading to new commitments in 2017 to systematise the low-carbon approach in city construction:

- continued refinement of the analysis of scope 3 items, the scope of "shared responsibility";
- on scope 3: implementation of actions to reduce emissions from all major sources;
- work with stakeholders on avoided emissions.

5.6.1.3.1 Reducing the Group's carbon footprint

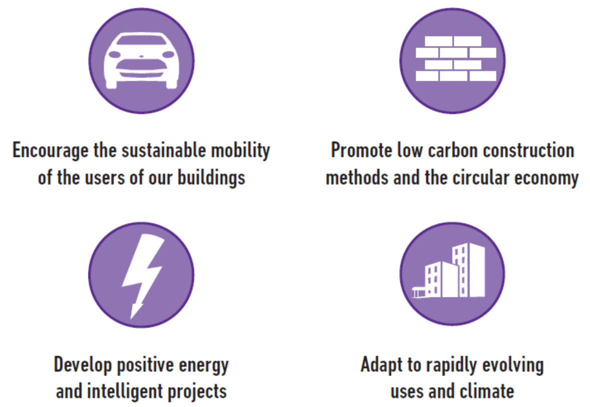
Altareit has been taking steps to reduce its greenhouse gas emissions for several years now: reduction commitments for Scopes 1 and 2, and a measure of its broader carbon footprint, with a desire to better understand the carbon impact of the various types of buildings, thanks to Bilan Carbone assessments conducted for nearly 10 years on all types of projects (residential and office).

In 2017, the Group continued its commitment in this area with its external stakeholders via:

- a new commitment to the Paris Climate Action charter in partnership with the City of Paris. Under this charter, the Group commits to quantified and measurable objectives to reduce greenhouse gas emissions and energy consumption by 2020;
- serving as a founding member of the Association Bâtiment Bas Carbone, or Association for Low-Carbon Construction.

In addition, the Group is engaged in a process of continuous improvement (reflection on science-based targets in order to reach the goal of limiting global warming to two degrees, reflection on the establishment of the methodology) and is also currently reflecting on the issue of implementation of carbon neutrality in the real estate/construction sector.

The key areas with the most significant potential impact on emissions were identified as follows:



Reduction of internal emissions

Internal emissions account for a very low volume of Group emissions. Travel makes up 61% of emissions. The main focus of action is the reduction in emissions from the fleet of company vehicles, and more generally the implementation of a company travel plan, on which the Group worked in 2017 for its main locations (the head office in Paris, the head office of Pitch Promotion in Paris and the offices in Lyon). More information is available in paragraph 5.4.3.2.

Reduction in upstream and downstream emissions

For the property development business, the building development phase is essential to measuring the project's carbon footprint. At Group level, 55% of emissions are due to travel by the occupants of residential and office buildings sold. The challenge of eco-mobility, both societal and environmental, has led the Group to choose well-connected sites, install charging stations for electric vehicles and to measure its progress in these areas through a series of indicators on proximity to transportation (see paragraph 5.4.3).

Beyond this, 23% of Group emissions are related to the purchasing of construction materials, and 2% to waste production during demolition. Bilan Carbone® construction studies, systematised since 2011 for projects in excess of 10,000 m² allows Altareit employees to identify the most significant sources of emissions and advance in the creation of projects with a low carbon impact, for example by choosing low-carbon construction methods or materials.

Therefore, for its office property development activity, Altareit prefers rehabilitations (projects in the Paris Region), which limit carbon impact through the reuse of the building structure. This is the case, for example, with the Richelieu building, which is currently being renovated in the 9th arrondissement of Paris.

In addition, the Group has developed pilot operations using wood as the primary material given that it stores carbon. This is the case for the "5 Impasse Marie-Blanche" project in Paris' 18th arrondissement, which has a wood frame, and the "Be Wood" programme inaugurated in 2016 in Montreuil, which has wood façades.

During the exploitation phase, the management of energy consumption is also critical to reducing Altareit's indirect carbon footprint. The consumption of the occupants of residential and office buildings sold accounts for 15% of global emissions. This is contained thanks to high-energy performance buildings under development (see paragraph 5.6.1.1). The Group is working on the impacts avoided for its buyers and occupants.

Finally, the limitation of the carbon footprint also means a more optimised and longer use of buildings. The Group is therefore working on the following issues:

- the creation of reversible or scalable spaces, which make it possible to increase the lifespan of buildings by fighting against their obsolescence;
- increased the intensity of use of buildings, which makes better use of existing surface areas during the life of the building. This reflection is conducted with Offices projects in particular, to better use shared spaces (restaurants, auditoriums, etc.) throughout the day.

All of these actions make it possible to control the greenhouse gas emissions of buildings over their entire life cycle, by working with stakeholders and sharing responsibility. Altareit makes every effort to offer responses that are proportionate to the emissions of each item and are adapted to each activity.

5.6.1.3.2 Anticipating and adapting to climate change

The Group examines the risks linked to climate change for its activities, that may be of several types, such as by flooding or hot weather. In view of its current activities, the Group has not identified any major risk linked to the climate consequences at this stage. However, it is attentive to changes in lifestyles and new requirements for buildings that can cause climate change in the medium term (cooling requirements by revegetation or free cooling systems for example). The Group plans to step up its building adaptation research in 2018.

By conducting a precise calculation of its businesses' greenhouse gas emissions, Altareit intends to reduce them. More importantly, it strives to anticipate climate change in order to be able to cope with it.

The carbon emissions resulting from its business are closely tied to its vulnerability with respect to:

- the implementation of a carbon tax: the more greenhouse gases the Group's businesses emit, the greater the direct financial impact they will sustain;
- higher fossil fuel prices: the volatility of this energy source could raise prices of goods and services and therefore affect the Group's procurement.

The Group calculates its vulnerability on a regular basis as part of risk management.

5.6.2 Labelling and sustainable certification

Materiality level: crucial					
Scope	**Objectives/Commitments**	**Indicators**	**2017 data**	**Change**	**Comments**
Residential	**100 % of new projects certified NF Habitat (a)** **100%of new projects labelled D and higher in the Paris Region(a) certified NF Habitat HQE™**	Area certified or in the process of certification	**100%**	**stable** compared to 2016	The objectives are achieved. This reflects the Group's desire to make quality a priority for its customers
Office	**100% of new projects certified NF HQE™ "Excellent" and BREEAM "Very Good" minimum**	Area certified or in the process of certification	**100%**	**+18%** compared to 2016	The Offices certification strategy is ambitious and supplemented by tests of new labels such as WELL, BiodiverCity and WiredScore.

(a) Excluding co-development, rehabilitations and managed residences.

To further the environmental performance of projects and guarantee their sustained value over time, Altareit selects environmental and qualitative certifications adapted to each type of project.

The certification strategy is ambitious, innovative and specific to each business line. Labels or certifications are chosen according to several criteria:

- the relevance of the applicable standards and assessment method for each activity;
- stakeholder expectations for each project type, while seeking to outperform market standards;
- the wish to test new labels and certifications that look at broader topics than pure environmental performance (WELL, BiodiverCity®, WiredScore, etc.) to stay one step ahead in all business lines.

Altareit has committed to a systematic sustainable certification approach for its Offices and Residential activities:

- environmental certifications NF HQE ™Bâtiments tertiaires (office buildings) “Excellent” and BREEAM® “Very Good” minimum, for Office projects under development;
- NF Habitat qualitative certification for Residential projects under development in France (excluding co-development, rehabilitations and managed residences);
- NF Habitat HQE™ environmental certification for D-level or higher Residential projects in the Paris Region (excluding co-development, rehabilitations and managed residences).

These certifications can be supplemented with an energy performance label.

This generalised ambition may evolve depending on specific cases and be supplemented by other approaches, such as labels that cover a wider scope, such as the eco-neighbourhood label.

Since the implementation of the progress initiative in 2009, the share of production that is awarded a certification or sustainable label has progressed significantly in all categories, thanks to new projects that are certified or labelled as sustainable.

5.6.2.1 COGEDIM OFFICES

For its office projects, Altareit is committed to a systematic approach to dual NF HQE™ and BREEAM® certification. In 2017, 100% of Offices projects had such dual certification.

100% Offices projects are dual certified

at least: NF HQE™ "Excellent" and BREEAM® "Very Good"

In line with the goal to generalise levels for NF HQE™ Bâtiments tertiaires (office buildings) “Excellent” and BREEAM® “Very Good”, minimum:

- 100% of Offices projects under development that have NF HQE™ certification obtained an “Excellent” rating or higher of which 74% were rated "Exceptional";
- 100% of Offices projects under development that have a BREEAM® certification obtain a “Very Good” or higher rating of which 66% obtain an "Excellent" rating.

74% of Offices projects are certified NF HQE™ "Exceptional"

66% of Offices projects are certified BREEAM® "Excellent"

These figures, which are up from 2016, reflect the Group's desire to offer the most comprehensive and efficient offer in terms of environmental and societal challenges.

In addition to these general environmental certifications, some projects are also certified and have received thematic labels such as the BiodiverCity® (biodiversity) label for the Austerlitz project and the WELL (wellness) label on Operation Richelieu and Bridge. More information is available in paragraphs 5.4.4.2. and 5.4.4.1.1.

Finally, 100% of hotel projects were certified or in the process of NF HQE™ and/or BREEAM® certification in 2017. The NF

HQE™ "Excellent" certification is being considered for the Hilton hotel at Place du Grand Ouest in Massy.

5.6.2.2 COGEDIM RESIDENTIAL

Since 2016, Altareit has been committed to NF Habitat certification and its HQE approach. Since 30 June 2016, all new housing construction completed has been eligible for this certification.

NF Habitat certification is a benchmark for the essential qualities of a residential unit and the common parts of a building. It translates into concrete benefits on a daily basis: a healthy, safe, pleasant interior and reduced spending, as well as respect for the environment. The NF Habitat HQE™ certification is a benchmark of quality and superior performance. In line with the Group's objectives, 100% of new constructions in the D range or above in the Paris Region are NF Habitat HQE™ certified (excluding co-development and managed residences).

100% **of new Residential projects in the D range or above in the Paris Region are certified NF Habitat HQE™**

These certifications can be supplemented by an energy performance label, such as Effinergie + or Bepos Effinergie, which anticipates future regulations and positive energy buildings (whose energy production exceeds consumption).

In 2017, Residential projects under development that had received an environmental certification or energy label accounted for 50% of projects under development (by number of units). This is down five points[1] on 2016 and reflects weaker interest in the B2C market than in the B2B market: although lessors of social housing are the decision-makers for such programmes the private buyers show limited interest. In order to better meet the needs of purchasers, Altareit plans to focus its actions in the future on the health, comfort and well-being aspects of the various certifications and labels.

It should be noted that the rate of certified and/or labeled projects remains very good for the Paris Region projects, with more than 70% of residences subject to certification or a label (number of dwellings).

In addition to these common certifications and labels, some projects are also involved in other approaches. This is the case for the Nice Meridia, where the Group is currently running several residential and tertiary projects. This block is located in the Eco-Vallée national project. The Group is committed to complying with the requirements of the Environmental Quality Reference Framework (CRQE) for development and construction developed by EPA Plaine du Var.

5.6.2.3 PITCH PROMOTION RESIDENTIAL AND OFFICES

For Pitch Promotion Offices activities, nearly 95% of Offices surface areas are certified BREEAM® and/or NF HQE™ with:

- more than 95% of offices projects certified NF HQE™ achieve an "Excellent" level;
- over 70% of Offices projects certified with BREEAM®certification obtain a “Very Good” or higher rating.

These numbers are stable compared to 2016.

For its Residential activities, Pitch Promotion is also involved in NF Habitat certification and its HQE process. As a result, all new housing construction carried out by Pitch Promotion is eligible for the NF Habitat certification and its HQE[2] approach (excluding co-development).

In 2017, more than 60% of the Paris Region projects under development have received environmental certification or an energy label (number of dwellings). This slightly lower figure reveals, as it does for Cogedim Logement, the limited interest of purchasers in these labels.

[1] The calculation methodology for the Residential certification rate was revised in 2017. It is described in Chapter 5.7 Reporting methodologies.

[2] With the same specifics as Cogedim, namely: Excluding co-development, rehabilitations and managed residences.

5.6.3 The circular economy

Materiality level: crucial					
Scope	**Objectives/Commitments**	**Indicators**	**2017 data**	**Change**	**Comments**
Offices	**Favour rehabilitations to reduce resource consumption and greenhouse gas emissions**	Share of rehabilitations in the Paris Region	**66%** of surface areas	**+29%** compared to 2016	The Group always considers the possibility of rehabilitation, with equal performance and comfort, rather than a complete demolition-reconstruction

In a world of finite resources, sobriety in the use of resources and optimal recovery of waste becomes a big necessity. The players in the construction sector, one of the main contributors to waste generation and carbon emissions in France, have an increased responsibility in the construction and sustainable management of their assets.

At each stage of the life of a project, Altareit takes care to adopt a responsible position to promote a virtuous cycle of resource management:

- prior to projects: by encouraging rehabilitation, re-use of materials (especially for high-emissions materials such as concrete) and construction on brownfield sites;
- in the design phase, by designing economic, efficient, scalable or reversible buildings to prevent premature obsolescence;
- in the completion phase, by making sure that waste is sorted and recovered;
- at end-of-life by facilitating the disassembly of buildings and optimising the reuse or end-of-life disposal of materials.

5.6.3.1 DENSIFICATION OF CITIES AND REHABILITATION

Due to its presence in urban areas, the Group regularly faces issues related to the density and age of the urban fabric. Accordingly, Altareit regularly considers the possibility of carrying out rehabilitation rather than complete demolition-reconstruction, which makes it possible to use a smaller quantity of materials and to reduce the production of waste.

In addition, thanks to the expertise developed by Altareit in the field of renovation, rehabilitated Offices projects achieve the same energy and comfort performance levels as Altareit's new projects.

Renovations account for 66% (in surface area), i.e. 223,486 m² of Offices projects under development in the Paris Region.

66% **of Offices projects in the Paris Region are rehabilitations**

As an example, for the Richelieu project, the choice of rehabilitation makes possible a carbon footprint 13 times lower than what would have been the case in a complete demolition-reconstruction and saves 3,614 trips by dump trucks.

In addition, the Group acquired 55% of the capital of *Histoire et Patrimoine* in 2014. Its main activity is the renovation of old properties.

5.6.3.2 SUSTAINABLE DESIGN

When a building is too obsolete to be rehabilitated, Altareit opts for a complete demolition-reconstruction while making sure that, in accordance with technical and economic constraints, the waste from the demolition is recovered. For example, for the *Domaine Harmony* project, Pitch Promotion reused about 14,000 m^3 of substructure from the destruction of the existing building in the construction of the subgrade.

In both new construction and rehabilitation, Altareit prescribes sustainable systems and materials that are easy to use, maintain and repair. Whenever possible, products with an environmental or responsible management label (FSC/PEFC for wood) and recycled and recyclable products are preferred. Construction techniques that allow for streamlined use of resources, such as prefabrication and layouts are preferred.

Altareit's priority in managing raw materials is to reduce the carbon impact of the materials it needs for its projects, measured through the Bilan Carbone® Construction assessments for the new developments described in paragraph 5.6.1.3.

Lastly, in order to avoid the premature obsolescence of a building and to offer optimal living and working conditions, the Group is testing innovations to allow its projects to evolve.

5.6.3.3 MONITORING AND RECOVERY OF CONSTRUCTION WASTE

Overall, Altareit requires that construction companies carry out selective sorting and detailed monitoring of construction site waste for all certified Offices projects under development. This accounted for over 98% of projects (in surface area) in 2017.

The energy transition law sets a recycling target 70% of construction waste by 2020. The Group is making every effort to meet this target.

In 2017, Offices projects have an average target of over 70% of site waste recovery.

For Residential projects under development, the Group implemented a construction site charter in 2014 for all new residential projects. Beyond limiting construction-related pollution, these charters impose measures intended to limit the production of waste at the source, identify waste on-site, ensure tracking until final destination and conduct effective and efficient recovery of waste.

5.6.4 Biodiversity and land management

Materiality level: significant

The protection and reintroduction of biodiversity in urban environments and the fight against urban sprawl are challenges governed by strong local and national regulatory pressures. Altareit intends to get ahead of regulations and to make these topics into assets for the well-being and comfort of the users of its buildings by introducing nature into the city whenever possible.

In 2017, Altareit finalised an internal awareness-raising initiative, with the creation of guides to inform teams about biodiversity issues and provide them with technical solutions and best practices for each stage of their business line: programming, design and construction of the built environment. These guides are closely geared to operations and adapted to each Group activity.

5.6.4.1 LAND MANAGEMENT

Altareit is present mainly in metropolises and encourages the densification of cities and urban redevelopment, rather than urban sprawl and development of the soil.

As a result, renovations account for over 65% (in surface area) of Offices projects under development in the Paris Region. More broadly, nearly all Offices projects under development in the Paris Region are part of the rehabilitation or redevelopment of neighbourhoods and development zones and do not, therefore involve the paving over of greenfield land.

Finally, particular attention is paid to the preservation of green spaces because, in addition to the importance of limiting impermeable surfaces, these unbuilt spaces contribute to the well-being of occupants, particularly in urban areas, and cool down heat islands. For example, for the Issy Coeur de Ville project, nearly 13,000 m² of land will be developed, including 4,000 m² of open land.

5.6.4.2 BIODIVERSITY

Mandatory in the context of urban planning authorisations for large projects, assessments of the respect for and preservation of biodiversity are more in-depth for environmental certifications.

Specifically, an independent environmental specialist is consulted for all projects under development subject to BREEAM® certification. This makes it possible to take into account the local fauna and flora in the specifications submitted to the project management team and thus to preserve ecological corridors (green and blue grids).

The BiodiverCity® label is useful, in addition to environmental certifications such as NF HQE™ and BREEAM®, for a thorough assessment of biodiversity issues in a real estate project. This label is sought for the Austerlitz, 16Matignon and Eria office projects.

Altareit pays particular attention to maintaining or enhancing the fauna and flora present. For example, for the Nantes prison redevelopment project, a landscaped mall, with nesting boxes, will be created as an extension to an existing square, which will allow an intensification of green spaces and a continuity between these spaces in the city.

5.6.5 Water management

Materiality level: Significant

5.6.5.1 PRIOR TO NEW PROJECTS

For every new project, Altareit first systematically carries out site analyses to identify constraints (leakage rate, infiltration, etc.) and opportunities (water recovery, valleys, etc.) on each site. The conclusions of these analyses are incorporated into the environmental programme of each project.

5.6.5.2 DESIGN PHASE

On a virtually systematic basis during the design phase, the Group anticipates using specialised equipment on all projects to limit the project's impact on the water cycle and manage consumption of drinking water.

For its space-intensive projects, Altareit incorporates technical solutions into the design phase (porous concrete, grassed parking spaces, green spaces, etc.) that limit soil sealing, and it builds retention basins to reduce the rate of run-off into and saturation of local sewer systems. For example, in Lyon, the Boréal office building, opened in 2017, is built on a land lot that can absorb all the rainwater that falls on it. To prevent water pollution, Altareit complies with local regulations for the installation of technical equipment for pretreatment before discharge.

5.6.5.3 COMPLETION PHASE

In the completion phase, the Group systematically requires construction companies to meter and monitor water consumption. These initiatives concern:

- over 98% of Offices projects under development;
- 100% of Residential projects under development with NF Habitat HQE™ certification and 100% of Residential projects under development launched as of 2014.

5.6.6 Other environmental issues

5.6.6.1 DISTURBANCES AND POLLUTION DURING THE CONSTRUCTION PHASE

Altareit attempts to minimise the disturbances and pollution generated by construction in its Property Development division. For this purpose, a low-disturbance site charter is systematically applied. It imposes measures to limit pollution of the soil, water and air, as well as all visual and acoustic pollution.

5.6.6.2 PROVISION FOR OTHER ENVIRONMENTAL IMPACTS

The Group has implemented no provisions or specific guarantees.

5.7 Reporting Methodologies

5.7.1 Verification

Altareit contracted Ernst & Young, one of its Statutory Auditors, to carry out the following:

- verification of the presence of the required CSR information;
- verification of the truthfulness of the information published.

The information selected for verification is related to:

Societal:

- customer and user relations and, in particular, customer satisfaction;
- connectivity and mobility and, in particular, the percentage of surface area located less than 500 m from a public transport network, for all activities;
- mixed-use and local development and, in particular, the employment footprint (direct, indirect and induced jobs);
- the well-being of occupants and, in particular, the share of projects committed to comfort, health and well-being;
- new uses and digitisation;
- partnerships;
- business ethics;
- responsible purchases and supplier relationships.

The environment:

- energy and climate and, in particular, the energy performance and the share of surface area exceeding the requirements of thermal regulations, Group CO_2 emissions (Scopes 1 and 2 and the assessment of Scope 3), the measures taken to improve energy efficiency and the use of renewable energies;
- the circular economy;
- labelling and sustainable certification and, in particular, the Environmental Management System and the share of surface area certified;
- water management;
- biodiversity.

Social:

- the management of talents and skills and, in particular, total headcount, the absenteeism rate, the frequency rate of accidents in the workplace, and the average number of training hours per employee trained, employment (total headcount and breakdown, compensation and changes over time), movements, health and safety at work and the training and skills development policy;
- compensation and value sharing, particularly compensation policy;
- diversity and equal opportunities and, in particular, women in management positions.

5.7.2 Changes in methodology

The environmental reporting methodology was reworked in 2017 in order to increase the quality and consistency of the information provided.

5.7.2.1 METHODOLOGICAL CHANGES

5.7.2.1.1 Integration of Pitch Promotion in Group reporting

Altareit acquired the developer Pitch Promotion in February 2015. In 2016, an initial set of indicators was published to gradually integrate Pitch Promotion's CSR data into the Group's reporting.

In 2017, Altareit integrated Pitch Promotion's business data into its reporting based on the Group's methodology. Pitch Promotion's rare methodological specificities are explained in the following pages.

5.7.2.1.2 Definition of the scope of Cogedim Offices activity

The method for defining the scope of environmental reporting has been revised for Offices projects under development to be as consistent as possible with the actual status of the projects.

Projects included in the scope of reporting of Offices activity are the ones that, between 01/10/2016 and 30/09/2017:

- had their building permit issued;
- were in progress;
- were delivered between 01/10/2016 and 30/09/2017.

To reflect the reality of Altareit's ambitions, the scope adopted for the environmental indicators consists of the Offices projects controlled by Altareit, either through Cogedim Entreprise, a subsidiary dedicated to real estate development, or through the Altafund investment fund. Projects carried out as co-developments or under delegated project management are therefore excluded. The auditable documentation used is the project contract (real estate development contract, delegated project management contract, etc.).

The method for defining the scope of reporting for other projects under development remained unchanged.

5.7.2.1.3 Collecting data for proximity to public transport systems

In 2017, Altareit contracted Géolocaux to automate and refine the collection of data on the proximity of projects developed by the Group to public transport networks. Géolocaux is a building geolocation service provider that compares several buildings by analysing their proximity to public transport networks, among other services.

The database of Altareit's projects containing their location is sent to the service provider who inputs data on their proximity to public transport networks (distance to the nearest stop and type of transport available at that stop).

The project address database for the 2016 scope operations was analysed. An identical result was obtained through the methodology previously used for the public transport proximity indicator.

5.7.3 Data sources

The data used for reporting and preparing the environmental and societal indicators for the Property Development scope are collected from all Altareit subsidiaries. The CSR Department then compiles and verifies the data for each project under development, based on auditable evidence:

- for general and administrative information:
  - Cogedim Residential (address, number of residential units): database extracted from the internal real estate management software,
  - Pitch Promotion (date, address, surface area, number of homes): building permits and work completion form,
  - Cogedim Offices (address, surface area): building permits, contract and work completion form;
- for labelling and sustainable certification:
  - Cogedim Residential: Cerqual (certifying body) database,
  - Pitch Promotion and Cogedim Offices: certificates from certifying bodies, audit results or Environment Works Management assistant environmental data sheets;
- for the energy performance level:
  - Cogedim Residential and Pitch Promotion Residential: certificate, contract or database of certification body Cerqual,
  - Pitch Promotion Offices and Commercial and Cogedim Offices: regulatory calculations, Dynamic Thermal Simulations, audit results or Environment Works Management assistant environmental data sheets;
- for proximity to public transport: study by Géolocaux or maps indicating the distance between the project's location, as indicated on the corresponding data source, and the closest public transport stop;
- for digitisation: database referencing the characteristics of the projects or certification/labelling certificate;
- for well-being: database referencing the characteristics of the projects or audit report or certification/labelling certificate.

More information can be requested directly from the programme manager responsible for the project. This is the case for the construction of a real estate programme in an area that doesn't yet have an address.

5.7.4 Methodology for environmental indicators

5.7.4.1 GROUP GREENHOUSE GAS EMISSIONS

GHG emissions of the Group represent total emissions from the different operating segments:

- corporate;
- property Development;
- REIT.

For each activity, scopes 1 to 3 of the Bilan Carbone® assessment and the GHG Protocol are taken into account, in accordance with the table below. These items are generic and are specified for each activity in the paragraphs below.

Scope 1	Scope 2	Scope 3
▪ Gas and heating oil used by Altareit ▪ Business travel in corporate vehicles ▪ Refrigerants used by Altareit	▪ Electricity and steam used by Altareit	▪ Energy used on construction sites, by the tenants of shopping centres and by the users of the Residential and Offices buildings and sold by the Group ▪ Travel by service providers, tenants, visitors and Altareit employees, excluding corporate vehicles, and the users of Residential and Office buildings sold by the Group ▪ Fixed assets ▪ Purchases (especially of construction materials) ▪ Freight ▪ Waste and end-of-life of buildings

In 2017, the Group updated its Bilan Carbone® assessment based on the main activity data for the year: m² built for Property Development and workforce for Corporate.

The emissions from the Property Development scope were calculated according to Bilan Carbone® assessments for the different classes of buildings (offices, hotels, residential) developed by the Group. These include the full cycle from design and construction to the building's future end-of-life phase.

Sources of emissions taken into account are the following: design, energy used on the work sites and by the users of Residential and Offices buildings sold by the Group, travel by Altareit employees, travel by people external to the Company, travel by the users of Residential and Offices buildings, fixed assets, purchasing and shipping of materials, construction site waste, refrigerants and end-of-life of buildings.

These Bilan Carbone® assessments are based on a representative sample of the Group's Property Development activity and then extrapolated on a prorated basis for the total constructed area according to each building category and the specific characteristics of projects to reach a figure for gas emissions corresponding to 100% of the Property Development activity.

The emissions related to the energy consumed during the use of Residential and Office buildings are calculated by taking into account the thermal performance assessed using the RT method.

The emissions produced by travel by the users of Residential and Office buildings are calculated based on national travel data provided by Insee.

5.7.4.2 LABELLING AND SUSTAINABLE CERTIFICATION

The purpose of this series of indicators is to highlight the implementation of the certification and sustainable labelling approach for a substantial portion of production and not just for a few isolated programmes. The residential indicators are calculated based on the number of units and the hotel, retail and office indicators are calculated based on the total net floor area for building permits subject to the RT 2000/RT 2005 thermal regulations or to the floor area for building permits subject to the RT 2012 thermal regulations.

An indicator per type is provided in the tracking table (Residential, Offices). The indicators are calculated based on the surface area of the project under development assuming an average residential surface area of 63 m²/residence.

Calculation formula = Surface certified or in the process of certification (net surface area or floor area) / Total surface area (net surface area or floor area)

To shed further light on the steps taken by Altareit, details of the nature of the certifications and/or labels and their levels are specified for each of the Group's activities and/or subsidiaries.

Methodological details:

- for Cogedim Residential: the serviced residences are not counted in the calculation because they are excluded from the scope of NF Habitat and HQE certification;
- for Cogedim Offices: the scope considered is the one for the Offices operations controlled by Altareit, either through Cogedim Entreprise, a subsidiary dedicated to real estate development, or through the Altafund investment fund.

5.7.4.3 ENERGY PERFORMANCE LEVELS

This series of indicators shows the breakdown of new developments by energy performance level. The energy classes used are those that measure an improvement compared with a regulatory calculation (RT 2005/RT 2012 thermal regulations) or compared with a Dynamic Thermal Simulation when the regulatory calculation is not relevant or with a label when an energy performance label is sought.

In the tracking table, an indicator is published for the Offices activity.

Calculation formula = Total surface area (net surface area or floor area) for a given energy performance level/Total surface area (net surface area or floor area)

Methodological details:

- for Cogedim Residential: the serviced residences are not counted in the calculation because they are excluded from the scope of NF Habitat and HQE certification;
- for Cogedim Offices: the scope considered is the one for the Offices operations controlled by Altareit, either through Cogedim Entreprise, a subsidiary dedicated to property development, or through the Altafund investment fund.

5.7.5 Methodology for societal indicators

5.7.5.1 CUSTOMER RELATIONSHIPS

Residential customer satisfaction is measured through dedicated surveys. The following question on likelihood to recommend is asked: “Would you recommend Cogedim to friends or colleagues?” Each study is incorporated into a national and subsidiary report, and the scores from the different studies are consolidated.

5.7.5.2 LOCAL DEVELOPMENT

5.7.5.2.1 Contributing to local development

The Group has developed an indicator to measure its reliance on local purchasing: it measures the portion of the construction companies that Altareit uses, which are based in the same department as the worksites on which they work (calculated for the Residential projects in separate lots delivered during the year).

The indicator published in the tracking table is:

Calculation formula = Number of construction companies in the same department / Total number of construction companies

Methodological details: The scope considered Cogedim Residential projects delivered in the reference year (excluding block sales).

5.7.5.2.2 Contribution to employment

The Group has been measuring its extended employment footprint since 2014.

In 2017, the Altarea Cogedim group completely revised its calculation methodology to deepen and integrate local elements (jobs supported by host gateway cities). The Group called on the Utopies firm to carry out the study.

The indicators presented in the report are based on the Altareit scope.

The 2017 figures are lagging indicators that were calculated based on the volume of purchases in 2016.

The detailed methodology is available on request from the CSR team.

5.7.5.3 PROXIMITY TO PUBLIC TRANSPORT

The indicators for this topic measure the proximity to public transportation of the new developments by distance bracket (0 to 200 metres, 201 to 500 metres and over 500 metres). They also indicate which means of transport is the closest (bus, tram, subway, RER/TER or train).

The distance computed is the one between the entrance to the building and the nearest public transport stop;

In the event that several types of transport are included in the same distance bracket, then the following priority rule applies: Subway, tram, RER/TER, bus and train.

In the tracking table, an aggregated indicator is published for all subsidiaries (Cogedim, Pitch Promotion) and activities (Residential, Offices). The indicators are calculated based on the surface area of the project under development assuming an average residential surface area of 63 m²/residence.

Calculation formula = Total surface area (net surface area or floor area) by distance category to public transport / Total surface area (net surface area or floor area)

Methodological details: for Cogedim Offices and only for that indicator, the scope is not limited to Offices operations controlled by Altareit but includes all offices and hotel projects.

5.7.5.4 DIGITISATION

The indicator for this theme measures the percentage of Cogedim's Paris Region Offices projects whose digital connectivity quality is based on a label or a benchmark (WiredScore, Ready2Services, etc.).

The indicator published in the tracking table is:

Calculation formula = Surface area whose digital connectivity quality is based on a label or a benchmark (net surface area or floor area) / Total surface area (net surface area or floor area)

Methodological details: the scope considered is the one for the Offices operations in the Paris Region controlled by Altareit, either through Cogedim Entreprise, a subsidiary dedicated to property development, or through the Altafund investment fund.

5.7.5.5 WELL-BEING

The indicator relating to this theme measures the percentage of Cogedim's Paris Region projects where WELL certification is obtained or sought at the Core & Shell Silver level or higher.

The indicator published in the tracking table is:

Calculation formula = Surface certified WELL or in the process of certification (net surface area or floor area) / Total surface area (net surface area or floor area)

Methodological details: the scope considered is the one for the Offices operations in the Paris Region controlled by Altareit, either through Cogedim Entreprise, a subsidiary dedicated to property development, or through the Altafund investment fund.

5.8 Indicator tables

Relevant scope: Employees on a permanent contract or on a fixed-term contract with Altareit, excluding Histoire & Patrimoine at 31/12/2017

REPRESENTATION, DIVERSITY, SOCIAL DIALOGUE

RECRUIT AND MANAGE				*Altareit*			
GRI CODE	THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
LA 1	Breakdown by age group	Percentage of employees younger than 30	%	17.45%	19.04%	9%	18.87%
		Percentage of employees between 30 and 50	%	64.64%	65.10%	1%	64.53%
		Percentage of employees older than 50	%	17.92%	15.86%	-11%	16.60%
	Breakdown by country	Percentage of employees in France	%	99.77%	100.00%	0%	100.00%
		Percentage of employees in Italy	%	0.00%	0.00%		0.00%
		Percentage of employees in Spain	%	0.00%	0.00%		0.00%
		Percentage of employees in Luxembourg	%	0.23%	0.00%	-100%	0.00%
	Breakdown by status	Percentage of employees in management positions	%	75.5%	76.9%	2%	73.2%
		Percentage of employees in non-management positions	%	24.5%	23.1%	-5%	26.8%

RECRUIT AND MANAGE				*Altareit*			
GRI CODE	THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
LA 2	Recruitment	New hires (permanent contract) during the period	Nb.	262	258	-2%	312
		New hires (fixed-term contract) during the period	Nb.	61	59	-3%	69
		Percentage of new hires in management positions	%	69.35%	67.82%	-2%	62.47%
		Percentage of new hires in non-management positions	%	30.65%	32.18%	5%	37.53%
	Departures	Number of dismissals	Nb.	11	11	0%	12
		Departure rate: Number of departures over the period/average headcount	%	20.25%	20.01%	-1%	19.86%
		Manager departure rate	%	17.68%	15.33%	-13%	14.80%
		Non-manager departure rate	%	28.22%	34.97%	24%	33.11%
	Reasons for departure	Departure during trial period	%	12.58%	6.49%	-48%	7.62%
		Expiry of fixed-term contract	%	35.22%	38.38%	9%	35.43%
		End of contract (miscellaneous)	%	0.63%	0.54%	-14%	0.45%
		Early termination of fixed-term contract (employee and company decisions)	%	0.00%	0.00%		0.45%
		Resignation	%	24.53%	28.65%	17%	30.49%
		Dismissal	%	6.92%	5.95%	-14%	5.38%
		Retirement or pre-retirement	%	6.92%	4.32%	-37%	4.04%
		Termination of fixed-term contract by mutual agreement	%	0.63%	1.08%	72%	0.90%
		Agreement between employer and employee	%	12.58%	14.05%	12%	14.35%
LA 1	Organisation of working hours	FTE (Full-Time Equivalent) headcount (permanent + fixed-term contract)	Nb.	783.31	921.68	18%	1,120.77
		Number of hours theoretically worked	hour	1,188,822	1,403,207	18%	NA
		Number of hours worked by temporary employees	hour	11,399	22,488	97%	NA
		Number of overtime hours worked	hour	871	854	-2%	NA

RESPECTING DIVERSITY				Altareit			
GRI CODE	THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
LA 13	**Gender equality**	Percentage of women in the total headcount	%	53.86%	52.71%	-2%	53.75%
		Percentage of women among management-level employees	%	41.40%	41.41%	0%	41.77%
		Percentage of women among management-level employees	%	58.04%	60.39%	4%	56.90%
		Percentage of female members of the Expanded Executive Management Committee [(a)]	%	NS	NS		NS
		Percentage of women departed	%	54.72%	60.00%	10%	61.88%
	Disabilities	Number of employees having reported a disability	Nb.	9	10	11%	NA
	Anti-discrimination measures	Number of interns during the period	Nb.	45	38	-16%	46
		Number of work-study contracts during the period	Nb.	110	132	20%	133

(a) In the case of an extended Comex at Group level (excluding Pitch Property Development) the Altareit data are not relevant.

DIALOGUE WITH EMPLOYEE REPRESENTATIVES				Altareit			
GRI CODE	THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
LA 6	**Organisation of employee-management dialogue**	Number of employee representatives (steering committee + works council)	Nb.	21	25	19%	NA
LA (4)	**Collective bargaining agreements**	Percentage of employees covered by a collective agreement (%)	%	96.49%	95.70%	-1%	96.46%

COMPENSATION AND SKILLS DEVELOPMENT

GIVING EMPLOYEES A STAKE IN THE RESULTS				Altareit			
GRI CODE	THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
LA 14.	Fixed compensation[a]	Average gross annual employee compensation - excluding variable compensation and employer contributions	€	56,857	56,399	-1%	NA
		Average gross annual non-management compensation - excluding variable compensation and employer contributions	€	32,589	32,149	-1%	NA
		Average gross annual management compensation - excluding variable compensation and employer contributions	€	67,888	66,648	-2%	NA

(a) excluding Cogedim Management Board

DEVELOPING SKILLS				Altareit			
GRI CODE	THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
LA 10	Budget	Total training expenditure	€ thousand	1,279	1,597	25%	NA
		Average training expenditure per employee trained	€ thousand	1.84	1.94	6%	NA
		Investment rate for training	%	2.55%	2.80%	10%	NA
	Hours of training	Average number of hours per employee participating in at least one training course	Nb.	12.3	16.2	32%	16.3
		Average number of hours for Managers	Nb.	13.5	18.3	36%	18.4
		Average number of hours for non-Managers	Nb.	8.7	9.4	8%	10.7
	Type of training[a]	Percentage of hours spent in office automation and computers training	%	1.30%	0.00%	-100%	0.00%
		Percentage of hours spent in management and support training	%	9.93%	0.00%	-100%	0.00%
		Percentage of hours spent in language courses	%	0.00%	0.00%		0.00%
		Percentage of hours spent in health & safety training	%	1.72%	0.00%	-100%	0.00%
		Percentage of hours spent in core business training	%	87.05%	74.01%	-15%	74.67%
		Percentage of hours spent in support courses	%	0.00%	0.00%		1.32%
		Percentage of hours spent in professional development training	%	0.00%	16.41%		15.26%
		Percentage of hours spent in new uses courses	%	0.00%	9.50%		8.75%
	Promotions	Number of employees who were promoted during the period	Nb.	88	73	-17%	NA
		Percentage of employees who were promoted during the period	%	11.21%	7.89%	-30%	NA
LA 11	Mobility	Number of employees who benefited from one or more types of mobility during the period (geographic and/or professional and/or inter-departmental/inter-group)	Nb.	110	128	16%	NA
		Percentage of employees who benefited from one or more types of mobility during the period	%	14.01%	13.84%	-1%	NA

(a) Training categories were reviewed in 2017

HEALTH/SAFETY OF EMPLOYEES

ENSURING EMPLOYEE HEALTH/SAFETY				Altareit			
GRI CODE	THEME	Indicator	Unit	2016 Excluding Pitch Promotion	2017 Excluding Pitch Promotion	Change Excluding Pitch Promotion	2017 With Pitch Promotion
LA 1	Absenteeism[a]	Total absentee rate	%	5.14%	4.61%	-10%	NA
		Management absentee rate	%	4.44%	3.69%	-17%	NA
		Non-management absentee rate	%	7.36%	7.63%	4%	NA
		Total absentee rate excluding maternity/paternity leave/other causes	%	2.17%	2.22%	2%	NA
	Reasons	Absence due to workplace accident	%	0.00%	2.21%		NA
		Absence due to occupational illness	%	0.00%	0.00%		NA
LA 9	Health, Safety and Working Conditions Committee (CHSCT)	Number of CHSCT meetings (employee representatives + works council)	Nb.	4	8	100%	NA
		Workplace health and safety agreements signed	Nb.	0	0		NA
LA 7	Workplace accidents	Frequency rate of workplace accidents	%	0.00	11.94		NA
		Severity rate of workplace accidents	%	0.00	0.15		NA
		Number of occupational illnesses declared (and recognised) during the year	Nb.	0	0		NA

(a) Any absence excluding annual vacation and "RTT" days

5.9 Cross-reference tables Article 225 Grenelle II

THE ENVIRONMENT

THEME	ISSUE	CHAPTER	PAGE
General environmental policy	Company organisation in order to take environmental issues into account	5.2.3 CSR governance structure and model	111
	Where required, environmental assessment or certification processes	5.2.2.4 Deployment of the CSR strategy: General Management System (GMS)	110
	Initiatives to train and inform employees about environmental protection	5.2.3 CSR governance structure and model 5.2.2.4 Deployment of the CSR strategy: General Management System (GMS)	111 110
	Resources devoted to preventing environmental risks and pollution	6.6.2.6 Social and environmental risks 6.6.3.6 Social and environmental risk management systems	180 187
	Amount of provisions and guarantees for environmental risks, provided that this information is not of a nature to cause harm to the Company in a court dispute	5.6.6.2 Provision for other environmental impacts	151
Pollution	Measures to prevent, reduce or compensate emissions into the air, water and ground with serious environmental consequences	5.6.4 Biodiversity and land management	150
	Consideration of sound pollution and any other type of pollution specific to an activity	5.4.4 Comfort, health and well-being in projects 5.6.6.1 Disturbances and pollution during the construction phase	126 151
The circular economy	Waste prevention, recycling and other forms of re-use and elimination measures	5.6.3 The circular economy	149
	Actions to fight against food waste	Not applicable because this is not a direct Altareit responsibility	
	Water consumption and provision based on local constraints	5.6.5 Water management	151
	Consumption of raw materials and the measures taken to improve efficiency in their use	5.6.3 The circular economy	149
	Energy consumption, measures taken to improve energy efficiency	5.6.1 Energy and climate	143
	Use of renewable energy	5.6.1.2 Development of renewable energies	144
	Land use	5.6.4 Biodiversity and land management	150
Climate change	The significant sources of greenhouse gas emissions generated as a result of Company activities are, notably, the use of the goods and services it produces	5.6.1 Energy and climate	143
	Adaptation to the consequences of climate change	5.6.1.3.2 Anticipating and adapting to climate change	146
Protecting biodiversity	Measures taken to preserve or develop biodiversity	5.6.4 Biodiversity and land management	150

SOCIAL

THEME	ISSUE	CHAPTER	PAGES
Jobs	Total workforce and breakdown by gender, age and geographical region	5.5.1.2 Changes in workforce	135
	New hires and dismissals	5.5.2.1 Recruitment policy	137
	Compensation and changes over time	5.5.3 Compensation and value sharing	139
Work organisation	Organisation of working hours	5.5.1.3 Organisation of working hours	136
	Absenteeism	5.5.5.2 Absenteeism	142
Social relations	Organisation of employee-management dialogue, including procedures to inform, consult and negotiate with employees	5.5.2.5 Dialogue with employee representatives	138
	Review of collective agreements	5.5.2.5 Dialogue with employee representatives	138
Health and safety	Workplace health and safety conditions	5.5.5.1 Safety, health and well-being of employees	142
	Agreements signed with labour unions or employee representatives concerning workplace health and safety	5.5.5.1 Safety, health and well-being of employees	142
	Workplace accidents, including their frequency and severity, and occupational illnesses	5.5.5 Employee health and safety	142
Training	Training policy	5.5.4 Talent and skills management	140
	Total training hours	5.5.4.2 An impactful first year	140
Diversity and equal opportunities/equal treatment	Policy implemented and measures taken to promote gender equality	5.5.2 Recruitment, diversity and equal opportunities	137
	Policy implemented and measures taken to promote employment and integration of persons with disabilities	5.5.2 Recruitment, diversity and equal opportunities	137
	Anti-discrimination policy implemented and measures taken	5.5.2 Recruitment, diversity and equal opportunities	137
Promotion and enforcement of the fundamental ILO Conventions, regarding	Respect for freedom of association and right to collective bargaining	5.5.2.6 Compliance with the eight ILO conventions	138
	Elimination of discrimination in respect of employment and occupation	5.5.2.6 Compliance with the eight ILO conventions	138
	Elimination of forced or compulsory labour;	5.5.2.6 Compliance with the eight ILO conventions	138
	Effective abolition of child labour.	5.5.2.6 Compliance with the eight ILO conventions	138

SOCIETAL

THEME	ISSUE	CHAPTER	PAGES
Territorial, economic and social impact of the Company's activities	On employment and regional development	5.4.2 Local development	121
	On local or resident populations	5.4.2 Local development	121
Terms of dialogue with these groups or organisations	Terms of dialogue with these groups or organisations	5.4.2 Local development 5.2.2.3 Relations with stakeholders	121 120
Partnership or sponsorship initiatives	Partnership or sponsorship initiatives	5.4.6 Partnerships 5.4.11 Sponsorship and partnership	130 134
Subcontracting and suppliers	Inclusion of social and environmental issues in the procurement policy	5.4.9 Responsible purchases and supplier relationships	132
	Degree of subcontracting and recognition of social and environmental policy in relations with suppliers and subcontractors	5.4.9 Responsible purchases and supplier relationships	132
Fair practices	Actions taken to prevent corruption	5.4.7 Professional ethics	131
	Measures taken to promote consumer health and safety	5.4.1 Customer and user relations 5.4.4 Comfort, health and well-being in projects:	118 126
Other actions taken to promote Human Rights	Other actions taken to promote Human Rights	5.4.9 Responsible purchases and supplier relationships	132

5.10 Independent third-party report on the consolidated social, environmental and societal information

For the financial year ended 31 December 2017

To the Shareholders,

In our capacity as a third-party independent body accredited by COFRAC[1] under number 3-1050 and as a member of the network of one of Altareit's Statutory Auditors, we would like to present our report on the consolidated social, environmental and societal information relating to the financial year ended 31 December 2017, detailed in Chapter 5, "Corporate Social Responsibility", of the management report, hereinafter referred to as "CSR Information", in accordance with Article L. 225-102-1 of the French Commercial Code.

Responsibility of the Company

The Company's management is responsible for preparing the management report. This includes the CSR Information in accordance with Article R. 225-105-1 of the French Commercial Code, presented as required by the Company's internal reporting standards, which comprise social, societal and environmental reporting guidelines as at December 2017 (the "Guidelines"). A summary of the Guidelines is provided at the end of Chapter 5, "Corporate Social Responsibility," of the management report. The Guidelines are available upon request at the Company's head office.

Our Independence and Quality Control

Our independence is defined by regulatory requirements, our professional ethics code and Article L. 822-11-3 of the French Commercial Code. In addition, we maintain a quality control system that encompasses documented policies and procedures to ensure compliance with ethical requirements, standards of professional conduct and applicable legal and regulatory requirements.

Responsibility of the independent third-party body

It is our role, on the basis of our work:

- to attest whether the required CSR Information is presented in the management report, or, if not presented, whether an appropriate explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Declaration of CSR Information Presentation);
- to provide a moderate level of assurance on whether the CSR Information, taken as a whole, is fairly presented, in all material respects, in accordance with the Guidelines (Reasoned Opinion on the Fair Presentation of CSR Information).

However, it is not our responsibility to make a determination on compliance with any other legal provisions applicable, in particular those referred to in Law No. 2016-1691 of 9 December 2016, known as Sapin II (fight against corruption).

Our work was performed by a team of four people between October 2017 and February 2018 and lasted approximately six weeks.

We conducted the work described below in accordance with professional standards applicable in France and the French ministerial order of 13 May 2013, which defines the terms for independent third-party bodies in performing their duties. We also applied the International Standard on Assurance Engagements, ISAE 3000[(2)], in establishing our reasoned opinion on the fair presentation of CSR Information.

1. DECLARATION OF CSR INFORMATION PRESENTATION

Nature and scope of work

We examined the sustainable development strategy, through interviews with the relevant department Managers, based on the social and environmental impacts of the Company's activities, its social commitments and any resulting measures or programmes.

We compared the CSR Information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code.

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[1] Scope of accreditation available at www.cofrac.fr.

[2] *ISAE 3000* – Assurance engagements other than audits or reviews of historical information.

In the absence of certain consolidated information, we verified that an appropriate explanation was provided in accordance with Article R. 225-105 paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the consolidated scope, namely, the Company and its subsidiaries as defined by Article L. 233-1 and its controlled entities as defined by Article L. 233-3 of the French Commercial Code, within the limits specified in the methodology section of Chapter 5.7 of the management report.

Conclusion

Based on our work and the above-mentioned limits, we hereby confirm that the required CSR Information is presented in the management report.

2. REASONED OPINION ON THE FAIR PRESENTATION OF CSR INFORMATION

Nature and scope of work

We conducted six interviews with people responsible for preparing the CSR information from the CSR Department, Customer Division, Corporate Management Control and Product Technology Department (Residential division) responsible for the information collection process and internal control and risk management procedures where applicable. This was done to:

- asses the appropriateness of the Guidelines selected and that they were relevant, complete, reliable, neutral and comprehensible, considering, where applicable, best practice in the sector and particularly the recommendations made by EPRA, the European Public Real Estate Association.
- check that the Company has set up a process to collect, compile, process and control the comprehensiveness and consistency of the CSR Information and understand its internal control and risk management procedures applied in preparing CSR Information.

We determined the nature and scope of our tests and controls depending on the type and importance of the CSR Information with respect to the Company's characteristics, the social and environmental issues concerning its activities, sustainable development strategy and sector best practices.

Concerning the CSR Information that we deemed to be the most important[1]:

- regarding the consolidating entity and the different real estate development business lines, we consulted documentary sources and conducted interviews to corroborate qualitative information (organisation, policies, actions, etc.), implemented analytic procedures regarding quantitative information and verified calculations and data consolidation on the basis of surveys, and verified consistency with other information included in the management report;
- environmental and societal data was based on samples representing 10-15% of the number of housing units under development and most of the office projects. Supporting documentation for the Company's corporate information is available at its registered office.

As regards the other consolidated CSR Information, we assessed its consistency in relation to our knowledge of the Company.

Finally, we assessed the appropriateness of explanations given for the full or partial omission of certain information, taking into account professional best practice where relevant.

We believe, on the basis of our professional judgment, that the sampling methods and sample sizes we used enable us to provide a moderate level of assurance regarding this information. Providing greater assurance would require more extensive verifications.

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[1] ***Social information:***

- Indicators (quantitative information)*: total headcount, absenteeism rate, the frequency rate of accidents in the workplace, and the average number of training hours per employee trained;*
- Qualitative information*: employment (total headcount and breakdown, remunerations and changes over time), movements, health and safety at work, training and skills development policy, compensation, diversity and equal opportunity.*

Environmental and societal information:

- Indicators (quantitative information)*: the share of surface areas already certified or in the process of environmental certification (environment management system), energy performance and the share of surfaces exceeding heat regulatory requirements, Group CO_2 emissions (Scopes 1 and 2 and the assessment of Scope 3), the portion of sites located less than 500 metres from a transport system (urban integration), the share of operations engaged in a process of comfort, health and well-being;*
- Qualitative information*: the general environmental policy (organisation, evaluation or certification processes), measures taken to improve energy efficiency and the recourse to renewable energies, waste management, land and biodiversity management, territorial impact (mixed-use and local development, direct, indirect and related jobs), customer and user relations, business ethics, connectivity and mobility, new uses and digitalisation, the level of subcontracting and the inclusion in supplier and subcontractor relationships of their social and environmental responsibility.*

Due to the use of sampling techniques and other restrictions inherent to any information and internal control system, the risk of not detecting a material misstatement in the CSR Information cannot be entirely ruled out.

Conclusion

Based on this work, we did not find any significant anomalies that would cause us to believe that the CSR Information, taken as a whole, is not fairly presented, in accordance with the Guidelines.

Paris-La Défense, 15 March 2018

Independent Third-Party Body

ERNST & YOUNG et Associés

Eric Duvaud Sustainable Development Partner	Bruno Perrin Partner

GENERAL INFORMATION

6

6.1 History and development of the Company

2007-2008

Since the end of the first quarter 2008, Altareit has been a direct subsidiary of Altarea, a listed REIT specialising in shopping centres.

Formerly bearing the name of Fromageries F Paul Renard, Altareit had been a subsidiary of the Bongrain Group until then. Its dairy business was wholly transferred to another company in this group at the end of 2007. As a consequence, the Company became a listed company at the beginning of 2008.

After taking control of the Company, Altarea submitted a simplified takeover bid constituting a buy-out bid, given the planned modifications. On that occasion Fromageries F Paul Renard changed its company name to Altareit, converting it into a "*société commandite par actions*" (a French partnership limited by shares), amended its corporate purpose and transferred its Head Office to Paris.

When taking control of Altareit, the intention stated by the initiator was to use this listed company in order to diversify the Altarea property assets portfolio in the sectors where its expertise, combined with the knowledge and know-how of Cogedim, opened up promising prospects.

At the end of December 2008, in accordance with its declarations, Altarea transferred to Altareit all of the shares making up the capital of the two Altarea Group entities operating outside its core business as a shopping centre REIT: Cogedim and Alta Faubourg. Cogedim is a long-standing Property Developer in France, responsible for all the Altarea Group Property Development business on behalf of third parties. Alta Faubourg houses all of the Altarea Group's diversification and property development business including the 33.34% shareholding in the Rungis National Interest Market in addition to several other companies operating in related sectors (hotel management, cinemas, photovoltaics, etc.).

2009

Rebirth of a legendary site: La Salle Wagram. The Group embraces the ecology and sustainable development challenge through an approach which has achieved NF Logement Démarche HQE® certification for all types of residential property.

2010

Altarea breaks ground for development of the former Laennec hospital site by creating a new “city neighbourhood” in the seventh arrondissement in Paris city centre.

2011

In partnership with several leading international investors, Altareit founded Alta Fund, an investment vehicle in the office property field which currently has €650 million of equity. Success of the Group's takeover bid for the shares of Rue du Commerce, e-commerce operator listed on Euronext Paris (Compartment B).

2012

Altareit listed in Euronext Paris Compartment B as from 26 January 2012 (Compartment C up to 25 January 2012).

2013

As a result of the success of the buyout offer followed by a mandatory delisting, Altareit acquired 100% of the share capital of Rue du Commerce.

2014

Acquisition of a controlling interest (55%) of Histoire & Patrimoine, a company specialising in the renovation and refurbishment of urban heritage property. A partnership is concluded with Crédit Agricole Assurances in the company operating Cogedim Club® residences. Redevelopment of the ex-Laennec Hospital creating a new "urban district" in the seventh Arrondissement of Paris.

2015

Work begins on the Massy Place du Grand Ouest large mixed-use project. Sale of 100% of the capital of Rue du Commerce.

2016

Acquisition of 100% of the share capital of Pitch Promotion. The Group exceeds its objective of 10,000 units sold. New successes with large mixed-use projects (Bobigny, Belvédère district in Bordeaux and Cœur de City in Issy-les-Moulineaux).

2017

Delivery of the large mixed-use project Place du Grand Ouest in Massy. Signing of two leases concerning the future global Head Offices of Orange (Bridge Offices in Issy-les-Moulineaux) and Parfums Christian (Kosmo Offices in Neuilly-sur-Seine). Cogedim is voted Customer Service company 2018 and Altarea Cogedim becomes the global No.1 among listed companies evaluated by the Global Real Estate Sustainability Benchmark (GRESB).

6.2 General information about the issuer

6.2.1 Company name (Article 3 of the articles of association)

The Company's name is: Altareit.

6.2.2 Legal form – governing law (Article 1 of the articles of association)

Altareit was originally incorporated as a "*société anonyme*" (a French public limited company). It was transformed into a "*sociéte en commandite par actions*" (a French partnership limited by shares) by resolution of the shareholders at the Combined General Meeting held on 2 June 2008. Altareit is a company incorporated in France, governed by French law and in particular by the provisions of Book II of the French Commercial Code. Altareit is not governed by any other particular legislation or regulations.

6.2.3 Head office (Article 4 of the articles of association)

The Company's registered office is at 8, avenue Delcassé – 75008 Paris.

Its telephone numbers are: +33(0)1 44 95 88 10 and +33 (0)1 56 26 24 00.

Altareit is housed by its sub-subsidiary Cogedim Gestion, itself the holder of a business lease for the offices at 8 avenue Delcassé à Paris 8ème.

6.2.4 Date of incorporation and term (Article 5 of the articles of association)

The company was founded on 16 June 1955 and, in accordance with the provisions of article 5 of its articles of association, has a duration of 99 years with effect from its incorporation on 19 August 1955, unless extended or dissolved early.

6.2.5 Corporate object (Article 2 of the articles of association)

The Company's corporate purpose is:

- principal purpose:
  - the acquisition of all land, property rights or buildings, including through a construction lease or a leasing arrangement, and any and all assets and rights that may constitute an accessory or appendix to said property assets,
  - the construction of offices and all transactions directly or indirectly related with building these offices,
  - operating and creating value through letting these properties,
  - holding investments through the persons referred to in article 8 and in paragraphs 1, 2 and 3 of article 206 of the General Taxation Code, and more generally acquiring shareholdings in all companies whose main purpose is the letting of rental property assets in addition to operating, managing and assisting such persons and companies as well as investing in all other types of companies or group ventures, created or to be created and including holding companies;
- additionally, leasing all types of property;
- exceptionally, the transfer by disposal, contribution or merger of the assets of the company;
- and more generally all property, asset, civil, retail, industrial or financial transactions deemed to be of use for the development of the aforementioned purpose or which might facilitate its exercise, in particular by borrowing and the related constitution of all types of guarantee or collateral.

6.2.6 Trade and companies registry and other identifying information

The Company is registered at the Paris Trade and Companies Registry under registration number 552 091 050.

The Siret (Company Registration Number) number of the Company is 552 091 050 00096 and its business code is 6820A.

The Company's legal entity identification code (LEI) is 9695004OAPTHOKN99645.

6.2.7 Financial year (Article 28 of the articles of association)

The financial year begins on 1 January and ends on 31 December.

6.2.8 Distribution of profits (Article 29 of the articles of association) and any surplus on liquidation (Article 30 of the articles of association)

- The Company's distributable profit as defined by law is available for distribution by the General Meeting. The General Meeting has sole discretion over its appropriation. It may be appropriated in full or in part to any general or special reserves or to retained earnings, or may be distributed to the shareholders.

  The General Meeting may also resolve to distribute sums from other reserves available to it, providing that the law so permits.

  The Ordinary General Meeting, voting to approve the financial statements for the year, may decide to give each shareholder the option of receiving all or part of the dividend in cash or in ordinary shares issued by the Company, in accordance with applicable law and regulations.

The General Partner is entitled to a priority dividend equal to 1.5% of the annual dividend paid.

Save in the event of a capital reduction, no distribution may be made to the shareholders if the Company's net equity is or would as a result of the distribution become lower than the amount of share capital plus any reserves which are not distributable by law.

All of the foregoing is without prejudice to any future issuance of non-voting preferred shares.

- In the event of the liquidation of the Company, the net proceeds of liquidation, after settling liabilities, shall be shared between the limited partners and the general partners, up to 98.5% for the limited partners and up to 1.5% to the general partners.

6.3 General information about the share capital

6.3.1 Share capital - form and negotiability of the shares

Amount of the share capital (Article 6 of the Articles of Association)

As of the date of this Registration Document, the share capital was €2,625,730.50 of a nominal value, divided into 1,750,487 shares with €1.50 par value, fully paid-up and all of the same class. The ten existing General Partner (commandité) shares with a par value of €100 are held by Altafi 3.

Changes to share capital of the Company during the course of the last three years

The Company's share capital has not changed during the last three years.

Changes to the share capital and the respective rights of the various categories of shares

The provisions of the Articles of Association regarding alterations to the share capital are no more restrictive than the provisions of the law, and they do not provide for any special classes of shares.

Form of shares (Article 10 of the articles of association)

Fully paid up shares may be in either registered or bearer form, at the shareholder's option.

Shares may be converted from registered to bearer form and vice-versa in accordance with the provisions of the law. Notwithstanding the foregoing, shares must be in registered form where required by law.

Partially paid shares may not be converted to bearer form until they have been fully paid up.

Ownership of the shares is evidenced by their registration in accordance with the provisions of the law either in a share registry held by the issuer or its appointed registrar in the case of registered shares or in an account held with an authorised financial intermediary in the case of bearer shares. If requested by a shareholder, the Company or authorised financial intermediary shall issue a certificate of registration.

Shareholders or intermediaries who fail to provide the information referred to above may, in accordance with the provisions of the law, have their voting rights and dividend rights suspended or disqualified.

The Company may at any time and at its own expense ask its clearing organisation for information about the name or corporate name, nationality and address of holders of securities conferring the right to vote at Shareholders' Meetings either immediately or in the future, as well as the number of securities held and any restrictions attached thereto. The shares are indivisible for the purposes of the Company.

Joint owners of shares shall accordingly be represented for the Company's purposes by one of the owners or by a person appointed by the owners as their sole representative. In the event of disagreement, the representative will be appointed by order of the presiding judge of the commercial court in summary proceedings at the request of the most diligent joint owner.

Trading in the shares (Article 11 of the articles of association)

The shares may be traded without restriction save for any provisions to the contrary set out in law, regulations or the Articles of Association.

Authorisations involving the share capital

The information concerning delegations valid during 2017, granted by General Shareholders' Meetings, and their use during the course of the previous year is provided in the Supervisory Board report on corporate governance included under Chapter 7 of this Registration Document.

Shares giving access to share capital

At the date of filing this Registration Document, no securities giving access to the share capital had been issued by the Company.

Free share allocations

The Company has not allocated any of its share capital under bonus share plans. However and as mentioned in 3.6. Note 6.1.1 to the consolidated financial statements, the employees of its subsidiaries benefit from bonus share plans concerning Altarea shares.

Stock options

At 31 December 2017, as at 31 December 2016, there were no outstanding stock options.

6.3.2 Share buyback program

At the Combined General Shareholders' Meeting of 15 April 2016 and that of 11 May 2017, the shareholders authorised the Company to purchase its own shares up to a maximum of 10% of the shares comprising the share capital and up to a total of €80 million, at a maximum price per share set respectively at €250 per share by the Meeting in 2016 and €500 per share by the Meeting in 2017.

In compliance with these authorisations, the Management decided to implement a share buyback program, setting the following order of priority:

1. to make a market in or to provide liquidity for the Company's shares by an investment services provider under a liquidity contract that complies with the AMAFI Code of Conduct recognised by the French Financial Markets Authority (AMF);
2. to allocate shares to employees and/or corporate officers (in accordance with conditions set forth by law), particularly under a stock option plan, a bonus share plan or a company savings plan;
3. to allocate shares to the holders of securities entitling the holder to Company shares;
4. to possibly cancel the acquired shares; and
5. more generally, to conduct any transaction or market practice which is authorised or which becomes authorised by law or the regulations in force or by the AMF.

Details of the share buyback program were published in accordance with the provisions of articles 241-1 et seq. of the AMF General Regulation.

At 31 December 2017, Altareit held 208 treasury shares, all allocated to the above-mentioned objective 1 (making the market or liquidating shares) and acquired within the framework of a liquidity contract.

Treasury share buybacks conducted in the 2017 financial year:

Month	Number of shares bought	Number of shares sold	Balance of treasury shares	Price at end of month
January	26	91	97	€218.01
February	20	30	87	€220.05
March	40	42	85	€224.00
April	52	78	59	€239.99
May	7	39	27	€265.00
June	91	13	105	€305.01
July	31	19	117	€295.01
August	58	23	152	€290.11
September	26	21	157	€290.00
October	22	22	157	€289.99
November	41	21	177	€283.99
December	49	18	208	€275.01

Note 6.1.1 to the consolidated financial statements specified in 3.6 in this Registration Document contains details concerning the treasury shares held by the Company.

The General Shareholders' Meeting tasked with approving the 2017 financial statements will be asked to renew the authorisation to buy back the shares granted by the General Shareholders' Meeting of 11 May 2017, on the same terms, including the ceiling, price and objectives. As previously stated, these acquisitions, disposals and transfers may be conducted by all means compatible with the law and regulations in force, including through the use of derivative financial instruments and through block sales and purchases. It will be expressly requested to authorise buybacks of shares from corporate officers in compliance with the provision of Article 3 of the Delegated Regulation (EU) 2016/1052 of 8 March 2016.

6.3.3 Capital breakdown

The Company does not know the exact composition of its ownership at all times, as some of its shares are held in bearer form.

Ownership at 31 December 2017

Shareholder	Shares (and theoretical voting rights)		Actual voting rights at General Shareholders' Meetings	
	Number	%	Number	%
Altarea	*1,744,062*	*99.63%*	*1,744,062*	*99.75%*
Altarea France	*1,919*	*0.11%*	*1,919*	*0.11%*
*Alta Faubourg**	*1,881*	*0.11%*	*N/A*	*N/A*
Total Altarea control	1,747,862	99.85%	1,745,981	99.86%
Treasury shares	208	0.01%	N/A	N/A
Public float	2,417	0.14%	2,417	0.14%
Total	**1,750,487**	**100.00%**	**1,748,398**	**100.00%**

* treasury shares with related voting rights that cannot be exercised in Annual General Meetings in accordance with the provisions of article L.233-31 of the French Commercial Code.

To the Company's knowledge, no significant change has occurred in the capital breakdown since 31 December 2017 and no shareholders currently hold, directly or indirectly, alone or in concert, more than 5% of the share capital and voting rights.

The 10 existing General Partner (commandité) shares with a nominal value of €100 are held by Altafi 3.

Pledges of Company shares

As far as the Company is aware, no pledges concerning its shares were in force as at 31 December 2017.

Employee shareholders

In accordance with the provisions of article L. 225-102 of the French Commercial Code, it is specified that to the knowledge of the Company, at 31 December 2017, none of the Company shares were held by the employees of the Company and of the companies related to it as defined by article L. 225-180 of the French Commercial Code.

It is however specified that shares of Altarea, the parent company, are held by the employees of the Company and the companies related to it as defined by article L. 225-180 of the French Commercial Code and represent 0.4% of the shares making up the share capital of Altarea.

It must be emphasised that this percentage does not express the proactive nature of the employee shareholder policy implemented by Company Management since the Group's listing on the stock exchange in 2004, because it is calculated based solely on the number of shares held by the employee investment mutual funds (FCPE) and shares definitively acquired under bonus share plans authorised by the General Shareholders' Meeting since the Macron Law, of 6 August 2015, took effect.

Employee shareholding is expected to increase significantly in the coming years, due to the Management's stated ambition to share the business' growth with its employees, as discussed in Sections 1 and 5 of this Registration Document. The implementation of new free share allocation plans by Altarea, the parent company, which began at the start of 2016, seeks to make each employee a shareholder of the Altarea Group and enable them to benefit from the dividend paid to shareholders by Altarea and from the capital gains obtained by an increase in the price of Altarea shares.

Change in ownership structure over the past three financial years

Shareholder	31/12/2017		31/12/2016		31/12/2015	
	Number of shares and DDV	% of the capital	Number of shares and DDV	% of the capital	Number of shares and DDV	% of the capital
Altarea	*1,744,062*	*99.63%*	*1,744,062*	*99.63%*	*1,744,062*	*99.63%*
Altarea France	*1,919*	*0.11%*	*1,919*	*0.11%*	*1,919*	*0.11%*
*Alta Faubourg**	*1,881*	*0.11%*	*1,881*	*0.11%*	*1,881*	*0.11%*
Total Altarea control	1,747,862	99.85%	1,747,862	99.85%	1,747,862	99.85%
Treasury shares	208	0.01%	162	0.01%	302	0.02%
Public float	2,417	0.14%	2,463	0.14%	2,323	0.13%
Total	**1,750,487**	**100.00%**	**1,750,487**	**100.00%**	**1,750,487**	**100.00%**

* treasury shares with voting rights that cannot be exercised in Annual General Meetings in accordance with the provisions of article L. 233-31 of the French Commercial Code.

Threshold crossings:

- **Legal threshold crossings during 2017**

In 2017, no filings were made with the Autorité des Marchés Financiers reporting the crossing of thresholds.

- **Disclosure of statutory threshold crossings (Article 12 of the Articles of Association)**

In addition to the legal declaration obligations concerning threshold crossings, the articles of association specify that all other natural persons or legal entities acting alone or in concert with another party or parties and who hold or cease to hold a fraction of the capital, voting rights or securities giving future access to the capital of the Company equal to or greater than one per cent (1%) or a multiple of this fraction up to 50% of the capital shall notify the Company by registered letter, no later than the fourth trading day after the threshold crossing, of the total number of shares, voting rights or securities giving future access to the capital, which it possesses directly or indirectly, or jointly.

Any shares or securities that have not been disclosed in accordance with these requirements will be disqualified for voting purposes at all General Meetings held for a period of two years after the date on which the requisite disclosure is finally made, if the failure to disclose has been duly noted and if requested by one or more shareholders separately or together holding at least one percent (1%) of the Company's share capital in accordance with the terms of the law. Similarly, the voting rights attached to any shares that have not been disclosed in accordance with these requirements may not be exercised by the holder either in person or by proxy.

6.3.4 Control of the Company and shareholders' agreements

Control of the Company

Altarea has a controlling shareholding in the company; Altarea is a "*société en commandite par actions*" (a French partnership limited by shares), with its Head Office at 8 avenue Delcassé – 75008 Paris, registered under number 335 480 877 RCS Paris.

Altarea holds, directly and indirectly, through Altarea France and Alta Faubourg which it controls, 99.85% of the capital (and theoretical shares and voting rights) of Altareit.

The Company considers that the control is not exercised in an abusive manner.

Shareholders' Agreement

At the date of this 2017 Registration Document, the Company had no knowledge of a Shareholders' Agreement.

6.3.5 Company officers and related party transactions in Company shares

No sales or acquisitions of Company shares were undertaken by the Management or persons with which they are closely linked, during financial year 2017.

6.3.6 Bonds not giving access to the share capital

No bonds giving access to the share capital were outstanding or issued during financial year 2017

6.4 Market in the Company's financial instruments

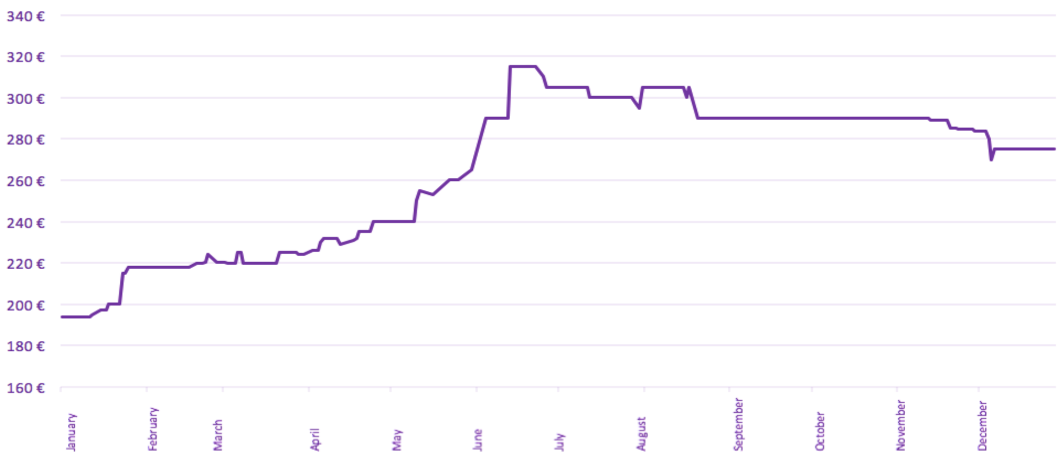
Altareit	
Listing market	Euronext Paris - Compartment B (Mid Cap)
Codes	Ticker symbol: AREIT - ISIN: FR0000039216 Bloomberg: AREITFP - Reuters: AREIT.PA
Legal entity identification code (LEI)	9695004OAPTHOKN99645
Listings	CAC All Shares - CAC Companies Financières
Deferred Settlement Service (French SRD)	Non-eligible
PEA	Eligible
PEA SME	Non-eligible
ICB Sector classification	Real Estate Holding & Development, 8633

	Market capitalisation	High	Low	Latest price	Average price	Number of shares traded	Capital traded
2013	€285.32m	€173.00	€144.00	€163.00	€166.92	605	€100,986.60
2014	€259.08m	€165.00	€140.00	€148.01	€152.84	1 015	€155,223.75
2015	€291.10m	€181.00	€148.00	€174.01	€166.27	1 018	€169,265.64
2016	€311.00m	€194.01	€166.00	€194.01	€177.70	1 156	€205,421.20
2017	€481.40m	€315.01	€194.01	€275.01	€264.70	1 013	€260,583.25

	High	Low	Latest price	Number of shares traded	Amount of capital traded
January 2017	€218.01	€194.01	€218.01	136	€27,479
February 2017	€224.01	€218.01	€220.05	80	€17,579
March 2017	€225.00	€220.00	€224.00	78	€17,302
April 2017	€239.99	€225.99	€239.99	156	€35,983
May 2017	€265.00	€239.99	€265.00	94	€24,020
June 2017	€315.01	€290.00	€305.01	200	€60,390
July 2017	€305.01	€295.01	€295.01	52	€15,640
August 2017	€304.99	€290.00	€290.11	67	€19,666
September 2017	€290.11	€289.98	€290.00	27	€7,831
October 2017	€290.11	€289.98	€289.99	22	€6,380
November 2017	€290.00	€283.99	€283.99	41	€11,793
December 2017	€283.98	€270.00	€275.01	60	€16,522

(source: Euronext)

Price of the Altareit share in 2017

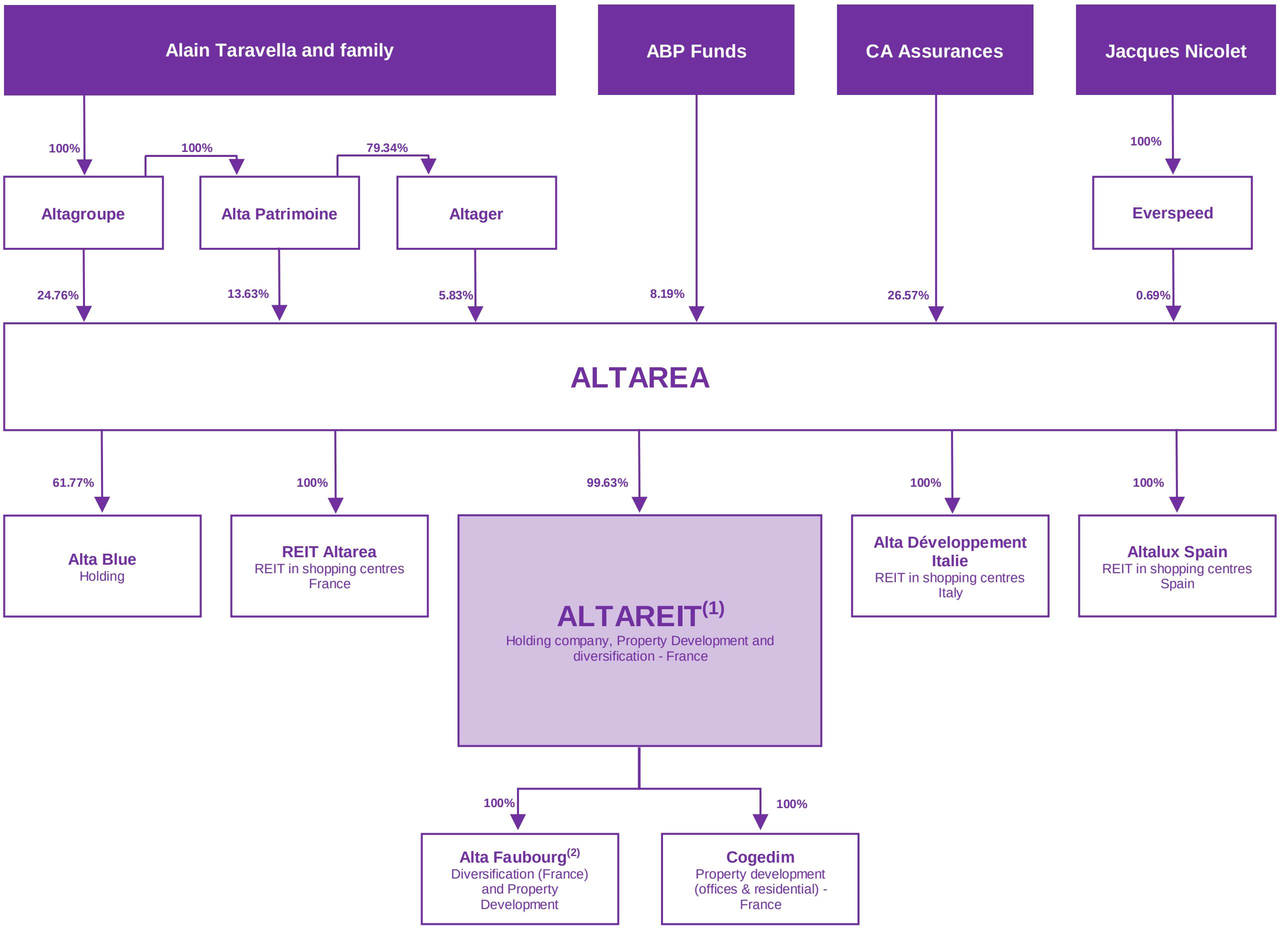


6.5 Simplified organisational structure

6.5.1 The issuer and its group

The Company is controlled by Altarea, itself controlled by its founding shareholders, namely Alain Taravella, his family and the Altagroupe, Alta Patrimoine and Altager companies which he controls, and Jacques Nicolet and Everspeed which he controls.

The organisational structure below presents the situation of Altareit and its subsidiaries in the Altarea Group at 31 December 2017, with regard to the Altarea Group and to the shareholders who control it in addition to the relations with the Altareit sister companies in France and abroad.



(1) *The capital ties of the Altareit company officers (manager, general partner and Supervisory Board members) are indicated in 7.2.1 to 7.2.3 in this Registration Document.*

(2) *Pitch Promotion, the Serviced Residences business and the interests in Semmaris and AltaFund are held by Alta Faubourg.*

6.5.2 Important subsidiaries

At the date of this Registration Document the Company's main subsidiaries are as follows (the percentage corresponds to the direct Altareit shareholding in the capital of each of its subsidiaries).

Name	Activities	Location of the business	% share capital
Cogedim	Property Development Division: office property and residential	France	100
Alta Faubourg	Diversification Division (hotels, cinemas, Rungis National Interest Market) and Property Development	France	100

The main data concerning the subsidiaries and associates of the Company is presented in section 4.3.3.5 of this Registration Document.The list of the companies included in the Company's consolidation scope is presented in 3.6. Note 4.2 to the consolidated financial statements.

The Company centralises the Group's cash surpluses.

Note 8.3.6. to the consolidated financial statements provides details concerning the main financial instruments and market risks as well as information about the main bank covenants. The main assets and borrowings are carried by the subsidiaries that conduct the corresponding business operations.

During the course of the financial year 2017, there were no significant new shareholdings.

6.6 Internal control and risk management

6.6.1 Organisation of internal control and risk management

6.6.1.1 OBJECTIVES SET FOR INTERNAL CONTROL AND RISK MANAGEMENT

In accordance with AMF guidelines, the Group's internal control system complies with the general principles of risk management and internal control set forth in the reference framework developed by the AMF in July 2010. Internal control aims to ensure:

- compliance with laws and regulations;
- proper observance of instructions issued by Management;
- effective functioning of the Company's internal procedures, particularly those intended to protect its assets;
- the provision of accurate and reliable accounting and financial information that gives a true and fair view of the assets, financial position and results.

The scope for the application of the Company's internal controls is that of the Altarea Group, that is, the Altarea parent company and all companies that it controls as defined by Article L. 233-3-I of the French Commercial Code, of which the Altareit Group except for property development joint ventures that are managed by a commercial partner.

The system implemented within the Group is based on a risk management system that aims to identify the main risks to be controlled in order to: safeguard the Company's value, assets and reputation; shore up its decision-making and other processes to ensure that targets are reached; encourage consistency between actions taken and corporate values; and unite employees around a shared understanding of the major risks.

Lastly, readers are reminded that internal control and risk management systems, like any system of control, are subject to inherent limits, and cannot fully guarantee that objectives will be achieved.

Moreover, the information provided on identified risks is not necessarily exhaustive and does not cover all of the risks to which the Group could be exposed in the course of its activities. Only the biggest key risks considered sensitive are identified here.

6.6.1.2 GOVERNANCE OF INTERNAL CONTROL AND RISK MANAGEMENT

Internal control and risk management system

The risk management and internal control system is run by the Internal Control Department, reporting to the Corporate Secretariat of the Altarea Group to which Altareit and its subsidiaries belong.

Internal control system

The Altareit Group internal control system relies on:

- organisation by business and by regional subsidiaries, with a system in place with regard to delegating powers and responsibilities and support services;
- a definition of the missions and attributions of the governance bodies; (see part 7.2.3 "Supervisory Board");
- information systems (see paragraph 6.6.3.3. "Risk control systems for risks related to the preparation of accounting and financial information" for a description of the main business line and financial information systems), procedures and operating methods;
- a human resources and skills-management policy, based on a strategic training plan and a shared approach revolving around annual appraisals.

The Altarea Group, of which Altareit and its subsidiaries are a part, has tools for disseminating information within the Group, including on intranet, procedural guides, closing instructions and schedule.

Risk management system

The main risks of the Altarea Group, and therefore of the Altareit Group, are the subject of detailed presentations made to the Altarea Audit Committee. They are identified through a risk-mapping process organised by business line processes and support functions. This risk map is regularly updated. The latest version was presented to the Audit Committee in March 2016.

The Internal Control Department uses risk mapping to prepare its action plan. Other sources, such as summaries of internal-control review work and comments and recommendations formulated by the Statutory Auditors are analysed and taken into consideration in defining actions to be taken. The control systems put in place to manage the main risks to which the Altareit Group is exposed, are described in section 6.6.3 "Risk control systems" of this document.

Control environment

Internal control is based on codes of conduct and integrity established by the Company's governing bodies and communicated to all employees. The key elements of the internal control procedures are as follows:

- the Ethics Charter of the Altarea Group, of which the Altareit Group is a part, sets out the values and rules of conduct that all Group employees and corporate officers must respect in their working relationships. The clear and precise principles outlined in the Charter should inspire and guide everyone in their daily tasks, enabling them to resolve issues of conduct, professionalism and conflicts of interest in a clear ethics, and consistent way. The Charter is available on the Group intranet site and a copy is systematically distributed to every employee when recruited;
- all procedures and internal rules of the Group govern its various activities: operational procedures on how to behave in conducting the normal business of the Company and rules that expand upon the principles in the ethics charter on confl icts of interest, the fight against corruption and money laundering, and insider trading;

Moreover, the Group seeks to reinforce its control environment through the development of its compliance programme, in accordance with the new regulatory requirements.

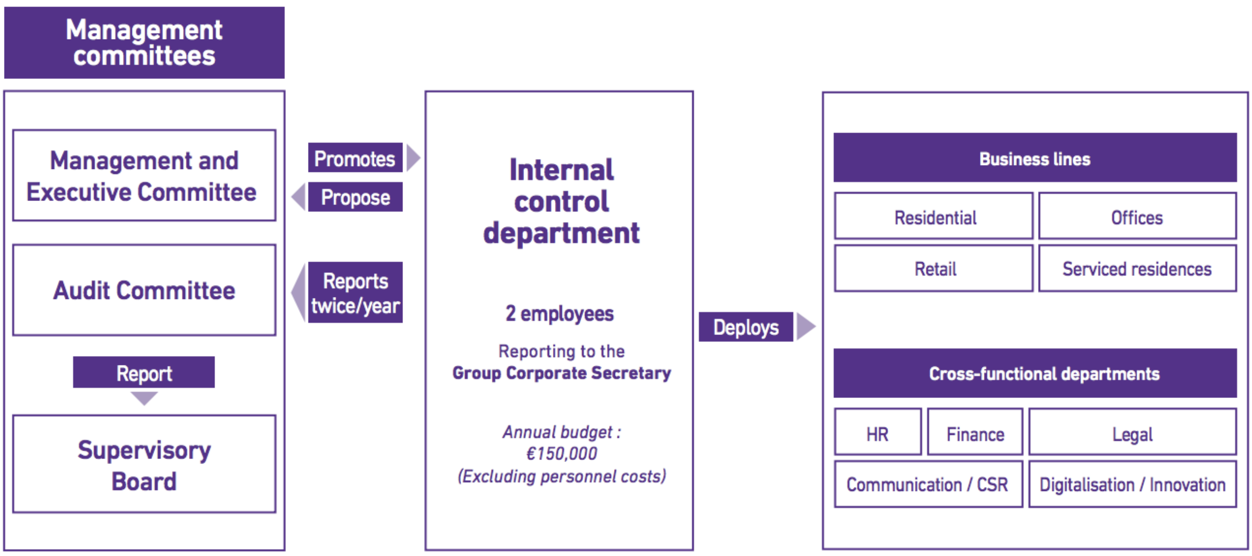
Management of the Group's internal control system

Internal control and risk management is everybody's business, including all employees right up to the governance bodies.

The general organisation of internal control is part of the remit of the Management of the Altarea Group, of which Altareit and its subsidiaries are a part, to exercise its responsibilities, has put in place an Executive Committee which meets on a regular basis. It establishes internal control procedures and defines focuses in order to control the risks associated with the Company's business.

As specified in section 8.2.2.8 "Specialist committees" of this document, by virtue of article L.823-20 of the French Commercial Code, the Company, as an entity controlled according to the terms of article L.233-16 of the French Commercial Code by a company (Altarea) that it itself subject to the provisions of article L.823-19 of the French Commercial Code, is exempt from the obligation to constitute an Audit Committee.

However, the Altarea Group Audit Committee assists the Altareit Supervisory Board with its role of supervising and controlling the Altarea Group as a whole, including the Altareit Group.



Priorities of the Internal Control Department

The Internal Control Department, which reports to the Corporate Secretariat, is responsible for coordinating and supporting internal control which is conducted in the different subsidiaries. Its priority missions are:

- to ensure everyone knows and follows rules of procedure and the ethics charter and the correct functioning of the Supervisory Board's specialist committees;
- to conduct monitoring of the regulatory obligations regarding internal control;
- to identify and assist divisions in mapping risks related to:
  - the business of Altarea's subsidiaries in France and abroad,
  - the listed company status of Altarea and Altareit;
- to set up or help the divisions set up operational procedures;
- to review the rules applying to the Company's operating commitments, and compile existing procedures and standardise them if needed;
- to carry out all checks for compliance with internal control procedures.

To fulfil its duties, the Internal Control Department also draws upon:

- specialised advisory and consulting firms;
- a number of contacts within the Group to monitor and control operational risks and commitments.

In addition, every Altareit Group employee is encouraged to make proposals to keep the internal control system effective and up to date. Operational Managers see to it that the processes are suited to the goals assigned them.

6.6.2 Risk factors

The Altarea Group, of which the Company is a part, has conducted a review of the risks that could have an unfavourable impact its business, financial position and results, and considers that at the date of this Registration Document, there are no other major risks apart from those presented in the following section.

Investors should nevertheless be aware that other wholly or partially unknown risks considered unlikely to occur at the date of filing this Registration Document, may exist and could have an adverse impact on the Group's business.

The Company has put in place specific measures and procedures to limit the likelihood of identified risks occurring. These measures are developed in part 6.6.3 "Risk control systems".

6.6.2.1 RISKS INHERENT TO THE OPERATIONS OF THE ALTAREIT GROUP

Risks related to trends in the property market and to the business climate

Altareit operates in several Property sectors, notably residential property, offices and serviced residences. The Company is exposed to systemic risks and uncertainties specific to the property market, most notably the cyclical nature of each sub-sector, as well as the risks inherent to each property asset. The Company's risk management strategy and measures adopted aim to limit the negative consequences should one of these risks materialize. However, a prolonged deterioration of economic conditions or abrupt changes in the economic, financial, monetary, regulatory, political, geopolitical, social, health, or environmental climate could have a negative impact on the Altareit Group's businesses, asset values, earnings, development projects, and investments.

In the event of a market turn-around, new orders may be cancelled. However, when the new order is confirmed by notarised deed, the acquisition is finalised and the developer is exempt from the risk of the transaction not being concluded.

Moreover, in view of the political situation, changes to the tax laws could be made which would have consequences for the property development business which might vary in terms of their impact.

The current economic and fiscal regulations concerning the residential property sector are as follows:

- the Pinel Law aims to provide housing at affordable rents to lower income households in urban areas where there are housing shortages. The tax reduction for the investor can reach 21% of the purchase price up to a ceiling of €300,000 and is spread over a maximum period of 12 years, depending on the length of lease committed to (6, 9 or 12 years). The tenants, who are means tested, are offered rents that are approximately 20% below market prices. The stated objective of this scheme is to substantially increase the creation of new housing by offering tax incentives in exchange for social requirements. This scheme has been maintained in the 2018 Finance Law until 2021 while restricting it to high-demand areas (A; A bis; B1). It should be noted that 99% of the Altareit residential pipeline consists of operation in A and B1 areas;
- the zero interest loan scheme (PTZ+) intended to encourage means-tested first-time buyers of new housing by allowing them to borrow up to 40% of the purchase price up to a ceiling of €60,000 for a single person and €138,000 for a family of five, in areas classified as A. The scheme, adapted according to different geographic zones, has been maintained for all areas in 2018 and 2019 while being restricted to high-demand areas (A; A bis; B1) in 2020 and 2021.

The Altareit Group has, in recent years, refocused its REIT prospection to provide a property offering tailored to these new schemes and, more generally, developed "entry-level and mid-range" programmes to propose affordable acquisition prices corresponding to market demands. It is also well-established in "high-demand areas" and so benefits from the above-mentioned schemes.

Risks related to acquisitions

As part of its external growth strategy, the Group makes acquisitions or acquires significant stakes allowing it to increase its market share.

The Altareit Group could face difficulties integrating the companies or the assets that it acquires. It cannot, for instance, guarantee the maintenance of key competencies identified during the acquisition process. It could also encounter difficulties generated by overly large cultural or status differences between the entities. Additionally, it could have to incur expenses or liabilities not identified by audits and due diligences, covered in part by representations and warranties.

All these risks might have a significant adverse impact on the Group’s business, financial position or reputation.

Property development risks

Altareit Group faces multiple property development risks; They include in particular:

- administrative risk related to the difficulties of obtaining planning permission and possible appeals that could delay property development projects;
- risk of inability to meet construction schedules owing to delays due to archaeological excavation, soil typology, decontamination, etc., the risk of construction cost overruns, contractor business failures, the inability of contractors and service providers to adapt to new standards and the risk of ensuing potential litigation with construction companies;
- commercial risk, linked to the inadequacy of the products developed or to the long duration of time for setting up certain transactions. Projects that do not have sufficient upstream marketing are liable to be abandoned. Expenses and studies would then be recognised in accordance with the accounting policies, rules and methods set out in the notes to the consolidated financial statements;
- when the Group acts as a developer by signing off-plan or property development agreements in which it undertakes to build a building with a fixed price and deadline, it bears the completion risk with regard to its customers. The risk would be one of non-compliance of the product delivered or of a delay in delivering;
- in the office market, market risk when the Group acts as an investor, if it fails to sell or let the property. It may thus be exposed to the risk of prolonged carry;
- competition risk, which may in particular affect the acquisition of land, product sales prices, or the availability of subcontractors.

Risk of tenant and buyer insolvency

In residential property, an increase in interest rates and a deterioration in consumer solvency would mainly impact demand for residential property in the marketing stage. On the other hand, concerning residential units already marketed, Cogedim holds a seller’s lien on the property.

Finally, the serviced residences managed by the Group could also be impacted by a deterioration in the solvency of households with the risk on the occupancy rate. This risk could have a negative impact on the operation of serviced residences to the extent that the Group ensures guaranteed profitability for investors’ long-term investments.

6.6.2.2 RISKS TO PHYSICAL SECURITY AND INFORMATION SYSTEMS OF THE GROUP

Security risks

The security and safety of property and people is one of factors impacting tranquillity in the workplace which then in turn impacts the performance of the Group's employees.

Malicious acts targeting the Group's personnel, sites and assets, whether tangible or financial, or even its customers, constitute major risks for the Company's long term business. Malicious acts can come in various forms, ranging from simple incivility to an act of terrorism, and including acts of delinquency. They could even include a simple incident that creates a considerable feeling of insecurity out of all proportion with the act itself.

Such events are likely to adversely affect the Group's financial capacity, damage its image, result in lost business or create liabilities for the Company towards its employees and customers.

Risks related to the group’s information systems

As the Group is currently undergoing a major phase of digitisation, the performance and reliability of its information systems have become major factors in the way it conducts its business. As a result, Altarea could be affected by events (accidents, service failures) outside of its control and able to lead to interruptions in its data flows or issues affecting its activities.

As the data processed on a daily basis are very often confidential and might even be strategic, the Group could also be confronted by criminal cyber-attacks targeting the integrity, availability and / or confidentiality of this data. Altareit could be exposed to a risk of involving liability and damage to its image.

Risks related to the protection of personal data

For business purposes, the Group collects and uses data supplied by its customers and employees so that it can provide them with better services. Despite the setting up of secure information systems, it is still possible for data to be corrupted or sent to a third party by mistake or malice. This could have a material negative impact on the Group and an unfavourable effect on its income.

6.6.2.3 RISKS RELATED TO THE PREPARATION OF FINANCIAL AND ACCOUNTING INFORMATION

The preparation of accounting and financial information can be a source of financial risk, especially concerning financial statements, the budget process and consolidation.

6.6.2.4 LEGAL, REGULATORY, TAX AND INSURANCE RISKS

Legal and regulatory risks

The Altareit Group must comply with French law and international law through European regulations, in a wide range of fields. The Company must comply with the legal and regulatory provisions concerning town planning (local urban plans prepared by local councils and laws and regulations on administrative authorisations), construction (ten-year guarantees concerning the structure and a statutory guarantee for fittings) and the environment (concerning soil pollution in particular). In its capacity as the vendor of property products, the Altareit Group is subject to common law with regard to the selling to individuals: the seven-day cancellation right of buyers as specified in article L. 271-1 of the Code de la construction et de l'habitation (Building and Housing Code), specific VEFA regulations, du droit de la consommation (Consumer Code) and the section relating to the protection of property buyers set out in the SRU Law.

Changes in the regulatory framework might oblige the Group to adapt its business or strategy which might result in a negative impact in terms of its results, or slow down or even prevent the development of some projects.

Altareit is involved in legal procedures as part of its regular business operations, and is subject to tax or regulatory audits. Each of these risks brings with it not only a financial risk, but also a risk for the Group's image.

Tax risk

The Company put in place a fiscally consolidated group with effect from the financial year starting 1 January 2009. It might face a tax risk such as failure to file returns by its consolidated subsidiaries or errors during the restating process (see Section 3.6 Note 5.3 to the consolidated financial statements). Non-compliance with the general tax regime discussed above could have a negative impact on the Company's earnings.

Risks related to the cost and availability of insurance coverage

Altareit believes that the type and amount of insurance coverage it and its subsidiaries have is consistent with practices in its industries.

Nevertheless, Altareit and its subsidiaries could experience losses that are not fully covered by its insurance policies, or the cost of its insurance policies could go up. Moreover, Altareit and its subsidiaries could also be faced with insufficient insurance or an inability to cover some or all of its risks, potentially resulting from capacity limitations in the insurance market. The cost or unavailability of appropriate coverage in the event of damage could have a negative impact on the Company's asset values, earnings, operations, financial position or the image of Altareit and its subsidiaries.

The general policy for cover and the principal insurance policies held are given in paragraph 6.6.3.4. "Control systems for legal, regulatory, tax and insurance risks".

6.6.2.5 FRAUD AND CORRUPTION

The Group may be exposed to attempted fraud (embezzlement, money laundering, identity theft, etc.) or the risk of corruption, the impact of which could have a negative effect on the business and the Company's results. The Company's reputation and image could also be seriously affected by any occurrence of this type of risk.

6.6.2.6 SOCIAL AND ENVIRONMENTAL RISKS

Social risks

The Group's ambitious goals rely on human capital. If Altareit were no longer able to recruit and retain the best talents and, over time, capitalise on the effectiveness of its employees, it could have a negative impact on its business and earnings.

Furthermore, the strong growth of headcount exposes Altareit to social risks, especially concerning the challenges of on-boarding and training new employees in the Group. The workers recruited have experience in the real estate industry but are also young workers in the profession. It is therefore necessary to allow each to rapidly assimilate the specificities, regulations and business constraints associated with the real estate business sector as well as the strategic orientations and objectives set by the Group.

Environmental risks

The position of operator that builds, operates and manages real estate complexes exposes the Group to a number of risks, mainly linked to decade-old environmental regulations, chiefly the Grenelle laws resulting from the 2007 Grenelle Environmental Forum, and the 2015 energy transition law for green growth.

The Grenelle laws impose, in fact, thermal and environmental regulations with stronger requirements on all new buildings. The RT2012 thermal regulations are soon to evolve into the Responsible Building Regulations (RBR°2020) which will introduce obligations in terms of renewable energies and the reduction of greenhouse gas emissions. They also impact existing buildings, in particular tertiary buildings, whose improved energy performance from now to the year 2020 is written into the law.

In addition, the energy transition law sets national targets for reducing energy consumption (50% between 2012 and 2050) and greenhouse gas emissions (40% between 1990 and 2030). These targets breakdown, by sector, as follows: for buildings "renovate buildings to save energy" and diversified measures will be specified by decree.

Risks linked to climate change

Article 173 of the energy transition law for green growth specifies publication by companies of information related to the risks linked to climate change and measures taken to reduce them.

The Group examines the risks linked to climate change for its activities that may be of several types, such as by flooding or hot weather. In view of its current activities, the Group has not identified any major risks linked to the climate consequences at this stage. It is nevertheless fully aware of changing lifestyles and the new requirements for buildings that climate change may bring about in the medium term (requirements for cooling, for example).

On the other hand, the regulations mentioned above as well as the ratification of the 2016 Paris Agreement are strong signals of a context in which carbon impact must increasingly be taken into account by companies, through low carbon strategies in all areas of their activities. The real estate sector represents approximately one fourth of greenhouse gas emissions in France and it is directly concerned by the emission reduction requirements: it could therefore be affected by any future price of carbon.

6.6.2.7 RISKS RELATED TO ALTAREIT'S FINANCING POLICY AND FINANCIAL CAPACITY

Liquidity risk – Borrowing capacity – Compliance with bank covenants

Altarea, of which Altareit and its subsidiaries are a part, finances some of its investments through fixed or floating-rate loans and through the capital markets. Altarea might not always have the desired access to capital markets or banking market. This situation could result from a crisis in the bond or equity markets, a serious deterioration in the property market, or any change in Altarea's businesses, financial position, or shareholder structure which affects investors' perception of the Group's credit quality or attractiveness as an investment. This type of event could also mean to obtain under favourable conditions.

Some of credit facilities agreed between Altarea and its banks are subject to early repayment clauses primarily linked to compliance with financial ratios or the occurrence of clearly identified events. Failure to meet these commitments or obligations could result either in default or potential default that would mainly early repayment of all or part of the outstanding amounts. This situation could produce an unfavourable impact on the Company's business and financial position, particularly its growth.

Interest rate and counterparty risk

Given the subscription to bonds and variable-rate bank debt, the Altarea Group of which Altareit and its subsidiaries are a part, is therefore exposed to the risk linked to fluctuating interest rates. An increase or a decrease in interest rates could have a negative impact on the Group's earnings.

Furthermore, the use of financial derivatives to limit interest rate risk may also expose the Group to unfavourable consequences for its earnings should its counterparty default.

Equity risk

Altareit does not feel it has any material exposure to equity risk as of 31 December 2017.

Currency risk

At the date of filing this Registration Document, Altarea operates almost exclusively in the euro zone. The Company is therefore only marginally exposed to currency risk.

6.6.2.8 RISK OF CONFLICTS OF INTEREST

Altarea, of which Altareit and its subsidiaries a part, has entered into partnerships or memorandums of understanding with other economic players, mostly for the purposes of carrying out joint property development projects. These situations may under certain circumstances lead to conflicts of interest with its partners or associates.

6.6.3 Risk control systems

6.6.3.1 CONTROL SYSTEMS FOR RISKS INHERENT TO THE GROUP'S BUSINESS ACTIVITIES

Risks related to trends in the market, the economic situation and the competitive environment

The Company is involved in various Property sectors, notably in residential property, offices, and serviced residences. The business is subject to hazards and specific systemic risks, in particular the cyclical nature of the property sector, and notably the risk of market turn-arounds in the residential sector The changes in these markets, the economy and the competitive environment are closely monitored by the Management and the Executive Committee of Altarea, the parent company of Altareit and the Senior Management, which implements the strategy and policies designed to anticipate and limit these risks.

Risks related to acquisitions

Risks generated by acquisitions are limited by due diligence of technical, legal, social and financial points. The Group also uses, whenever necessary, reputable external consultants for advice prior to the acquisition process. Development or acquisition plans concerning assets are systematically presented to Management and the Investment Committee.

Property development risks

These risks are controlled in particular through the Investment Committee, specialist committees of the Altarea Supervisory Board (see paragraph 7.3.2.3. "Specialist committees").

The main risks related to development operations conducted by Altareit pertain to the Property Development division (developing residential property and offices) The established procedures are described below.

(i) Residential Property and Offices

In the residential property segment, an Operations Management guide sets out best practice for each key stage of residential schemes. The purpose of the guide is to define the role of each actor within Property Development, to improve and harmonise practices and to facilitate interactions with partner services. It is available on the Group's intranet and training courses have been given to all employees involved.

The following systems are also designed to cover risks related to property development:

- the Commitments Committees: that meet every week to examine all the property projects having at key stages that entails a commitment for the Company: signature of an undertaking to acquire the land, marketing launch, acquisition of the land, start of works. As well as analysing the timing and benefi ts of the project, at each stage progress is measured against objective benchmarks: margins, percentage of project pre-let on land acquisition and when work gets under way, validation of the cost of works, WCR, etc.

  In addition to the Commitments Committees processes, the Commitment Director works with the Finance Directors in the regional offices on all issues the Company but do not directly depend on the Commitments Committees, and may request any draft protocols, sales undertakings, specific contracts, etc. He is also informed about the progress of the Company's major development projects regarding the risks that they may present in terms of the amounts involved or legal arrangements, for example. The Commitment Director works with the Group's Internal Control Department with regard to risk management and internal control issues;

- the National Technical Department is mainly composed of the Contracts Department and the national Construction Department:

  - the national Contracts Department sets up and oversees national procedures regarding the financial viability and the quality of project estimates. It estimates the construction costs used in operations' budgets as soon as the preliminary land sale agreements are signed. Costs are updated as the product is defined. The Contracts Department is also responsible for the tender process for companies prior to the signature of work contracts. Companies are chosen via calls for tender according to established specifications,
  - the National Construction Department is in charge of putting in place and monitoring national procedures for monitoring the execution of construction work and quality;

- sales procedures/marketing: In Residential Property, the Group has its own marketing arem of dedicated subsidiaries. These structures include: a marketing division in charge of keeping contacts and national campaigns, a division in charge of defi ning and updating product specifi cations whilst providing research and advice to property development managers to evaluate local markets, and a division dedicated to customer relations and aftersales service. In addition, the digital budget monitoring tool used for each project is updated in real time with commercial data (reservations and sales) and allows each Manager to track the progress made in the programmes for which they are responsible. Finally, every week a business report is produced presenting sales figures for the week and a monthly total.

  These two Departments use their respective expertise to assist the regional departments, preparing and distributing national work procedures and supervising the marketing departments, After-Sales Services Managers, DDM and regional Construction Departments. Outside firms are used for marketing office property;

- the reporting and periodic reviews of operations budgets: In residential Property, reports (including bookings and consolidated authenticated deeds, portfolio of projects subject to undertakings, monitoring of commitments to development projects) are sent on a monthly basis to the members of the Cogedim Executive Committee, the Corporate Finance Department, the Chairman of the Supervisory Board and the Management of Altarea. Concerning Office Property, reviews are carried out and sent on a quarterly basis to Executive Management. In addition, as part of the budgetary process, all operatingbudgets are updated at least twice per year and at each milestone triggering Commitment Committee scrutiny (see above).

In addition, as part of the budgetary process, all of the operating budgets are updated at least twice yearly in addition to updates at each stage involving a specific Commitment Committee;

- Building permit applications: for large projects or projects presenting specific difficulties, building permit applications are submitted to a specialised law firm, which participates in drafting the application or reviews the completed application.

(ii) Serviced Residences

Finally, under the Cogedim Club® brand, the Group is developing a serviced residences concept for seniors with a variety of "*à la carte*" services and attractive city centre locations. As of the end of 2017, ten Cogedim Club® residences are in operation. The Group has chosen to manage the design and the development of these residences, as well as rentals during the buildings' operation. In addition to residences for seniors, the Group is also developing an extended range of Serviced Residences: student halls of residence, business tourism residences, exclusive residences, etc.

Risk of tenant and buyer insolvency

Concerning residential property, keys to the accomodation are not handed to the buyer until the balance of the sales price has been paid. The Company also holds a seller's lien on the property. However, in order to avoid longer payment times, before signing the final contract of sale, buyers' loan applications are reviewed to verify that approval of their financing has been obtained or that it is under way. In addition, monthly reports on overdue invoices are sent to operational departments.

In Office Property, tenants' creditworthiness is analysed and buyers are required to provide robust payment guarantees such as an escrow deposit for all or part of the price or a bank guarantee for the full payment.

Finally, the teams responsible for Serviced Residences carry out a monthly reconciliation between the invoices raised and the payments made, which helps to rapidly identify any possible late payments. In these cases, the teams inform the management of the residences in question.

6.6.3.2 CONTROL SYSTEM FOR PHYSICAL SECURITY OF INFORMATION SYSTEMS RISKS

Security risks

The Group decided to acknowledge the importance of managing security risks by recruiting in 2017 a Director of Security. The latter is responsible for rolling out a global security policy, with prioritisation of the risks. The priority is in eff ect to address the security of the shopping centres (taking into account the risk of terrorist activity and criminal acts) through physical protection measures, improved video surveillance, training and raising the awareness of preventive measures and the right reflexes among our own staff, service providers and the retail brands in case of attack, and addressing vulnerabilities related to commercial activities (deliveries etc.). Another priority is the control of security risks related to Group infrastructure and premises by increasing access controls and videosurveillance and deploying ad hoc procedures, or by strengthening the Group's crisis management capabilities (creating a crisis room and alert and crisis management procedures).

The Security Department, reporting to the General Secretariat, is in full time contact with the public authorities in order to monitor the constantly changing level of threat in real-time. One of its prospective responsibilities is to carry out tests on systems and procedures and conduct exercises throughout the year in order to improve the systems and adapt the Group response to any change in the level of threat.

Risks related to the group's information systems

The management of IT system risk within the Altarea Group, of which Altareit is a part, is based today on the decision made in 2017 to create a new position of manager in charge of Information Systems Security (ISSM), reporting to the Security Manager. The objective is:

- to develop a security policy that meets the Group's needs and is based on current standards;
- to develop a security culture within the Company through raising the awareness of employees, including at the highest levels;
- to ensure that security is taken into account early on in projects by accompanying the business application managers from the design phase onwards;
- to redefine best practice and management procedures for users and business applications.

Within the systems, data is backed up on a daily, weekly and monthly basis, so that they can be recovered if necessary. The Group's ability to recover from a computing disaster will be overhauled during the course of 2018 as part of an overall strengthening of the Business Continuity Plan (PCA).

At the same time, the Information Security Department hired an Operational Security Manager who works closely with the ISSM. His role is to implement the ISSP and monitor and supervise the various aspects of IS security, while contributing to raising the awareness of and training employees on security issues affecting information systems.

Moreover, determined to enhance system security, the Group Information Security Department regularly commissions security audits including internal and external intrusion tests for the whole scope. Based on the results of these audits, a remediation plan was implemented and the resulting recommendations were implemented. An insurance policy was taken out at the beginning of financial year 2017 to cover the Group's cyber risks.

Risks related to the protection of personal data

The Group has noted the coming into effect of the European General Data Protection Regulation (GDPR) as of May 2018. For several months, the Group Data Protection Correspondent been working on mapping the processing of personal data. At the same time, he is in charge of advising the teams and raising their awareness of the regulations and ensuring that their data processing activities are compliant.

6.6.3.3 MANAGEMENT SYSTEM FOR RISKS RELATED TO THE PREPARATION OF FINANCIAL AND ACCOUNTING INFORMATION

Finance Committee

In order to control the financial and accounting risks that may arise, Operational Finance Committee meetings are held every two weeks and are attended by Executive Management, the Group CFO and CFOs of the Property Development divisions. The Corporate Finance Department uses these meetings to raise current financial issues.

In addition, a cross-functional finance committee meeting is held on a monthly basis and is attended by the operational and finance departments in order to ensure a common approach to managing the business and improve communications. This committee includes all the managers and is used to share objectives and issues as well as to improve the flow of information across functions. Meetings are prepared beforehand by the Corporate Finance Department and the CFOs from each division.

Accounting and financial organisation and main internal control procedures

Accounting and financial organisation

In order to enable controls at every level, the Altareit Group accounting and finance teams are structured by divisions (Group holding company and Property Development Division).

Within the operating divisions, the main accounting and financial departments are organised with:

- corporate accounts physically maintained by Group employees within each operating subsidiary;
- management controllers in charge of reviewing the income of each operating subsidiary.

For the validation of the operational items, the Property Development Division prepares the consolidated financial statements with a dedicated team.

Within the Corporate Finance Department, a Deputy Chief Financial Officer is responsible for the quality and reliability of all the published or regulatory accounting information: consolidated financial statements (IFRS Guidelines), corporate accounts (French Standards) and the Company's forward-looking information (law of 1984). This department is in charge of coordinating relations with the Statutory Auditors for the whole Altareit Group.

At each half-year closing date, the Group Corporate Finance Department draws up a business review that is consistent with the accounting information.

Principal control procedures

The principal control procedures used for the purposes of preparing the accounting and financial information are as follows:

- formally documented budget tracking and planning process on a twice-yearly basis (in April / May and October / November) with a comparison of budgets against actuals approved by operational and Group management. This process facilitates preparation and inspection of half-year and full-year Group financial statements. The budget is presented and provided to the Statutory Auditors before each period-end;
- a vertical procedure for data reporting from various operating departments (period-end timetables and instructions, quarterly meetings, dashboards for information sharing), with audits carried out by the operating management controllers before the information is sent to the Corporate Finance Department; cross-functional control procedures (consistency checks and reconciliation of operating management/accounting and budgeted/actual fi gures, intercompany reconciliations, etc.);
- analysis of significant events; the principal events that may have a significant influence on the financial statements (acquisitions, disposals, restructuring, etc.) are subject to simulations and explanatory notes prepared by the Corporate Finance Department or the divisions. The accountancy applied to complex transactions (major structural transactions, Corporate financing transactions, tax impact) is systematically presented to the Statutory Auditors before the financial statements are prepared. These items are then used to document the Notes to the consolidated or individual company financial statements;
- reporting, key indicator monitoring and quarterly reporting:
  - unaudited interim statements (31 March and 30 September) providing analyses of key indicators (revenue and net financial debt),
  - periodic reporting by operational subsidiaries to Management and Executive Management;

- documentation of the period-end closing process:
  - property development for third-parties division: consolidation and accounting procedures guide, documentation of tracking of claims and disputes,
  - holding company: Group accounting plan with a glossary and table enabling comparison between the local accounting and Group accounting, notes including off-balance sheet commitments and taxes.
  - audit of the accounts of the subsidiaries via contractual audits.

Information systems

Accounting and financial information is prepared with the use of business line and financial information systems. Manual and automatic controls exist in order to secure the flow and processing of data that comes from these systems.

Property transaction software

The Property Development Division uses management software for Primpromo real estate programmes that optimises monitoring and control of these projects throughout the different phases. This business tool is interfaced with Comptarel accounting software and the data presented in the two systems are regularly reconciled.

Software updates and developments are tracked by a special committee composed of the financial controllers and business line Managers (marketing, accounting, etc.) and the division's head of information systems.

The Comptarel corporate accounting software used by the Property Development division will be replaced in 2018 by Sage 1000, also used by the Retail division, so that at the end of 2018 all Group companies will be using the same accounting software. The existing interfaces between Primpromo and Comptarel will be reproduced between Primpromo and Sage 1000.

Account consolidation software

The SAP BFC- Business Financial Consolidation-consolidation software package is used by the Altarea Group, of which the Altareit Group is a part. The software was updated in May 2017 and the version now in use is the most advanced. Thanks to its particular structure, this solution offers a platform that allows close integration of accounting systems within the Group, thus reducing the risk of significant errors.

The Comptarel data is integrated into the SAP BFC consolidation software by means of a procedure used across the whole Group. The integration of this data will lead to checks and controls conducted each quarter by reconciliation with the Primpromo data from the Property Development Division (operating budgets, aggregating sales) and/or budgetary (net income).

In addition, the SAP DM – Disclosure Management – software package has been installed, providing secure disclosure management via SAP BFC of quantitative data and notes to the consolidated financial statements. This software package is also used to coordinate the different contributors to the Registration Document, and help prepare it, and thus allows for systematic cross-referencing of the different sections.

Software for financial planning and budget reporting

SAP BPC – Business Planning Consolidation – software for financial planning and budget reporting has been implemented for the whole Altarea group and hence Altareit. This software uses operating data from business line systems to generate consolidated budget data. Estimated consolidated information is compared with actual figures imported from the system used to prepare the consolidated financial statements. Any material differences are justified.

Cash flow software

The Group uses Sage 1000 software to manage cash: it is automatically interfaced with the corporate accounting software package.

To prevent risks affecting cash management, the cash management teams reconcile bank balances and analyse changes in the cash balance for all divisions on a daily basis.

The Group has been working since early 2016 on the migration, scheduled for April 2018, of its banking communication system and on transferring flows to a secure protocol: EBICS TS. The banking communication system enables, among other things, communication with all banking partners. The EBICS TS protocol makes it possible to transfer digitally signed files to banks.

6.6.3.4 CONTROL SYSTEMS FOR LEGAL, REGULATORY, TAX AND INSURANCE RISKS

Legal and regulatory risks

Due to the nature of their activities, the Company and its subsidiaries are subject to the risks of regulatory changes. They are therefore closely monitored by the Group's Legal Departments.

Property Legal Department

The Group Property Legal Department, which reports to the Group Corporate Secretary, provides support for 1st stage development of projects and the acquisition of land for property projects (whether buying land directly or buying a land-owning company) and asset management. It also monitors compliance with current regulations as well as obtaining the permits necessary for the Group to conduct its business. These services mainly concern urban planning law (commercial operating permits, building permits), and construction and commercial lease laws, as well as, in general, all aspects of property law, intellectual property, consumer law and insurance.

The Group Property Legal Department also acts for Executive Management and the operational teams on request, where appropriate in conjunction with outside consultants, including for projects conducted through partnerships and for disposals. Operational managers also, in consultation with the property legal department, regularly use the services of specialised law firms.

Corporate Legal Department

The Corporate Legal Department reports to the Group Chief Financial Officer. It ensures that Altarea and its main subsidiaries comply with workplace legislation. It also ensures that Altarea and its subsidiary Altareit comply with the requirements associated with their status as listed companies. It provides assistance to the Group's operating personnel to define, create, and operate corporate structures or arrangements for operations, and negotiate corporate agreements with outside partners.

All the investments and mandates of Altarea Group are also managed using a software package for the holding companies and subsidiaries. This centralised system makes it possible to automatically establish the legal and tax scopes and to monitor compliance with the related regulations.

Finally, the Corporate Legal Department is in charge of setting up and monitoring delegations of authority throughout the Group.

Litigation risk

Litigation matters arising in the course of the Group's business operations are monitored by Legal Departments, Operating Managers and law firms. Status reports on legal disputes are updated at period-end, with provisions recognised where necessary.

As of the date of this Registration Document, and as stated in Note 10.2 to the consolidated financial statements (Chapter 3.6), on litigation and claims, no significant new litigation issues arose in 2017 other than those for which provisions were set aside or that the Company has challenged.

The other provisions are presented in Note 6.3 to the consolidated financial statements (Chapter 3.6).

Tax risk

The Company set up a tax consolidation group from financial year starting 1 January 2009. The systems and obligations concerning taxation are controlled by the Financial Department of the Altarea Group and, consequently, the Altareit Group.

Risks related to the cost and availability of insurance coverage

Altarea believes that the type and amount of insurance coverage it and its subsidiaries have is consistent with practices in its industry.

General policy for insurance coverage

The goal of the Altarea Group policy concerning insurance, and consequently, the Altareit Group, is to protect its assets and employees. The Corporate Secretariat, supported by the Altarea Group Internal Control Department, has the following key missions:

- the coordination of insurance programmes for the French Group structure of consolidated operations, in collaboration with local teams and insurance brokers;
- the identification and measurement of insurable risks;
- the monitoring and implementation of insurance coverage;
- the coordination of actions with Altarea Group insurance brokers, although claims management remains the responsibility of each business segment.

The Group relies on the assistance of brokers specialised in risk management specific to each activity. It works only with reputable insurance companies.

Summary of insurance coverage

The following guarantees have been updated and correspond to the principal insurance policies taken out by the Altarea Group for the benefit of Altareit for the financial year 2017. These policies were valid at the time of publishing this report. However, these policies should not be considered as permanent, because of evolving risks and activities to be covered, loss history, and Group decisions to adjust its coverage. The Group considers that these guarantees take into account the nature of the risks incurred by Altarea and its subsidiaries, and that they are proportionate to the capacity of current offers on the insurance market for corporate structures of similar size and activities.

For the financial year 2017, the overall budget for the Altarea Group's main insurance policies (excluding social coverage, Spain and Italy but including construction insurance) was estimated at approximately €14.6 million (compared to €11.2 million in 2016).

- **Properties under construction:** Altarea has "Construction Damages" (*dommage ouvrage*) and "All Worksite Risks" (*tous risques chantier*) insurance policies with AXA and MMA for property under construction. The Group has framework agreements for "construction damages" and all "worksite risks" for all construction sites that do not exceed a certain size.
- **Land or offices acquired awaiting work to begin on construction sites:** since 1 January 2014, the Altarea Group has taken out, as part of a comprehensive policy (tous risques sauf) damages policy provided by Chubb, an insurance policy covering ownership of a property which is unoccupied.
- **Professional liability insurance:** Altarea and its subsidiaries hold professional liability insurance policies with various insurance firms, including GENERALI and ALLIANZ.
- **Miscellaneous insurance policies:** other insurance covers various rented offices, automobile fleets, computer equipment and 10 year builder liability. Finally, AXA provides a "senior executive and corporate officer civil liability" insurance policy, and CHUBB provides a "cyber policy".

6.6.3.5 FRAUD AND CORRUPTION RISK MANAGEMENT SYSTEM

To mitigate risks of fraud or embezzlement, procedures have been set up for cash management and cash flows to ensure that they are secure and to decrease the risk of fraud (bank powers; rules for opening, modifying and closing bank accounts; daily reconciliation of bank transactions with accounting entries; separation of functions between the Accounting Department and the Cash Management Department). In addition, the number of persons authorised to sign for payments is limited.

Every external attempted fraud observed by the teams (for example, fraud by impersonation, bank fraud, recruitment) is reported to the Internal Control Department which sends out a reminder at least twice per year about the methods used by scammers and the right things to do to avoid them. The Internal Control Department works closely with the Group Security Department set up in May 2017.

With regard to the fight against money laundering, the national Contracts Departments of the Property Development intervenes in all Invitations to Tender and consultations; it acts as a decision-maker in the choice of companies and gives priority to companies providing all guarantees. Except in special cases, a systematic competitive bidding procedure is organised for all operations.

As part of its risk management Policy and in accordance with the provisions of the Sapin 2 law and the strengthening of European regulations on the fight against money laundering and the financing of terrorism, several months ago the Group embarked on an overall approach intended to reinforce the measures used to prevent these risks. The Internal control Department is therefore working on setting up stricter arrangements for compliance. The policy concerning the fight against fraud, corruption and money laundering is also described in detail in Section 5.4.7.3.

6.6.3.6 CORPORATE SOCIAL RESPONSIBILITY RISK MANAGEMENT SYSTEMS

Social risks

The Altarea Group, and Altareit as a subsidiary, through different action plans, is implementing a human resources policy to address the following social risks:

- in terms of recruitment: diversification of hiring sources and recruiting techniques, the involvement and complementarity of action in recruiting processes both of staff and HR Managers, combined with the dynamics of internal mobility (128 employees moved within the Company and 73 were promoted in 2017 Pitch Promotion excluded) allowing the Group to satisfy its personnel needs. 381 recruitments were hired, including 312 on permanent contracts, to meet the needs of each business line. This shows the importance the Group puts on career development;
- in terms of induction: induction was one of the top priorities of the HR Department and has been completely revisited. A formal induction interview and a group seminar held within two months of the new employee's arrival are now essential steps to ensure the successful induction of new employees into jobs within the Group. This seminar involves numerous in-house speakers and members of the Executive Committee who are keen to explain and share their vision of the business. Since this challenge is shared by everyone, a "manager's kit" was also created and made available to all managers. Other supports of this type were developed internally for tutor communities, work-study students and interns;
- in terms of training: the Group has an active training policy, based mainly on the business lines. In 2017, however, development activities and those related to "new digital uses" became more important. The training budget was therefore higher than in 2016 in order to finance larger scale activities such as management courses, and the transformation of digital equipment, but also to provide support for younger people through more vocational training, with more in-depth training courses for targeted groups;
- in terms of retention: for the past three years, the Group's salary policy has included the "*Tous en Actions!*" (shares for all) programme, which has enabled us to demonstrate the merits of our performance recognition system and enable all our employees to accumulate signifi can't savings;
- in terms of employee dialogue employee-management dialogue is maintained and formally documented by employee representative bodies, which play a vital role in transmitting and exchanging information. The social partners are regularly informed of the Group's current events and information is copied to all of the Group's workers;
- information is also available on a daily basis: magazines, intranet, internal conferences, and committees involving the leading managers in the Group, are the principal channels of communication.

Environmental risks

As detailed in the CSR section of the Registration Document and the Annual Integrated Report, the Group complies with all environmental regulations. For new developments, in particular, the Group complies with the RT 2012 thermal regulations, applicable since 1 January 2013, for residential, retail, and hotel properties. In addition, the Group is committed to exceeding this regulation for a significant portion of its operations. For example, in Paris, for new and renovated tertiary real estate projects, the Group has committed to improving its thermal performance by at least 40%, and by at least 10% for residential programmes.

To anticipate these constraints, starting in 2010, the Group initiated a growth process that takes into account both of these new developments and its portfolio. It provides detailed reporting of its energy and environmental performances both for new developments and its standing assets property, and sets itself permanent objectives to outstrip performance levels and the applicable regulations.

The Group's overall progress-based approach is detailed in the CSR section of the Registration Document.

Risks linked to climate change

Altareit has anticipated the regulatory constraints linked to climate change, both for the reduction of emissions and a possible carbon tax.

The Group measures its carbon footprint over all of its scope (scopes 1, 2 and 3 as defined by the Greenhouse Gas Protocol) and carries out reduction actions on the majority of its emission points. Over its portfolio, these actions are closely linked to actions for the reduction of energy consumption.

Concerning potential future carbon pricing, for several years the Group has been calculating its exposure and conducts an annual risk analysis.

The Group takes these changes into account and, since 2012, has acquired tools to analyse its carbon footprint and its exposure to the financial risk linked to a carbon price. It has also implemented a global programme to reduce its direct and indirect carbon footprint, and this applies to all of its activities, targeting the stages that contribute the most to greenhouse gas emissions.

The Group's overall progress-based approach is detailed in the CSR section of the Registration Document.

6.6.3.7 RISK MANAGEMENT SYSTEMS FOR ALTAREIT GROUP'S FINANCING POLICY AND FINANCIAL CAPACITY

Liquidity risk – Borrowing capacity – Compliance with bank covenants

As it funds its investments through debt or recourse to capital markets, the Company must continuously monitor the duration of its financing, the ongoing availability of credit lines and the diversification of resources. The budget process for cash management and projected cash flow analysis also provides a way to anticipate and hedge these risks.

Furthermore, compliance with the commitments and obligations granted to financial institutions under the terms of credit agreements is closely monitored by the Group, including bank covenants[1].

Given its sound financial position, Altareit does not consider it has a significant exposure to liquidity risk as of the date of this Registration Document.

Interest rate and counterparty risk

The Altarea Group, and therefore Altareit, has adopted a prudent approach to managing interest-rate risk. The Company uses hedging instruments to cover the interest rates on mortgages and/or corporate loans backing its property and therefore to preserve the cash flow generated by its operating assets. The instruments used are mostly fixed/variable-rate swaps.

In order to limit counterparty risk that may arise following the setting up of financial derivatives, the Group thoroughly checks the quality of the counterparties and only pursues projects with the largest financial institutions.

6.6.3.8 RISK MANAGEMENT SYSTEMS FOR CONFLICTS OF INTEREST

The Group Ethics Charter sets out the principles and rules that apply to employees in terms of conflicts of interest. This imposes on every employee a duty of loyalty to the Group and they must report, either to their line manager or a Compliance Officer, any potential conflicts of interest they might come across.

At each meeting to examine the financial statements, the Supervisory Board also reviews the situation of its members and those of the Altarea Audit Committee with regard to the independence criteria in the AFEP-MEDEF Code. It is also compulsory for management to consult it before taking any important decisions that commit the Company to amounts greater than €15 million (see Article 17.6 of Altarea's articles of association).

For projects such as acquisitions or disposals of assets that could give rise to conflicts of interest, the Supervisory Board ensures that the Company's rules of procedure are strictly adhered to. Any Directors that may find themselves in a position of conflict of interest do not receive the information concerning the transaction in question.

[1] *See Note 8, "Financial risk management", to the consolidated financial statements (Chapter 3.6 of the Registration Document).*

6.8 Dividend policy

6.8.1 Dividends paid over the past three financial years

No dividends were distributed in the last three financial years ended 31 December 2014, 2015 and 2016 respectively.

6.8.2 Dividend distribution policy

The Company's policy consists of having the equity required to ensure its pipeline development.

The Management will therefore propose at the next General Shareholders' Meeting convened for 15 May 2018 to allocate the distributable amounts to retained earnings to ensure the Company continues to have the equity to fund its development.

6.8.3 Expenditures and fees under Article 39-4 of the French General Tax Code

No expense or fee that is non-deductible for tax purposes within the meaning of Article 39-4 of the French General Tax Code was incurred in 2017.

6.9 Other information

6.9.1 Summary of payment terms

Invoices received and issued not settled and past due at 31/12/2017 (article D.441-4 and A.441-2 of the French Commercial Code)

	Unsettled invoices received and due at 31/12/2017						Unsettled invoices issued and due at 31/12/2017					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	over 91 days	Total (over 1 days)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	over 91 days	Total (over 1 days)
(A) Overdue categories												
Number of invoices included	1					1	-					-
Total amount of the invoices included (incl. VAT).	-	€1,200k	-	-	-	€1,200k	-	-	-	-	-	-
% of total amount of purchases (incl. VAT) for the period	-	29.50%	-	-	-	29.50%						
% of total amount of revenue (incl. VAT) for the period							-	-	-	-	-	-
(B) Invoices excluded from (A) relating to overdue or unrecorded receivables and payables												
Number of invoices excluded	-						-					
Total amount of the invoices excluded (inclusive of VAT).	-						-					
(C) Legal benchmark payment (contractual or legal payment terms)												
Legal benchmark payment	Legal						Legal					

6.9.2 Results of the last five financial years

Type of indications	2017	2016	2015	2014	2013
Duration of the period (months)	12	12	12	12	12
Capital at end of the year					
Share capital	2,626,731	2,626,731	2,626,731	2,626,731	2,626,731
Number of shares					
- ordinary	1,750,487	1,750,487	1,750,487	1,750,487	1,750,487
- preferred shares					
Maximum number of shares to be created					
- by bond conversions					
- by subscription rights					
Operations and results					
Revenue excl. tax	471,802	694,564	644,655	661,069	642,780
Income before tax, interest, depreciation and impairment	(1,127,280)	3,430,821	28,969,383	95,662,705	3,682,241
Income tax	(7,302,191)	(12,121,240)	(18,459,103)	(5,890,178)	(2,115,248)
Employee participation					
Allowances Depreciation and impairment	(4,039,351)	2,206,654	26,388,709	88,483,971	98,177
Net income	10,214,263	13,345,408	21,049,215	13,068,612	5,699,312
Distributed income					
Earnings per share					
Income after tax, interest, before depreciation and impairment	3.5	8.9	27.1	58.0	3.3
Income after tax, interest, depreciation and impairment	5.8	7.6	12.0	7.5	3.3
Dividend distributed					
Employees					
Average employee workforce					
Payroll					
Amounts paid in benefits (social security, social welfare, etc.)					

6.9.3 Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings, including any proceedings that are pending or threatened of which the Company is aware of and which may have or have had a material impact on the Company’s and/or the Group’s financial position or profitability over the past 12 months.

6.9.4 Commercial information

6.9.4.1 Competitive situation

The sections of this Registration Document containing the Company description and management report (Sections 1 and 2) provide detailed, quantitative information on the Altarea Group's businesses and services, along with their trends, competitive landscape, and earnings.

The Company's main competitors are as follows[1]:

- in the Residential Development sector[2]: the ten leading property operators, including the Altarea Cogedim Group, are: Nexity, Bouygues Immobilier, Kaufman & Broad, Vinci Property, Icade Promotion, Promogim, Pichet Groupe, Sogeprom, and Pierre&Vacances Centers Parcs;
- in the Offices sector: the ten leading property operators, including the Altarea Cogedim Group, are: BNP Paribas Real Estate, Icade, Bouygues Immobilier, Linkcity, Nexity, Vinci Immobilier, Eiffage Immobilier, GA Promotion, Sixième Sens Immobilier and Adim.

6.9.4.2 Absence of material changes in the financial or business position

Since 1 January 2017, with the exception of what is included, if applicable, in Notes 4 and 11 to the consolidated financial statements (6 of Section 3 of this Registration Document), the Company has not experienced any significant changes to its financial or commercial position.

[1] *In total sales volume in millions of euros – Palmarès 2017 – Classement des Promoteurs 2017 – Innovapresse – pages 18 and 20.*

[2] *including the Serviced Residences business.*

6.9.4.3 Information that can affect the Company's businesses or profitability

The hotel business as well as the Rungis National Interest Market have a vast and varied range of customers and their net revenue is therefore not dependent on one customer or a small number of customers.

With regard to Property Development (Residential and Office Property), no single customer alone exceeds 10% of revenue, while the ten biggest customers represent 26% of revenue Property Development Division as at 31 December 2017.

6.9.5 R&D and innovation

Being fully aware of the societal, environmental and technological transformations currently affecting the Company, and cities and society in general, in 2015 the Group created a multi-discipline team specifically dedicated to innovation called AltaFuture, in order to encompass in its corporate mission: the improvement of the urban quality of life by more closely meeting the expectations of its customers.

This structure, comprising five employees, is in charge of identifying, analysing and mastering the new economic models of the city. As a cross-functional unit, it also identifies innovations for processes, products & services to provide a better customer experience and improve customer satisfaction across all business lines. AltaFuture also drives an Open Innovation approach by developing partnerships with incubators, small and large companies and resource hubs in order to provide a continuous feed into the Group's innovation dynamic.

Reporting to the Digitisation and Innovation Department, AltaFuture hosts a cross-functional committee involving all Group business lines in order to drive the Group's innovation guidelines. Also, each business line also has a specific structure to ensure the solutions that emerge are put into operation.

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SUPERVISORY BOARD REPORT ON CORPORATE GOVERNANCE

7

7.1 Framework of the report and Reference Code

This report on Corporate Governance has been prepared by the Supervisory Board with the assistance of the Corporate Secretariat and Group Finance Department who contributed to writing it. It was adopted by the Board at its meeting on 5 March 2018.

In 2009, the Company chose the MiddleNext corporate governance code (the "Middlenext" code) as its code of reference. At its meeting on 21 February 2017, the Supervisory Board once again observed and noted the elements presented in the "vigilance points" section of the Middlenext Code in its updated version of September 2016. It applies the recommendations of the said code, provided they are appropriate to its legal status as a société en commandite par actions (partnership limited by shares).

Because the Company is a partnership limited by shares, it is overseen by Management and not by a collegiate body, Management Board or Board of Directors. The financial statements are prepared by the Management, not by a collegiate body. The Supervisory Board is responsible for overseeing the Company's management on a continual basis, but is not involved in this management. Article 17.1 of the Company's Articles of Association states that the Supervisory Board has the right to be provided with the same documents by the Managers as those made available to the Statutory Auditors.

The Company has been unable to implement the following MiddleNext Code recommendations due in particular to its legal status and to the existence of internal control and audit committees at its reference shareholder, Altarea: there is no Altareit audit committee (see section 7.2.3.2), the board consists of a single independent member (see below section 7.2.3.1) and met less than 4 times in 2017 (see below section 7.2.3.2).

7.2 Composition and practices of the administrative, management and supervisory bodies

Altareit is a société en commandite par actions (a French partnership limited by shares). It is run by Management and the Supervisory Board is responsible for ongoing control over the Company's management.

In the passages below pertaining to presentation of the offices held by the executive officers, the Group is constituted by the Altarea company and all of its direct subsidiaries, of which the Company is one, and indirect subsidiaries. The number (1) indicates that a company is listed, the number (2) specifies that it is directly or indirectly controlled by Altareit, and the number (3) indicates that it is a foreign company.

7.2.1 Management

Composition

Since 2 January 2012, the Group has been managed by the Altafi 2 company, chaired and controlled by Alain Taravella.

Altafi 2

Manager

Altafi 2 is a simplified public limited company (*société par actions simplifiée*) with share capital of €3,000, whose registered office is 8, Avenue Delcassé – 75008 Paris, registered with the Paris Trade and Companies Registry under the number 501 290 506, and is wholly owned by Altagroupe, itself controlled by Alain Taravella. Alain Taravella is the Chairman of Altafi 2.

Altafi 2 was appointed manager of the Company by decision of the partners on 21 December 2011, taking effect from 2 January 2012, for a period of ten years in accordance with article 13.7 of the articles of association.

Altafi 2 does not directly hold any shares in the Company.

Corporate offices held at 31 December 2017

- Manager: Altarea (SCA)(1)
- Representative of Altareit, Chairman: Alta Penthièvre(2), Alta Faubourg(2), Alta Concorde(2); Alta Percier(2)

Corporate offices expired within the past five years: Supervisory Board member: Altareit(1)

Alain Taravella

Chairman of Altafi 2

He is a French citizen, born in Falaise (Calvados) in 1948. He is a graduate of HEC (*École des Hautes Études Commerciales).* From 1975 to 1994, Alain Taravella held various positions within the Pierre & Vacances Group, of which he was appointed Chief Executive Officer in 1985. In 1994, he founded the Altarea group, that the Company belongs to, and has managed the group since then. He is a Chevalier de la Légion d'Honneur.

He is the legal representative of Altafi 2.

Alain Taravella does not directly hold any shares in the Company.

Corporate offices held at 31 December 2017

Other corporate offices in the Group:

- Manager (SCA): Altarea(1) ;
- Chairman of the Supervisory Board: Cogedim (SAS)(2); Altarea France (SNC);
- Director: Pitch Promotion (SAS)(2);
- Chairman: Foncière Altarea (SAS);
- Representative of Altarea, Chairman: Alta Blue; Alta Développement Italie; Alta Rungis(2) ; Alta Mir;

- Permanent Representative of Altarea, Director: Société d'Economie Mixte d'Aménagement et de gestion du Marché d'Interet National de Rungis – Semmaris;
- Representative of Altarea, Co-Manager of foreign companies: Alta Spain Archibald BV(3); Alta Spain Castellana BV(3); Altalux Spain(3); Altalux Italy(3);
- Representative of Altafi 2, Manager: Altarea(1); Altareit(1)(2)(Altareit being a member of the Supervisory Board of Cogedim(2) and chair of Alta Faubourg(2), Alta Penthièvre(2), Alta Percier(2) and Alta Concorde(2));
- Representative of Alta Blue, Chair: Aldeta;
- Representative of Atlas, Manager: Altarea(1).

Corporate offices outside the Group:

- Chairman: Altafi 2; Altafi 3; Atlas; Altafi 5; AltaGroupe; Altager; Alta Patrimoine;
- Representative of AltaGroupe, Manager: SCI Sainte Anne;
- Representative of Alta Patrimoine, Manager: SNC ATI; SCI Matignon Toulon Grand Ciel; SNC Altarea Commerce.

Corporate offices expired within the past five years

- Chairman of the Board of Directors & Chief Executive Officer – Director: Aldeta;
- Director: Alta Blue; Boursorama(1); Pitch Promotion (SA)(2);
- Chairman and / or Director of foreign companies: Galleria Ibleo Srl(3); Altarea Italia Srl(3); Altarea Espana(3).

Appointment and termination of office (article 13 of the articles of association)

Altareit is managed and administered by one or more managers, who may or may not be partners. The Manager can be a natural person or legal entity.

The age limit for Managers who are natural persons is 75. If one of the Managers is a legal entity, the number of its directors that are natural persons aged above 75 May not exceed a third of all directors.

The term of office of Managers is ten years, and may be renewed.

Any Manager wishing to resign must advise the other Managers, the General Partners and the Supervisory Board by registered letter with proof of receipt, at least three months before the date on which the resignation is to take effect, unless otherwise agreed by the General Partners.

Upon expiry of a Manager's term of office, the other Manager or Managers shall remain in office without prejudice to the General Partners' right to appoint a replacement Manager or to renew the term of office of the outgoing Manager.

In the event of cessation of the functions of a single Manager, one or more new Managers are appointed, or the single Manager is reappointed. Pending such appointment or appointments, the Company shall be managed by the General Partners who may then delegate any powers necessary for the management of the Company's affairs until the new Manager or Managers are appointed.

Managers may be removed from office without reason by an unanimous decision of the General Partners. If the Manager is also a General Partner, such a decision may be taken by a unanimous decision of the other General Partners.; each Manager may also be removed from office under the conditions provided by law, following a legal action, and pursuant to a final judicial decision not open to appeal that establishes a legitimate reason for removal.

If the Manager is also a General Partner, the loss of General Partner status will automatically result in removal from office as Manager, as of right.

A Manager who loses their office as Manager is entitled, in full payment, to payment by the company, pro rata temporis, of their remuneration until the day they lose their office, and reimbursement of costs of any kind to which they are entitled

During the lifetime of the Company, any new Manager shall be appointed unanimously by the General Partners, without requiring the approval or recommendation of the Supervisory Board or of the collective body of shareholders.

Powers (article 13 of the articles of association)

The Manager, or if there are several Managers, each Manager, is invested with the broadest powers to act in any circumstances on behalf of the Company, within the limits of the corporate purpose and subject to the powers expressly conferred by law or by these articles of association to the collective bodies of shareholders or to the Supervisory Board.

In accordance with the law, each Manager may authorise and grant any guarantees and other sureties that they consider reasonable, on behalf of the Company.

Each Manager may delegate some of their powers to one or more persons whether or not employed by the Company and whether or not they have a contractual relationship with the Company. Such delegated powers shall not in any way affect the Managers' duties and responsibilities as regards the exercise of such powers.

The Managers shall have a duty of care in running the Company's affairs.

7.2.2 General partner

Identity

The Altafi 3 company is a simplified joint-stock company (société par actions simplifiée) with its registered office at 8 avenue Delcassé à Paris 8ème, identified in the Paris Commercial and Companies Registry under no. 503 374 464, the share capital of €38,000 of which is held in totality by AltaGroupe, itself controlled by Alain Taravella. Alain Taravella is the Chairman of Altafi 3.

Altafi 3 was appointed as General Partner of the Company by the General Combined Shareholders' Meeting of 2 June 2008 without any limit on duration. It does not hold any other office at 31 December 2017. It was a member of the Supervisory Board from 2009 to 2014 and did not hold any other office during the last five years.

Altafi 3 does not directly hold any shares in the Company.

Appointment and termination of office (article 21 of the articles of association)

General Partners are appointed by Extraordinary General Meetings upon the unanimous proposal of the General Partner or Partners.

In the event of the death or incapacity of a General Partner who is a natural person, or in the event of loss of General Partner status for any other reason, the Company shall not be dissolved but shall continue with the remaining General Partners. This shall also be the case in the event of the liquidation of a corporate General Partner.

7.2.3 Supervisory Board

7.2.3.1 Composition

At 31 December 2017, the Supervisory Board consisted of the following five members:

Name/ company name	Duties	Permanent Representative	Date of first appointment	Reappointment date	Expiry at end of GM to approve the financial statements	Independent	Compensation Committee
Christian de Gournay	Chairman	-/-	CGM/CS 07/05/201	-	2019	No	-
Altarea	Member	Florence Lemaire[(a)]	CGM 26/06/2009	CGM 05/06/2015	2020	No	-
Alta Patrimoine	Member	Léonore Reviron	CS 16/01/2012	CGM 05/06/2015	2020	No	-
Jacques Nicolet	Member	-/-	CGM 02/06/2008	CGM 07/05/2014	2019	No	Chairman
Dominique Rongier	Member	-/-	CGM 26/06/2009	CGM 05/06/2015	2020	Yes	Member

[(a)] Appointed as Permanent Representative of Altarea as from 21/02/2017

At 31 December 2017, the Supervisory Board had no members representing employees and no other members than those listed above. No changes occurred to the composition of the Supervisory Board since this date.

Representation of men and women

At 31 December 2017, the Supervisory Board is made up of five members, of whom two are women and three are men, representing respectively 40% and 60% of the Board members.

Average age of the members

On the date of the hereby report, the average age of the members, both physical persons and permanent representatives of legal person members stands at 57.

Independent members

Having observed and taken note of the revised version dated September 2016 of the Middlenext Codes, on 21 February 2017 the board adopted the new definition of independence put forward by the said code, which is characterised by the absence of any significant financial, contractual, familial or close relationship likely to adversely affect the independence of its judgement, that is:

- not having been, over the last five years, and not currently being an employee or executive officer of the Company or any company in its group;
- not having been, over the last two years, and not currently being in a significant business relationship with the Company or its group (customer, supplier, competitor, service provider, creditor, banker, etc.);
- not being a reference shareholder of the Company or holding a significant percentage of the voting rights;
- not having any close relationship or close family ties with an executive officer or a reference shareholder;
- not having been a Statutory Auditor of the Company during the last six (6) years.

Since its meeting on 7 March 2011, the Supervisory Board examines the position of each Board member annually with regard to the Middlenext Code independence criteria. Upon examining the independence criteria of its members at its meeting on 5 March 2018, the Supervisory Board noted that on this date Dominique Rongier continued to fulfil the independence criteria put forward by the MiddleNext Code. Consequently, the Company, since it has a Supervisory Board comprising five members, is in compliance with the MiddleNext Code recommendation in its version prior to September 2016 which states that the Supervisory Board can have only one single independent member, provided that the number of members is less than or equal to five, a recommendation that was not adopted by the Middlenext Code in its version of September 2016, according to which the board should now comprise at least two independent directors. However, it is specified that on the date of this report, more than a third of the members of the Supervisory Board of Altarea, parent company of the Company, were independent, and that the investments made by the Company and its subsidiaries are examined by the Supervisory Board of the Altarea Company, directly or through the intermediary of the Investment Committee of the latter company, or of its Chair, depending on the scale of the transaction.

Presentation of board members

In the passages below pertaining to presentation of the offices held by the executive officers, the Group is constituted by the Altarea company and all of its direct subsidiaries, of which the Company is one, and indirect subsidiaries. The number (1) indicates that a company is listed, the number (2) specifies that it is directly or indirectly controlled by Altareit, and the number (3) indicates that it is a foreign company.

Christian de Gournay

Chairman of the Supervisory Board

Born in 1952 in Boulogne (Hauts-de-Seine)
Of French nationality
Business address: 8 avenue Delcassé in Paris 8th arrondissement

A graduate of the French École des Hautes Études Commerciales and École Nationale d'Administration, Christian de Gournay began his career at the French Council of State in 1978, and later worked for Indosuez Bank as Director of Treasury and Bond Markets. In 1994, he became Senior Executive Vice-President of AGF, where he was in charge of managing Group financial and real estate assets, as well as banking and financial activities. He joined Cogedim in 2002 as Vice-Chairman of the Management Board. Christian de Gournay served as Chairman of the Management Board of Cogedim from 2003 to 2014, until his appointment as Chairman of the Supervisory Board became effective.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: Chairman of the Supervisory Board of Altarea(1)

Corporate offices outside the Group:

- Manager: SCI Schaeffer-Erard
- Director: Opus Investment BV(3)

Corporate offices expired within the past five years

- Chairman and Member of the Management Board: Cogedim
- Manager: Cogedim Valorisation

At 31 December 2017, to the Company's knowledge, Christian de Gournay owned 1 share in the Company.

Altarea

Supervisory Board member

The Altarea company is a partnership limited by shares with share capital of €229,669,963.66, the registered head office of which is at 8 avenue Delcassé – 75008 Paris, identified in the Paris Commercial and Companies Registry under number 335 480 877. Its Co-Managers are Alain Taravella and the companies Altafi 2 and Atlas. Altarea directly holds 1,744,062 shares in the Company.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group:

- Chairman: Alta Blue; Alta Développement Italie; Alta Rungis(2) ; Alta Valmy; Alta Mir ;
- Board Chairmanships: Alta Blue;
- Director: semi-public development and management company of the public interest market of Rungis – Semmaris;
- Manager de foreign companies: Altalux Italy S.à.r.l.; Altalux Spain S.à.r.l.; Alta Spain Archibald BV; Alta Spain Castellana BV.

Corporate offices outside the Group: None

Corporate offices expired within the past five years

- Chairman: Alta Delcassé(2); Alta Valmy;
- Director: Altacom(2); Rue du Commerce ;

Florence Lemaire

Permanent Representative of Altarea

Born on 10 August 1965 in Blois (Loir-et-Cher)
Of French nationality
Business address: 8 avenue Delcassé in Paris 8th arrondissement

Florence Lemaire holds a Masters in Business Law and a DEA in Economic Law (Universities of Orléans and Vermillion-South Dakota). She created and was Manager of the Legal Department of Foncia Group from 1990 to 2000. She was then attorney at the Paris Bar from 2000 to 2007 in the law firm Desfilis & Mc Gowan, prior to joining the Corporate Legal Department of Altarea Group where she today is Deputy Legal Director. She held one share in Altareit at 31 December 2017.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: Permanent Representative of Altafi 5 on the Supervisory Board of Altarea

Corporate offices outside the Group: None

Corporate offices expired within the past five years: None

Alta Patrimoine

Supervisory Board member

The Alta Patrimoine company is a simplified joint-stock company (société par actions simplifiée) the registered office of which is at 8 avenue Delcassé in Paris 8th arrondissement, identified in the Paris Commercial and Companies Registry under no. 501 029 706, the share capital of €74,353,010.90 which is held in its totality by AltaGroupe, itself controlled by Alain Taravella. Alain Taravella is the Chairman of Alta Patrimoine. Alta Patrimoine holds 1 share in the Company at 31 December 2017.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: None

Corporate offices outside the Group: Manager: SNC Altarea Commerce; SNC A.T.I.; SCI Matignon Toulon Grand Ciel

Corporate offices expired within the past five years

Supervisory Board member: Altarea

Léonore Reviron

Permanent representative of Alta Patrimoine

Born in 1985 in Meudon (Hauts-de-Seine)
Of French nationality
Business address: 8 avenue Delcassé in Paris 8th arrondissement

Léonore Reviron is a graduate of the EDHEC Business School, and successively held the positions of financial auditor at Ernst & Young (2008-2011), Corporate Financial Analyst (2011-2013) and then Financial Risk Manager (2014-2015) at a listed property group. Léonore Reviron is the step-daughter of Alain Taravella.

At 31 December 2017, Léonore Reviron does not directly hold any shares in the Company.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: Permanent Representative of ATI on the Supervisory Board of Altarea

Corporate offices outside the Group: None

Corporate offices expired within the past five years: None

Jacques Nicolet

Supervisory Board member

Born in 1956 in Monaco.
Of French nationality
Business address: 17 rue de Prony in Paris 17th arrondissement

From 1984 to 1994, Jacques Nicolet served successively as Program Director, Development Director and Senior Executive Vice-President of the Pierre & Vacances Group. In 1994, he co-founded the Altarea Group, of which he has successively been Senior Executive Vice-President and, since its transformation into a partnership limited by shares, Chairman of the Supervisory Board until 2014.
Jacques Nicolet directly holds 1 share in the Company.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group:

- Supervisory Board member of SCA: Altarea(1);
- Supervisory Board member: Altarea France (SNC); Cogedim(2) (SAS).

Corporate offices outside the Group:

- Chairman of SAS: Everspeed; Everspeed Motorsport; Proj 2018; Damejane Investissements;
- Chief Executive Officer: Circuit du Maine;
- Manager: SCI 14 rue des Saussaies; SCI Damejane; SNC JN Participations;
- Chairman and / or Director of foreign companies: Everspeed Connection(3); HP Composites Srl(3); Carbon Mind Srl(3); HPC Holding(3);
- Representative of Everspeed, Chairman: Immobilière Damejane; Everspeed Learning; Everspeed Asset; Onroak Automotive; Everspeed Media; HP Composites France; Everspeed Technology; SODEMO, Shootshareshow, Ecodime; Everspeed Composites; Ecodime Academy; DPPI Media; DPPI Production; Onroak Collection; Onroak Automotive Classic and Proj 2017;
- Representative Everspeed, Chief Executive Officer: AOT Tech; SAS Les 2 Arbres Circuit du Vigeant;
- Representative of Everspeed, itself Chair of Everspeed Learning, Chair: OAK Invest;
- Representative of Everspeed, itself Chairman of Everspeed Asset, Manager: SCI Immotech; SCI Innovatech; SCI Les Fleurs;
- Representative of Everspeed Motorsport, Chair: OAK Racing;
- Permanent Representative of Everspeed, Director: Everspeed Composites;
- Representative of Everspeed, Chair of foreign companies: Ecodime Italia.

Corporate offices expired within the past five years

- Chairman of the Supervisory Board of SCA: Altarea(1); Altareit(1)
- Permanent Representative of Alta Rungis(2), Director: Société d'Economie Mixte d'Aménagement et de gestion du Marché d'Interet National de Rungis – Semmaris
- Chairman and / or Director of foreign companies: SSF III zhivago holding Ltd(3); Altarea Italial(3); Galleria Ibleo S.R.L.(3) (formerly Altarag S.R.L.); Altarea Espana(3)
- Permanent Representative of Ecodime, Chairman: Mind Values (formerly Proj 56)

Dominique Rongier

Supervisory Board member

Born in Paris 16th arrondissement in 1945
Of French nationality
Address: 25 rue du Four in Paris 6th arrondissement

Dominique Rongier graduated from H.E.C. in 1967, and successively held the positions of auditor at Arthur Andersen (1969-1976); Chief Financial Officer of Pierre & Vacances (1976-1983); Chief Financial Officer of the Group Brossette SA (1983-1987);

In 1987 he devised and set up a holding structure for the Carrefour group and became Secretary General of Bélier, a member of the Havas-Eurocom network from 1988 to 1990, then Chief Financial Officer of the Oros Communication holding company from 1991 to 1993, which controls the majority holdings in the communication sector.

Since September 1993, Dominique Rongier has been an independent consultant with DBLP & associés SARL, of which he was Manager and majority shareholder. In the interim, he was acting Chief Executive Officer of the DMB & B France Group (French subsidiaries of the US advertising group D'Arcy) for more than two years. His main activity is strategic and financial management consultancy.

Until 31 March 2009, Dominique Rongier was Chairman of a software publishing company specialising in sports and health.

Dominique Rongier directly holds 10 shares in the Company.

Other corporate offices held at 31 December 2017

Other corporate offices in the Group: Supervisory Board member: Altarea(1)

Corporate offices outside the Group: Director: SA Search Partners

Corporate offices expired within the past five years

Manager: DBLP & Associés

7.2.3.2 Working methods, preparation and organisation of the Board's work

Missions

Article 17 of the Company's articles of association defines the powers of the Supervisory Board.

Hence the Supervisory Board is responsible for overseeing the Company's management on a permanent basis. It sets out the appropriation of earnings, dividend distributions, and dividend payment procedure (cash or scrip) to be proposed to the General Meeting.

It appoints an Acting Manager if none of the existing Managers and General Partners are able to serve. It submits a list of nominees to the General Meeting for the appointment of new Statutory Auditors. It is consulted by the General Partners on any modification of management compensation, after a review by the Compensation Committee appointed from among its members; It appoints an appraiser for the Company's property portfolio, renews or terminates the appraiser's term of office. In the latter case, it provides for the appraiser's replacement.

In accordance with the law, the Supervisory Board prepares a report for the Ordinary General Shareholders' Meeting convened to approve the Company's financial statements: the report is made available to the shareholders at the same time as the management report and the financial statements for the period. The Supervisory Board draws up a report describing any proposed capital increase or reduction and submits it to the shareholders.

The Supervisory Board can call an Ordinary or Extraordinary General Meeting according to the procedures set forth by French law, if the Board deems necessary and after informing the Managers in writing.

Notice of meeting

The Company's Articles of Association provide that Board members be invited to meetings via simple letter or by any means of electronic communication. The Supervisory Board can meet by any means as soon as all members are present or represented. Supervisory Board meetings can be called by the Board Chairman, at least half of the Board members, or any Manager or General Partner. The Board members must be notified at least one week before the Meeting date, except under emergency circumstances.

Information

In accordance with French law, the Supervisory Board has the right to be provided with the same documents by the Managers as those made available to the Statutory Auditors.

Meeting location – Management attendance

Meetings take place at the Company's registered office located at 8, avenue Delcassé in Paris (75008).

Management is invited to Board meetings to answer questions from the Supervisory Board, so that the Board can exercise continuous oversight of the Company's management. In particular, Management presents the Company's financial statements and gives a business review.

Management answers any questions that the members deem appropriate to ask. These questions may or may not be included on the agenda. Management does not participate in proceedings and cannot vote on decisions taken by the Board or on opinions it issues.

Supervisory Board members can discuss matters freely amongst themselves on a regular formal or informal basis, without the presence of Management.

The attendance of at least half of the Supervisory Board's members is required for it to be quorate. Decisions are made by a majority of the members present or represented and able to take part in the vote. A member present may only represent one absent member and may do so only upon presenting a valid proxy. In the event of a tie, the Chairman has the deciding vote.

Minutes of the meetings

The proceedings of Supervisory Board meetings are recorded in a special register and signed by the meeting Chairman and Secretary, or by a majority of Board members present.

Rules of Procedure

The Supervisory Board, at its meeting on 5 March 2014, decided to avail itself of specific Rules of Procedure, which includes Ethics rules, thereby complying with the MiddleNext Code recommendations to which the Company refers. These Rules of Procedure, which were updated at the meeting of 21 February 2017 in order to take account of the new version of the MiddleNext Code dated September 2016, indicate the rules for composition of the board in compliance with the provisions of article 15 of the Company's articles of association; it defines the independence criteria for board members in compliance with the recommendations of the MiddleNext code to which the Company refers (see above section 7.2.2.2.) ; it also indicates the duties of Board Members, such as abiding by the laws, regulations and articles of association of the Company, rules relating to protecting corporate interests, loyalty, competition and confidentiality. The Rules of Procedure also indicate the Board's missions, its functioning, the arrangements for participation in meetings as well as the rules for quorum and majority relating to decisions, arrangements for allocation of directors' fees (see above section 8.2.2.2.). It defines the rules for constituting specialist committees and their operating arrangements (see below section 8.2.2.8.).

Frequency of meetings

During financial year 2017, the Board met two times. The attendance rate was 90% in 2017.

Supervisory Board meetings and work in 2017

In 2017, the Company's Supervisory Board met twice to deal with the following subjects:

- Meeting of 21 February 2017:

Management business review for the financial year ended 31 December 2016; Review of the parent company and consolidated financial statements for the financial year ended 31 December 2016; Appropriation of the income proposed to the meeting; review of the agenda and text of the Draft Resolutions to be submitted to the General Combined Shareholders' Meeting; Preparation of the Supervisory Board's report to be made available to the Annual General Meeting. Annual review of functioning and preparation of the board's work; Review of independence criteria for Members of the Board and the Compensation Committee; Management compensation; Allocation of Directors' fees; Middlenext Code vigilance points; Approval of the Chairman of the Supervisory Board's report on internal control; Annual discussion of Company policy relating to gender equality and equal pay; Review of the social and environmental report; Review of forecast management documents, review of related-party agreements;

- Meeting of 27 July 2017:

Review of half-yearly financial statements as of 30 June 2017 and forecast management documents.

Specialist committees

Article 18 of the Articles of Association allows the Supervisory Board to delegate tasks to Special Committees, apart from any powers that French law explicitly assigns to the Supervisory Boards of SCAs (*sociétés en commandite par actions*).

- Audit Committee

By virtue of the provisions of article L.823-20 1° of the French Commercial Code, the Company, as an entity controlled according to the terms of article L.233-16 of the French Commercial Code by a company (Altarea) that is itself subject to the provisions of article L.823-19 of the French Commercial Code, is exempted from the obligation to constitute an Audit Committee.

- Investment Committee

The Supervisory Board considered whether it was necessary to constitute such a committee within its board, insofar as (i) the investments made by the Company's subsidiaries are already reviewed by Alterea's Supervisory Board, directly or through the intermediary of the latter's investment committee or its Chair depending on the scale of the transaction and (ii) the Management Board of its subsidiary Cogedim must obtain prior authorisation from its own Supervisory Board, or its Chair, for any significant commitment or investment. It concluded that it was not necessary to constitute such a committee.

- Compensation Committee

The Company decided, following the proceedings of the Supervisory Board of 7 March 2011 taken in application of the resolutions voted in the Combined - ordinary and extraordinary - Shareholder's Meeting of 28 May 2010, to constitute a Compensation Committee to advise on the determination and modification of Management compensation.

- Committee members:

As of the date of this registration document, the Compensation Committee is made up of two Members, Jacques Nicolet and Dominique Rongier, the latter being an independent member of the Supervisory Board and the Compensation Committee (see above section 8.2.2.2.). The Committee is chaired by Jacques Nicolet.

- Proceedings – Minutes:

The Supervisory Board meeting of 7 March 2011 defined the rules of procedure of the Compensation Committee, which are similar to those of the Supervisory Board.

The Committee is quorate when at least half of the members are present. Decisions are taken by simple majority of members present or represented. A present member can only represent one absent member upon presentation of a valid proxy. In the event of a tie, the Chairman's vote is casting.

- Work of the Committee:

The Compensation Committee meeting on 23 February 2016, gave the Supervisory Board meeting of 9 March 2016 its opinion as to Management compensation as from 1st January 2016. Informed by this opinion, the Supervisory Board made its decision on the proposal put by the Partner, in accordance with the provisions of articles 14.1, 17.7 and 18 paragraph 2 of the Company's articles of association.

At its meeting on 9 March 2016, the Supervisory Board adopted the recommendations of the Compensation Committee which proposed to change the Management compensation to the annual fixed amount of €600,000, indexed annually on changes to the Syntec index, as from 1st January 2016.

Evaluation of the Board's work

At its meeting on 5 March 2018, the Board Members were invited by the Chair to express their opinion concerning the functioning and preparation of the work of the Supervisory Board and of the Compensation Committee. The board unanimously agreed that these were satisfactory.

7.2.4 Management

7.2.4.1 Executive Management

Since Altareit is a partnership limited by shares, management is carried out by Altafi 2 in its role of Manager (see above section 7.2.1).

7.2.4.2 Operational Management

Apart from the executive and non-executive officers listed above, that is Management, the General Partner, the Chair and members of the Supervisory Board, the senior management of the Group constituted by Altareit and its subsidiaries were, at 31 December 2017, Stéphane Theuriau, Co-Manager and Chairman of the Management Board of Cogedim, and Philippe Jossé, Chief Executive Officer and Member of the Management board of Cogedim.

7.2.5 Additional information

7.2.5.1 Absence of conflicts of interest

The Company maintains important relations for its business and development with its main shareholder, Altarea, which is a company controlled by Alain Taravella. In addition, since 2 January 2012, the Group has been managed by the Altafi 2 company, chaired and controlled by Alain Taravella. The Company's General Partner is Altafi 3, a company held by AltaGroupe.

The Company judges that at present these relations do not create any conflict of interest, and that on the date of registration of this registration document, there is no conflict of interest between the duties of the managers and Supervisory Board Members with regard to the Company, and their private interests or their other duties.

Moreover, the Statutory Auditors have not observed and/or have not been informed of any regulated agreement between the Company and its executive officers, non-executive officers and shareholders holding more than 10% of voting rights in the Company, during the financial year 2017 or during a previous financial year, the effects of which would have continued during the financial year 2017.

7.2.5.2 Convictions, bankruptcies, prosecutions

To the Company's knowledge and in view of the information at its disposal, none of the co-Managers or the Company's Supervisory Board members has, in the past five years:

- been convicted of any fraud;
- been the subject of a bankruptcy, receivership or liquidation order;
- been the subject of any prosecution or of any official public sanction imposed by statutory or regulatory authorities (including designated professional bodies).

7.2.5.3 Agreements entered into between an executive officer or significant shareholder and subsidiaries

On the date of this registration document, with the exception of agreements concerning routine operations concluded in normal conditions, no agreement has been concluded between an executive officer or a significant shareholder and subsidiaries of the Company.

7.3 Compensation of administrative, supervisory and management bodies

7.3.1 Principles and rules

7.3.1.1 Management

According to the terms of the provisions in articles 14.1, 17.6 and 18 of the Company's articles of association, compensation of the Manager or Managers for their duties is determined by the General Partner or partners, ruling unanimously, after consultation of the Supervisory Board and the opinion of the Compensation Committee.

In application of the said provisions, after consulting the Supervisory Board on 9 March 2016 and obtaining the prior opinion of the Compensation Committee of 23 February 2016, the General Partner decided that as from the financial year 2016, the annual compensation of management would be a fixed amount excluding taxes of €600,000, indexed to the Syntec index.

In addition the Managers are entitled to reimbursement of all business, travel other expenses that they may incur in the interests of the Company.

7.3.1.2 General partners

Article 29 paragraph 4 of the Company's articles of association stipulates that "the General Partner is entitled to a bonus dividend equal to 1.5% of the annual dividend paid."

Since no dividend was paid during the last three financial years, the General Partner, Altafi 3, did not receive a bonus dividend during the said financial years.

7.3.1.3 Supervisory Board

Article 19 of the Articles of Association states that annual compensation may be paid to members of the Supervisory Board only for their duties as members of the Supervisory Board. The amount of compensation paid, included in general operating expenses, is determined by the Ordinary General Meeting and is maintained until the Ordinary General Meeting decides otherwise. The Supervisory Board divides this amount among its members as it deems appropriate. Supervisory Board members are also entitled to reimbursement of all business, travel other expenses that they may incur in the interests of the Company.

The Combined General Shareholders' Meeting of 26 June 2009 decided in its Ninth Resolution to set the total amount of directors' fees to be distributed between the Supervisory Board Members at two hundred thousand euros (€200,000) as from the current financial year and until a new decision is made by the Meeting.

The Supervisory Board, at its meeting on 21 February 2017 decided to allocate to natural person members or permanent representatives of legal entity members, with the exception of (i) those who receive remuneration from the Company, from its parent company Altarea or from one of their subsidiaries as employee or executive corporate officer, and (ii) the Chairman, an amount of Directors' Fees of €1,500 for each meeting at which they will have been present, as from 1 January 2016.

At its meeting on 5 March 2018, the Supervisory Board noted that a total amount of €7,500 had been allocated to Members entitled to receive it in respect of the financial year ended 31 December 2017.

No other compensation was paid to Supervisory Board members by the Company, due to their offices within the Board.

7.3.2 Information on compensation

The information below applies AMF recommendations on information to provide in registration documents on the compensation of corporate officers, published online on 2 December 2014, in the AMF report of 18 November 2013 on corporate governance and compensation of executive officers of small- and mid-cap companies as well as the AMF Recommendations of 7 December 2010 included in its supplementary report to that of 12 July 2010 on corporate governance, compensation of executive officers and internal control – Small- and mid-cap companies referring to the MiddleNext Corporate Governance Code (the "Recommendations"), insofar as these Recommendations, like the MiddleNext Code, distinguish between executive corporate officers and other corporate officers.

The Company adopted the legal status of a partnership limited by shares with a Supervisory Board and Manager on 2 June 2008 and since 2 January 2012 its Manager has been the company Altafi 2.

Summary of compensation due to each corporate executive officer in office during the financial year 2017, as well as the shares and options that have been attributed to them.

€ thousands (excl. tax) **Altafi 2, Single Manager**	FY 2016		FY 2017	
	Amount due	Amount paid	Amount due	Amount paid
Compensation due for the financial year	600	600	600	600
Of which Fixed Compensation				
Of which Variable compensation				
Of which Exceptional compensation				
Of which Benefits in kind				
Of which Directors' fees				
Value of allocated options				
Valuation of allocated performance shares				
Exercised stock options				
Compensation of all kinds[a] received from Companies controlled by the Company[b] or from Companies that control the Company	3,179[c]	4,172[d]	3,179[e]	4,172[f]
Total	**3,779**	**4,772**	**3,779**	**4,772**

(a) *This comprises the stock options, the performance shares*
(b) *As defined by provisions of article L. 233-16 of the French Commercial Code.*
(c) *Compensation owed by Altarea, parent company of the Company: €2,000 thousand of fixed compensation and €1,179 thousand of variable compensation for 2016 paid in 2017; no compensation owed by the Company's subsidiaries.*
(d) *Compensation paid by Altarea, parent company of the Company: €2,000 thousand of fixed compensation and €2,172 thousand of variable compensation for 2015; no compensation paid by the Company's subsidiaries.*
(e) *Compensation owed by Altarea, parent company of the Company: €2,029 thousand of fixed compensation and €1,179 thousand of variable compensation for 2017 that will be paid in 2018; no compensation owed by the Company's subsidiaries.*
(f) *Compensation paid by Altarea, parent company of the Company: €2,029 thousand of fixed compensation and €1,179 thousand of variable compensation for 2016; no compensation paid by the Company's subsidiaries.*

Alain Taravella, legal representative of Altafi 2, Manager of the Company, has not received directly or directly, any compensation of any kind whatsoever from the Company during financial year 2017. In addition, regarding application of Articles L. 225-102 and L. 233-16 of the French Commercial Code, note that aside from Altarea, its subsidiaries and Altafi 2, no other company paying compensation to a corporate officer falls within the scope of these provisions.

Directors' fees and other compensation received by non-executive corporate officers in office during financial year 2017

€ thousands		Amount paid during financial year 2016	Amount paid during financial year 2017
Christian de Gournay	Directors' fees	N/A	N/A
Chairman of the Supervisory Board	Other compensation[(a)]	300	300
Altarea[(b)]	Directors' fees	0	0
Supervisory Board member	Other compensation	0	0
Florence Lemaire	Directors' fees	N/A	0
Permanent Representative of Altarea since Feb. 2017	Other compensation[(c)]	N/A	106
Alta Patrimoine[(b)]	Directors' fees	0	0
Supervisory Board member	Other compensation	0	0
Léonore Reviron	Directors' fees	3	1.5
Permanent representative of Alta Patrimoine	Other compensation[(d)]	10	10
Jacques Nicolet	Directors' fees	3	3
Supervisory Board member	Other compensation[(d)]	7.5	10
Dominique Rongier	Directors' fees	3	3
Supervisory Board member	Other compensation[(d)]	15	15
Total		**341.5**	**448.5**
Of which Directors' fees		9	7.5

(a) Compensation paid by Altarea, parent company of the Company, for the duties of Chairman of the Altarea Supervisory Board

(b) No compensation or benefit in kind is owed or has been paid by the Company, or by the companies controlled by the Company, or by the companies controlling the Company, or by the companies controlled by the companies controlling the Company, to this legal entity or to their permanent representative or to their legal representatives in connection with the office of Supervisory Board Member exercised within the Company

(c) Compensation paid by Altarea Management, a subsidiary of Altarea, parent company of the Company, for the salaried duties of Assistant Corporate Legal Director (permanent contract). This amount does not take account of the 100 free Altarea shares granted on 23 March 2017 to Florence Lemaire in the context of the "Tous en actions" plan of the Altarea group benefiting all employees holding a permanent employment contract within the said group, to which Altareit and its subsidiaries belong (see section 5.5.3.1.1 above).

(d) Compensation paid by Altarea, parent company of the Company, in payment of Directors' Fees for the Altarea Supervisory Board.

Other information about financial instruments giving access to the Company's share capital and other optional instruments concerning each of the Company's executive corporate officers.

Stock options granted during the financial year to each executive corporate officer by the Company and by any Group company

No stock options were granted during the elapsed financial year to executive corporate officers whether by the Company or another company in the Group.

Stock options exercised during the financial year by executive corporate officers

No stock option granted by the Company itself or another company in the Group was exercised during the elapsed financial year by executive corporate officers.

Free shares allocated to each corporate officer

No free shares were granted during the elapsed financial year to corporate officers, whether by the Company or another company in the Group.

During the elapsed financial year, Florence Lemaire, permanent representative of Altarea at the Company's Supervisory Board, benefited, in her capacity as employee (Assistant Corporate Legal Director), from the "Tous en actions" plan of the Altarea group, in the same way as all employees holding a permanent employment contract within the said group, to which Altareit belongs (see section 5.5.3.1.1 above). As part of this plan, on 23 March 2017 she was granted 100 free Altarea shares (valued at €11 thousand according to the method used for the consolidated financial statements). These shares will vest and become available on 11 April 2019, provided she is still an employee of the group, and for 50% of these shares subject to a performance conditions based on the Altarea share price, in particular in relation to the IEIF Immobilier France index.

Free shares granted to each corporate officer that became available

No free shares have been granted during the previous financial years to corporate officers, whether by the Company or another company in the Group.

History of stock options granted to corporate officers.

No stock options were granted to executive corporate officers whether by the Company or another company in the Group.

History of free share allocations

No bonus share plan has been put in place by the Company.

However the Group's employees benefit from the "Tous en actions" plan set up by the parent company, Altarea, for all employees holding a permanent employment contract within a company in its Group, to which the Company and its subsidiaries belong (see section 5.5.3.1.1 and note 6.1 to the financial statements in section 3.6 of this registration document).

Other information about financial instruments giving access to the Company's share capital and other optional instruments concerning the top 10 employees excluding corporate officers and options granted to and exercised by them.

During financial year 2017, no stock options in the Company were granted to employees of the Group by the Company or by any company controlled by or controlling the Company.

During financial year 2017, no stock options in the Company granted by the company controlling the Company was exercised by the ten highest-earning employees of the Altareit group.

Employment contracts, supplemental pension plans, severance or other termination payments or benefits and non-competition compensation payable to the executive corporate officers

Executive Corporate Officers	Employment contract		Supplemental pension plans		Benefits or advantages due or that may become due by virtue of cessation or a change in duties.		Benefits relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Altafi 2 SAS Single Manager		X		X		X		X

7.4 Delegations concerning a share capital increase

7.4.1 Delegations valid during the past financial year

Delegations valid during 2017	Date of authorisation (GSM)	Expiry date	Maximum nominal amount	Use in 2017
Share buyback program				
Authorisation to proceed with share buybacks at a maximum price per share of €500 and for a maximum total amount of €80 million	11/05/2017(v)	11/11/2018	Up to a maximum of 10% of the share capital	See 6.3.2, above
Authorisations to reduce the share capital by cancelling shares purchased under the buyback program	11/05/2017(vi)	11/07/2019	Up to a maximum of 10% of the share capital per 24 month period	None
Authorisations with preservation of preferential subscription rights				
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company(i)(ii)	11/05/2017(vi)	11/07/2019	€50 million for equity securities €200 million for debt securities	None
Authorisations to increase the share capital by capitalising reserves	11/05/2017(vi)	11/07/2019	€50 million	None
Authorisations without preferential subscription rights				
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company liée, as part of a public offer(i)(ii)(iii)	11/05/2017(vi)	11/07/2019	€50 million for equity securities €200 million for debt securities	None
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, as part of a private placement(i)(ii)(iii)	11/05/2017(vi)	11/07/2019	€50 million and 20% of the share capital per annum for equity securities €200 million for debt securities	None
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, for the benefit of categories of persons(i)	11/05/2017(vi)	11/11/2018	€20 million	None
Issue of ordinary shares that may be combined with securities giving access to the Company's share capital as remuneration for contributions in the form of securities(i)	11/05/2017(vi)	11/07/2019	10% of the share capital	None
Issue of ordinary shares and / or equity securities giving access to other securities to be used to remunerate the securities contributed as part of a public exchange offer initiated by the Company(i)	11/05/2017(vi)	11/07/2019	€50 million	None
Authorisations for the benefit of employees and senior management				
Increase in the capital reserved for members of an employee savings scheme	11/05/2017(vi)	11/07/2019	€100,000	None
Bonus share plans	15/04/2016	15/06/2019	65,000 shares(vii)	None
Stock option plans (share purchase)(iv)	11/05/2017(vi)	11/07/2020	65,000 shares(vii)	None
Stock option plans (share subscription)(iv)	11/05/2017(vi)	11/07/2020	65,000 shares(vii)	None
Share subscription warrants (BSA, BSAANE and BSAAR)(i)(iv)	11/05/2017(vi)	11/11/2018	65,000 shares(vii)	None

(i) Authorisation subject to a nominal global ceiling of €50 million for a capital increase by the issue of new shares and €200 million for the issue of debt securities
(ii) Authorisation subject to an authorisation to increase the issue amount by an additional 15% in case of over-subscription
(iii) Delegation subject to an authorisations granted to Management to set the issue price up to a maximum of 10% of the share capital per annum
(iv) Authorisation subject to a global ceiling of 65,000 shares, of which a maximum of 20,000 shares for the corporate officers
(v) Authorisation rescinding any authorisation of the same kind granted by the Combined General Shareholders' Meeting of 15 April 2016, use of which in 2017 is described in paragraph 6.3.2, above
(vi) Authorisation rescinding any authorisation of the same kind granted by the Combined General Shareholders' Meeting of 15 April 2016, which was not used in 2017
(vii) Representing approximately 3.71% of the share capital au 31 December 2017

7.4.2 Delegations sought from the next General Shareholders' Meeting to be held on 15 May 2018

Delegations sought from the General Shareholders' Meeting of 15 May 2018	Resolution	Duration / Expiry date
Share buyback program		
Authorisation to proceed with share buybacks at a maximum price per share of €500 and for a maximum total amount of €80 million(i)	6th resolution	18 months 15/11/2019
Authorisations to reduce the share capital by cancelling shares purchased under the share buyback program(i)	7th resolution	26 months 15/07/2020
Authorisations with preservation of preferential subscription rights		
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company(i)	8th resolution	26 months 15/07/2020
Authorisations to increase the share capital by capitalising reserves (i)	17th resolution	26 months 15/07/2020
Authorisations without preferential subscription rights		
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, as part of a public offering(i)	9th resolution	26 months 15/07/2020
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, as part of a private placement (i)	10th resolution	26 months 15/07/2020
Issue of ordinary shares and / or equity securities giving access to other securities and / or marketable securities giving access to equity securities to be issued by the Company or a related company, for the benefit of particular categories of persons(i)	14th resolution	18 months 15/11/2019
Authorisations granted to Management to set the issue price for capital increases without preferential subscription rights subject to a maximum of 10% of the share capital per year(i)	11th resolution	26 months 15/07/2020
Issue of ordinary shares that may be combined with securities giving access to the Company's share capital as remuneration for contributions in the form of securities(i)	13th resolution	26 months 15/07/2020
Issue of ordinary shares and / or equity securities giving access to other securities to be used to remunerate the securities contributed as part of a public exchange offer initiated by the Company(i)	15th resolution	26 months 15/07/2020
Global ceiling and other authorisations		
Setting aggregate nominal ceiling of authorisations to the Management at €50 million for increasing capital by share issues and at €200 million for marketable securities representing debt in the Company(i)	16th resolution	26 months 15/07/2020
Option of increasing the amount of an issue in case of oversubscription (i)	12th resolution	26 months 15/07/2020
Authorisations for the benefit of employees and senior management		
Increase in the capital reserved for members of an employee savings scheme (global ceiling of €100,000)(i)	18th resolution	26 months 15/07/2020
Bonus share plans(i)(ii)	19th resolution	38 months 15/07/2021
Stock option plans (share purchase)(i)(ii)	20th resolution	38 months 15/07/2021
Stock option plans (share subscription)(i)(ii)	21st resolution	38 months 15/07/2021
Share subscription warrants (BSA, BSAANE et BSAAR)(i)(ii)	22ndresolution	18 months 15/11/2019

(i) Authorisation sought and subject to the same conditions as the current delegation of the same description presented in the table in paragraph 7.4.1, above

(ii) Authorisation subject to a global ceiling of 65,000 shares, of which a maximum of 20,000 shares for the corporate officers

It should be noted that the delegations presented in the above table would rescind, if adopted by the General Shareholders' Meeting of 15 May 2018, to the delegations of the same description previously granted by the General Shareholders' Meeting and presented in paragraph 7.4.1, above.

7.5 Conditions of participation in the General Shareholders' Meeting

Except for the requirements set by applicable laws and regulations, there are no particular procedures relating to shareholder participation in General Meetings. Article 25 of the Company's Articles of Association state the following points:

Calling of meetings

General Meetings are called and take place in accordance with the provisions of the law. Notice of Meetings may be given electronically, provided that the shareholders have given their prior written consent. Meetings take place at the registered office or any other place indicated in the notice of Meeting.

Double voting rights

The Combined General Shareholders' Meeting of 5 June 2015, following the proposal by management and the recommendation by the Supervisory Board, voted to exclude double voting rights for Shareholders that have held their shares for more than two years, and modified article 25 of the Articles of Association by adding an article 25.6 entitled "Voting rights - votes", whereby:

"Subject to provisions of the law and articles of association, the voting right attaches to shares is in proportion to the share of capital they represent, and each share confers the right to one vote. In accordance with the option provided for by Article L. 225-123 of the French Commercial Code, no double voting rights will be granted to fully-paid shares that have been held in registered form for two years in the name of the same limited partner.

Voting by mail and videoconferencing

Voting by mail takes place in accordance with the provisions of the law and regulations.

Shareholders may attend and vote at all meetings by videoconferencing or any other electronic means that permits their identification in accordance with the law and regulations, except for the Ordinary General Meeting held to approve the financial statements.

Proxies

Any shareholder may participate in person or through an intermediary in the General Shareholders' Meetings, regardless of the number of shares they possess, upon proof of their identity and their ownership of the shares by registering their shares, in their name, or in the name of their registered intermediary, within the periods and conditions stipulated by law and regulations. However, Management may shorten or even do away with the periods stipulated by law, provided this is to the benefit of all shareholders. Legal entities may take part in General Meetings through their legal representatives or any other person duly appointed for this purpose by their legal representatives.

Chairman – office

General Meetings are chaired by the Manager or one of the Managers if there is more than one. If the Meeting is called by the Supervisory Board, it is chaired by the Chairman of the Supervisory Board or one of its members designated to that effect. Failing that, the Meeting elects its own Chairman.

Minutes of General Meetings are drawn up and copies certified and issued in accordance with the law.

7.6 Items that may have an impact in case of a take-over bid or public exchange offer

The information referred to under Article L.225-100-3 of the French Commercial is provided in Chapters 6 and 7 of this document, in paragraphs 6.2, 6.3 and 7.2 to 7.5

APPENDICES 8

8.1 Persons responsible for the registration document and the audit of the financial statements

8.1.1 Person responsible for the Registration Document

Altafi 2, Manager, represented by its Chairman, Alain Taravella.

8.1.2 Statement by the person responsible for the Registration Document

"I declare, after taking all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I declare that to the best of my knowledge, the financial statements were prepared in accordance with generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position, and earnings of the Company and all entities included within the Company's scope of consolidation. I also declare that to the best of my knowledge, the management report in paragraph 2 gives a true and fair view of the businesses, earnings, financial position, and primary risks and uncertainties of the Company and all entities included in the Company's scope of consolidation.

I have obtained a statement from the Statutory Auditors at the end of their engagement confirming that they have read this Registration Document in its entirety and reviewed the information it contains regarding the Company's financial position and financial statements".

Altafi 2
Manager
Represented by its Chairman
Alain Taravella

8.1.3 Persons responsible for the audit of the financial statements

Statutory Auditors(1)	Date of first appointment	Start date and duration of current term	Expiration of term
Full members			
Ernst & Young et Autres Tour First – 1, place des Saisons – 92400 Courbevoie Represented by Anne Herbein	2 June 2008	7 May 2014 6 financial years	GSM on the accounts for the financial year 2019
Grant Thornton(2) French member of Grant Thornton International 29, rue du Pont – 92200 Neuilly-sur-Seine Represented by Laurent Bouby entered into the rights of AACE Ile de France (as from 31/07/17) 29, rue du Pont – 92200 Neuilly-sur-Seine Represented by Laurent Bouby	2 June 2008	7 May 2014 6 financial years	GSM on the accounts for the financial year 2019
Alternates			
Auditex Tour First – 1, place des Saisons – 92400 Courbevoie	2 June 2008	7 May 2014 6 financial years	GSM on the accounts for the financial year 2019
Grant Thornton(2) 29, rue du Pont – 92200 Neuilly-sur-Seine	7 May 2014	7 May 2014 6 financial years	GSM on the accounts for the financial year 2019(2)

(1) The Company's Statutory Auditors are members of Compagnie Nationale des Commissaires aux Comptes.
(2) AACE Ile de France, official Statutory Auditors of the Company since 2 June 2008 was dissolved without liquidation and its assets were transferred to Grant Thornton on 31 July 2017. Consequently, the position of Statutory Auditors for AACE Ile de France is now held by Grant Thornton since 31 July 2017. The General Shareholders' Meeting called to approve the financial statements for the financial year 2017 will be asked (i) to note the changed legal circumstances of AACE Ile de France and the continuation as official Statutory Auditors of Grant Thornton and (ii) to note the termination of the office of alternate Statutory Auditors held by Grant Thornton, and consequent appointment of IGEC as the new alternate Statutory Auditors.

8.2 Documents on display

The following documents are available to the public in electronic or printed form, and can be obtained from the Company's registered office at 8, Avenue Delcassé – 75008 Paris, on working days and during office hours:

- the Company's most recent articles of association;
- all reports, letters and other documents, past financial data, and expert opinions or statements requested by the Company that are included or mentioned in this Registration Document;
- financial data for the Company and its subsidiaries for the two financial years prior to the year in which this Registration Document is published.

Furthermore, regulated information about the Company, including Registration Documents and the annual and half-yearly financial statements filed with the French financial markets authority (AMF) for the past ten financial years, is available and may be consulted on the Company's internet site htttp://www.altareit.com (*Finance* / *Regulated information* / *Publications*).

8.3 Cross-reference tables

8.3.1 Headings of Appendix 1 of European regulation No. 809/2004

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8.3.3 Management report to the General Shareholders' Meeting (Articles L.225-100-1, L.232-1 and L.233-26 of the French Commercial Code)

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Advisor and co-author: **Capitalcom**. Cover image: opening of the Place du Grand Ouest in Massy (Département 91) on 10 October 2017.
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