CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

CONTENTS

1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ millions)	Note	31/12/2016	31/12/2015
NON-CURRENT ASSETS		**628.2**	**498.8**
Intangible assets	7.1	238.7	182.6
o/w Goodwill		*139.6*	*113.0*
o/w Brands		*89.9*	*66.6*
o/w Client relations		*5.5*	*–*
o/w Other intangible assets		*3.6*	*3.0*
Property, plant and equipment		13.1	5.5
Investment properties		38.3	–
Securities and receivables in equity affiliates and unconsolidated interests	4.5	246.6	181.2
Loans and receivables (non-current)		6.7	4.0
Deferred tax assets	5.3	84.9	125.4
CURRENT ASSETS		**1,624.9**	**1,330.2**
Net inventories and work in progress	7.2	959.6	691.2
Trade and other receivables	7.2	386.0	277.3
Income tax credit		6.5	3.8
Loans and receivables (current)		12.7	8.2
Derivative financial instruments	8	7.0	14.2
Cash and cash equivalents	6.2	253.1	208.3
Assets held for sale and from the discontinued operation		–	127.2
TOTAL ASSETS		**2,253.2**	**1,829.0**
EQUITY		**415.5**	**378.7**
Equity attributable to Altareit SCA shareholders		**407.1**	**363.1**
Capital	6.1	2.6	2.6
Other paid-in capital		76.3	76.3
Reserves		288.7	289.7
Income associated with Altarea SCA shareholders		39.5	(5.5)
Equity attributable to minority shareholders of subsidiaries		**8.4**	**15.7**
Reserves associated with minority shareholders of subsidiaries		5.9	10.0
Income associated with minority shareholders of subsidiaries		2.5	5.7
NON-CURRENT LIABILITIES		**496.5**	**503.1**
Non-current borrowings and financial liabilities	6.2	480.5	489.8
o/w Borrowings from lending establishments		*480.3*	*489.8*
o/w Participating loans and advances from associates		*0.2*	*0.0*
Long-term provisions	6.3	15.0	12.6
Deposits and security interests received		1.0	0.6
Deferred tax liability	5.3	0.0	0.1
CURRENT LIABILITIES		**1,341.2**	**947.2**
Current borrowings and financial debt (less than one year)	6.2	450.7	190.3
o/w Borrowings from lending establishments		*204.7*	*76.9*
o/w Treasury notes		*138.3*	*20.5*
o/w Bank overdrafts		*2.0*	*2.3*
o/w Advances from Group shareholders and partners		*105.6*	*90.6*
Derivative financial instruments	8	0.0	0.0
Accounts payable and other operating liabilities	7.2	890.4	626.1
Tax due		0.0	0.0
Liabilities of discontinued operations		–	130.7
TOTAL LIABILITIES		**2,253.2**	**1,829.0**

2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ millions)	Note	31/12/2016	31/12/2015
Revenue		1 349.4	996.0
Cost of sales		(1,167.6)	(858.6)
Selling expenses		(61.9)	(44.8)
Net charge to provisions for current assets		(7.8)	(7.1)
Amortisation of customer relationships		(4.6)	–
NET PROPERTY INCOME	**5.1**	**107.4**	**85.4**
External services		7.5	7.2
Own work capitalised and production held in inventory		114.6	81.8
Personnel costs		(116.9)	(79.4)
Other overhead expenses		(51.0)	(30.2)
Depreciation expense on operating assets		(3.1)	(2.8)
NET OVERHEAD EXPENSES		**(48.9)**	**(23.3)**
Other income and expenses		(3.0)	(2.6)
Depreciation expenses		(0.8)	(0.6)
Transaction costs		(0.4)	(2.0)
OTHER		**(4.2)**	**(5.2)**
Change in value of investment properties		(0.0)	0.0
Net charge to provisions for risks and contingencies		(1.0)	(0.0)
Operating income before the share of net income of equity-method associates		**53.3**	**57.0**
Share in earnings of equity-method associates	4.5	31.4	16.6
Operating income after the share of net income of equity-method associates		**84.7**	**73.5**
Net borrowing costs	5.2	(11.8)	(6.0)
Financial expenses		(20.3)	(15.4)
Financial income		8.4	9.4
Change in value and income from disposal of financial instruments	5.2	(6.9)	(8.3)
Discounting of debt and receivables		(0.2)	–
Proceeds from the disposal of investments		0.0	4.7
Dividend		0.1	(0.0)
Profit (loss) before tax		**66.0**	**63.9**
Income tax	5.3	(26.2)	6.2
Net income from continuing operations		**39.8**	**70.1**
o/w Net income from continuing operations attributable to Altareit SCA shareholders		**37.3**	**64.4**
o/w Net income from continuing operations attributable to minority interests in subsidiaries		2.5	5.7
Net income from discontinued operations		**2.2**	**(69.9)**
o/w Net income from discontinued operations attributable to Altareit SCA shareholders		**2.2**	**(69.9)**
o/w Net income from discontinued operations attributable to minority interests in subsidiaries		–	0.0
Net income		**42.0**	**0.2**
o/w Net income attributable to Altareit SCA shareholders		**39.5**	**(5.5)**
o/w Net income attributable to minority interests in subsidiaries		2.5	5.7
Average number of non-diluted shares		1,748,274	1,748,201
Non-diluted net income from continuing operations attributable to shareholders of Altareit SCA per share (€)		21.32	36.82
Non-diluted net income from discontinued operations attributable to shareholders of Altareit SCA per share (€)		1.27	(39.99)
Net income attributable to shareholders of Altareit SCA per share (€)	**5.4**	**22.58**	**(3.17)**
Diluted average number of shares		1,748,274	1,748,201
Diluted net income from continuing operations attributable to shareholders of Altareit SCA per share (€)		21.32	36.82
Diluted net income from discontinued operations attributable to shareholders of Altareit SCA per share (€)		1.27	(39.99)
Diluted net income attributable to shareholders of Altareit SCA per share (€)	**5.4**	**22.58**	**(3.17)**

Other items of comprehensive income

(€ millions)	31/12/2016	31/12/2015
NET INCOME FROM CONTINUING OPERATIONS	**39.8**	**70.1**
Actuarial differences on defined-benefit pension plans	(0.2)	0.5
o/w Taxes	*0.1*	*(0.3)*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	(0.2)	0.5
OTHER ITEMS OF COMPREHENSIVE INCOME	**(0.2)**	**0.5**
COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS	**39.6**	**70.6**
o/w Net comprehensive income from continuing operations attributable to Altareit SCA shareholders	37.1	64.9
o/w Net comprehensive income from continuing operations attributable to minority interests in subsidiaries	2.5	5.7
NET INCOME FROM DISCONTINUED OPERATIONS	**2.2**	**(69.9)**
Actuarial differences on defined-benefit pension plans	–	0.1
o/w Taxes	*–*	*(0.1)*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	–	0.1
OTHER ITEMS OF COMPREHENSIVE INCOME	**–**	**0.1**
COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	**2.2**	**(69.8)**
o/w Net comprehensive income from discontinued operations attributable to Altarea SCA shareholders	2.2	(69.8)
o/w Net comprehensive income from discontinued operations attributable to minority interests in	–	0.0
NET INCOME	**42.0**	**0.2**
Actuarial differences on defined-benefit pension plans	(0.2)	0.6
o/w Taxes	*0.1*	*(0.3)*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	(0.2)	0.6
OTHER ITEMS OF COMPREHENSIVE INCOME	**(0.2)**	**0.6**
COMPREHENSIVE INCOME	**41.8**	**0.8**
o/w Net comprehensive income attributable to Altareit SCA shareholders	39.3	(4.9)
o/w Net comprehensive income attributable to minority interests in subsidiaries	2.5	5.7

3 CONSOLIDATED STATEMENT OF CASH FLOWS

(€ millions)	Note	31/12/2016	31/12/2015
Cash flow from operating activities			
Net income from continuing operations		**39.8**	**70.1**
Elimination of income tax expense (income)	5.3	26.2	(6.2)
Elimination of net interest expense (income)		11.8	6.0
Net income before tax and before net interest expense (income)		**77.8**	**69.9**
Elimination of share in earnings of equity-method subsidiaries	4.5	(31.4)	(16.6)
Elimination of depreciation and impairment		8.4	3.5
Elimination of value adjustments	5.2	7.1	8.3
Elimination of proceeds from disposals		0.2	(4.8)
Elimination of dividend income		(0.1)	0.0
Estimated income and expenses associated with share-based payments	6.1	7.1	0.8
Net cash flow from continuing operations		**68.9**	**61.2**
Tax paid		(4.9)	(0.1)
Impact of change in operational working capital requirement (WCR)	7.2	(93.5)	(75.7)
CASH FLOW FROM CONTINUING OPERATING ACTIVITIES		**(29.5)**	**(14.6)**
Cash flow from investment activities			
Net acquisitions of assets and capitalised expenditures		(5.2)	(2.4)
Gross investments in equity-method subsidiaries and non-consolidated investments		(13.2)	(37.4)
Acquisitions of consolidated companies, net of cash acquired	4.3	(81.3)	(0.0)
Other changes in Group structure		(0.0)	(0.0)
Increase in loans and advances		(17.0)	(4.9)
Sale of non-current assets and repayment of advances and down payments(1)		0.0	0.1
Disposals of holdings in equity-method subsidiaries and non-consolidated		16.9	14.6
Disposals of consolidated companies, net of cash transferred		(0.5)	4.5
Reduction in loans and other financial investments		5.7	3.4
Net change in investments and derivative financial instruments		0.3	(5.8)
Dividends received		27.3	8.4
Interest income		8.2	7.7
CASH FLOW FROM CONTINUING INVESTMENT ACTIVITIES		**(58.9)**	**(11.8)**
Cash flow from financing activities			
Capital increase		0.0	0.0
Dividends paid to Altareit SCA shareholders		(0.0)	(0.0)
Dividends paid to minority shareholders of subsidiaries		(9.6)	(2.9)
Issuance of debt and other financial liabilities	6.2	845.6	353.7
Repayment of borrowings and other financial liabilities	6.2	(682.0)	(311.4)
Net sales (purchases) of treasury shares	6.1	0.0	0.0
Net change in security deposits and guarantees received		0.1	0.2
Interest paid		(19.4)	(14.0)
CASH FLOW FROM CONTINUING FINANCING ACTIVITIES		**134.8**	**25.6**
Net cash flow for discontinued operation		(1.3)	(42.9)
Change in cash balance		**45.1**	**(43.7)**
Cash balance at the beginning of the year	**6.2**	**206.0**	**249.6**
Cash and cash equivalents		208.3	250.1
Bank overdrafts		(2.3)	(0.5)
Cash balance at period-end	**6.2**	**251.1**	**206.0**
Cash and cash equivalents		253.1	208.3
Bank overdrafts		(2.0)	(2.3)

4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ millions)	Capital	Additional paid-in capital	Reserves and retained earnings	Equity attributable to Altarea SCA shareholders	Equity attributable to minority shareholders of subsidiaries	Total equity
At 1 January 2015	**2.6**	**76.3**	**288.5**	**367.3**	**12.9**	**380.2**
Net income	–	–	*(5.5)*	***(5.5)***	*5.7*	***0.2***
Actuarial difference relating to pension obligations	–	–	*0.6*	***0.6***	–	***0.6***
Comprehensive income	–	–	(4.9)	**(4.9)**	5.7	**0.8**
Dividend distribution	–	–	*(0.0)*	***(0.0)***	*(2.9)*	***(2.9)***
Capital increase	–	*(0.0)*	*0.0*	***0.0***	*0.0*	***0.0***
Measurement of share-based payments	–	–	*0.6*	***0.6***	–	***0.6***
Effect of the repurchase of Altarea SCA shares (to be delivered to employees)	–	–	–	–	–	–
Elimination of treasury shares	–	–	*0.0*	***0.0***	–	***0.0***
Transactions with shareholders	–	(0.0)	0.7	**0.7**	(2.9)	**(2.3)**
Changes in ownership interests without taking or losing control of subsidiaries	–	–	(0.0)	**(0.0)**	(0.0)	**(0.0)**
Changes in ownership interests associated with taking or losing control of subsidiaries	–	0.0	–	**0.0**	–	**0.0**
Other	(0.0)	(0.0)	–	**(0.0)**	0.0	**0.0**
At 31 December 2015	**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***
Effect of the repurchase of Altarea SCA shares (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**
At 31 December 2016	**2.6**	**76.3**	**328.2**	**407.1**	**8.4**	**415.5**

5 CONSOLIDATED INCOME STATEMENT BY SEGMENT

(€ millions)	31/12/2016 Funds from operations (FFO)	31/12/2016 Changes in value, estimated expenses and transaction costs	31/12/2016 Total	31/12/2015 Funds from operations (FFO)	31/12/2015 Changes in value, estimated expenses and transaction costs	31/12/2015 Total
Revenue	1,066.5	–	1,066.5	881.8	–	881.8
Cost of sales and other expenses	(981.1)	(2.4)	(983.5)	(810.5)	–	(810.5)
Net property income	**85.4**	**(2.4)**	**83.0**	**71.3**	**–**	**71.3**
External services	1.1	–	1.1	(0.2)	–	(0.2)
Production held in inventory	98.2	–	98.2	69.0	–	69.0
Operating expenses	(134.4)	(6.9)	(141.3)	(93.2)	(1.1)	(94.2)
Net overhead expenses	**(35.2)**	**(6.9)**	**(42.1)**	**(24.4)**	**(1.1)**	**(25.4)**
Share of equity-method affiliates	**18.8**	**(2.0)**	**16.8**	**5.2**	**0.6**	**5.8**
Net allowances for depreciation and impairment	**–**	**(3.0)**	**(3.0)**	**–**	**(2.8)**	**(2.8)**
Transaction costs	**–**	**(0.3)**	**(0.3)**	**–**	**(1.5)**	**(1.5)**
NET RESIDENTIAL PROPERTY INCOME (LOSS)	**69.0**	**(14.6)**	**54.4**	**52.1**	**(4.8)**	**47.4**
Revenue	282.9	–	282.9	114.2	–	114.2
Cost of sales and other expenses	(256.3)	(2.2)	(258.5)	(100.0)	–	(100.0)
Net property income	**26.6**	**(2.2)**	**24.4**	**14.2**	**–**	**14.2**
External services	6.4	–	6.4	7.4	–	7.4
Production held in inventory	16.4	–	16.4	12.8	–	12.8
Operating expenses	(26.1)	(2.3)	(28.4)	(16.6)	(0.3)	(16.9)
Net overhead expenses	**(3.2)**	**(2.3)**	**(5.5)**	**3.6**	**(0.3)**	**3.4**
Share of equity-method affiliates	**9.5**	**(1.0)**	**8.6**	**8.9**	**0.1**	**9.0**
Net allowances for depreciation and impairment	**–**	**(0.7)**	**(0.7)**	**–**	**(0.0)**	**(0.0)**
Transaction costs	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
NET OFFICE PROPERTY INCOME (LOSS)	**33.0**	**(6.2)**	**26.8**	**26.7**	**(0.7)**	**26.0**
Operating expenses	(1.2)	–	(1.2)	0.7	(0.0)	0.7
Net overhead expenses	**(1.2)**	**–**	**(1.2)**	**0.7**	**(0.0)**	**0.7**
Share of equity-method affiliates	**9.5**	**(3.5)**	**6.0**	**8.8**	**(2.3)**	**6.6**
Net allowances for depreciation and impairment	**–**	**(1.2)**	**(1.2)**	**–**	**(0.6)**	**(0.6)**
NET DIVERSIFICATION INCOME	**8.3**	**(4.7)**	**3.6**	**9.5**	**(2.9)**	**6.7**
Other	**–**	**(0.1)**	**(0.1)**	**(1.7)**	**–**	**(1.7)**
OPERATING INCOME	**110.3**	**(25.6)**	**84.7**	**86.6**	**(8.3)**	**78.3**
Net borrowing costs	**(10.3)**	**(1.5)**	**(11.8)**	**(5.5)**	**(0.5)**	**(6.0)**
Discounting of debt and receivables	**–**	**(0.2)**	**(0.2)**	**–**	**–**	**–**
Change in value and income from disposal of financial instruments	**–**	**(6.9)**	**(6.9)**	**–**	**(8.3)**	**(8.3)**
Proceeds from the disposal of investments	**–**	**0.0**	**0.0**	**–**	**–**	**–**
Dividend per share	**0.1**	**–**	**0.1**	**(0.0)**	**–**	**(0.0)**
PROFIT BEFORE TAX	**100.1**	**(34.1)**	**66.0**	**81.1**	**(17.2)**	**63.9**
Corporate income tax	**(1.0)**	**(25.2)**	**(26.2)**	**(0.0)**	**6.2**	**6.2**
NET INCOME FROM CONTINUING OPERATIONS	**99.1**	**(59.3)**	**39.8**	**81.0**	**(11.0)**	**70.1**
Minority shares in continued operations	**(2.7)**	**0.2**	**(2.5)**	**(5.7)**	**(0.0)**	**(5.7)**
NET INCOME FROM CONTINUING OPERATIONS, Group share	**96.4**	**(59.1)**	**37.3**	**75.4**	**(11.0)**	**64.4**
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**–**	**2.2**	**2.2**	**–**	**(69.9)**	**(69.9)**
Minority shares in discontinued operations	**–**	**–**	**–**	**–**	**0.0**	**0.0**
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, Group share	**–**	**2.2**	**2.2**	**–**	**(69.9)**	**(69.9)**
NET INCOME (LOSS)	**99.1**	**(57.1)**	**42.0**	**81.0**	**(80.9)**	**0.2**
Non-controlling interests	**(2.7)**	**0.2**	**(2.5)**	**(5.7)**	**(0.0)**	**(5.7)**
NET INCOME, Group share	**96.4**	**(56.9)**	**39.5**	**75.4**	**(80.9)**	**(5.5)**
Diluted average number of shares	*1,748,274*	*1,748,274*	*1,748,274*	*1,748,201*	*1,748,201*	*1,748,201*
NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS, Group share	**55.14**	**(33.82)**	**21.32**	**43.11**	**(6.28)**	**36.82**
NET EARNINGS PER SHARE (€/SHARE), Group share	**55.14**	**(32.55)**	**22.58**	**43.11**	**(46.28)**	**(3.17)**

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

6 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 Residential and Office Development, which controls 100% of Cogedim and Pitch Promotion.

Altareit is 99.86% owned by Altarea, whose shares are listed on 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 2016 were approved by Management on 22 February 2017, after having been reviewed by the Audit Committee and the Supervisory Board.

NOTE 2 Accounting principles and methods

2.1 ACCOUNTING STANDARDS APPLIED BY THE GROUP

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 2016 and available at:

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

The accounting principles adopted on 31 December 2016 are the same as those used for the consolidated financial statements at 31 December 2015, with the exception of changes to the standards and interpretations adopted by the European Union applicable at 1 January 2016, and without material impact on the Group's financial statements.

The information for the year ended 31 December 2015, presented in the Registration Document filed with the AMF on 24 March 2016 under number D16-0201, is incorporated by reference.

Standards, interpretations and amendments applicable as from the year commencing 1 January 2016:

- **Amendments to IAS 1, "Presentation of financial statements**"- Disclosure initiative, Information to be provided
- **Amendments to IFRS 11** - Accounting for acquisitions of interests in joint operations
- **Amendments to IAS 16 and IAS 38** - Clarification of acceptable methods of amortisation
- **Amendments to IAS 16 and IAS 41** - Agriculture - Bearer plants
- **Annual improvements to IFRS (2012-2014)** - (issued by the IASB on 25 September 2014)
- **Amendments to IAS 27** - Using the equity method in separate financial statements
- **Amendments to IFRS 10, IFRS 12 and IAS 28** - Investment Entities - Application of consolidation exception

Accounting standards and interpretations applied in advance on 31 December 2016 and mandatory for periods commencing on or after 1 January 2017

None.

Accounting standards and interpretations in effect at 1 January 2017 and mandatory after 31 December 2016

- **IFRS 15** – Revenue from contracts with customers

  Analysis is underway specifically with regard to development activities whose revenue is recognised based on the percentage of completion method described at § 2.3.18.b)

- **IFRS 9** – Financial instruments (phase 1: classification and assessment of financial assets and liabilities) and subsequent amendments;

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

- **IFRS 16** – Rental agreements

  The agreements were identified and are currently in review.

- **Amendments to IAS 7** – Disclosure initiative, information to be provided
- **Amendments to IAS 12** - Recognition of deferred tax assets for unrealised losses
- **Annual improvements to IFRS (2014-2016)**
- **Amendments to IAS 40** – Investment properties
- **Amendments to IFRS 2** – Classification and measurement of share-based payments.
- **IFRS 14 – Regulatory deferral accounts**
- **Amendments to IFRS 4** – Implementation of IFRS 9 and IFRS 4

  Amendments to IFRS 15 – Clarifications

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 on 26 February 2016 (see Notes 2.3.8, "Re-measurement of non-current assets (other than financial assets and investment properties) and impairment losses", and 7.2, "Intangible assets and goodwill").

Measurements of other assets and liabilities

- measurement of investment properties (see Notes 2.3.6 "Investment properties" and 7.1 "Investment properties");
- measurement of inventories (see Note 2.3.9 "Inventories");
- measurement of deferred tax assets (see Notes 2.3.17 "Taxes" and 5.3 "Corporate income tax"); it should be noted that the Group applied the rate reduction scheduled by the Finance Law 2017 to its consolidated financial statements at 31 December 2016;
- measurement of share-based payments (see Note 6.1 "Equity");
- measurement of financial instruments (see Note 8 "Management of financial risks").

Operating income estimates

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

Non-current assets held for sale and discontinued operations

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

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.

To assess control as defined by IFRS 10, the Company has developed a framework for analysing the governance of entities with which the company has relations, particularly where there exist joint arrangements governed by broad contractual terms such as Articles of Association, shareholders' agreements, etc. It also takes into account the facts 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 associates" line item in the income statement. These investments are presented in the balance sheet under "Securities and receivables on equity-method associates 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 IFRS 1, Altarea has chosen not to restate business combinations that occurred prior to 1 January 2004.

Business combinations are recognised using the acquisition method described in IFRS 3 as revised: when the Group acquires control of an entity and consolidates it for the first time, the identifiable assets and liabilities, including contingent liabilities, are recognised at fair value on the acquisition date. Intangible assets are specifically identified whenever they are separable from the acquired entity or result from legal or contractual rights. Under IFRS 3, 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 may be measured either at fair value or at the proportionate share of the acquiree'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.

According to revised IFRS 3, the purchase or sale of shares in an entity controlled by the same party or parties both before and after the transactions are deemed to be transactions between shareholders and are recognised in equity: they have no impact on goodwill or the income statement. 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.

Main elements of goodwill result from controlling interests acquired in Cogedim in 2007 and in the Pitch Promotion property developer on 26 February 2016.

Goodwill that results from controlling interests acquired in Cogedim in 2007 and Pitch in 2016 is allocated to CGUs (cash generating units - the programmes) corresponding to the Residential and Office Property operating segments. The principal evidence of impairment for Property Development, Residential and Office Property development sectors are a slower absorption rate for programmes or a contraction in margin levels combined with a decline in new business (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 Property 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 mainly offices.

In accordance with IAS 40, Altarea 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 equipments 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:

a. estimated cash flows (before tax) are derived from business plans generally covering five-year periods drawn up by Group management;
b. the discount rate determined on the basis of a weighted average cost of capital;
c. 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)

Altarea 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 associates are classified in the balance sheet under "Securities and receivables on equity-method associates 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, term deposits 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. The initial effective interest rates were 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. Changes in the fair value of these derivative financial instruments are recognised in the income statement if the requirements for hedge accounting are not met.
- 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 Altarea vis-à-vis its bank counterparties and the risk of its counterparties vis-à-vis Altarea (Credit Value Adjustment/Debit Value Adjustment). Altarea 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, free share grants and company savings plans.

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

In accordance with the provisions of IFRS 2, share-based payments to corporate officers and employees of Altarea 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 staff cost, with a corresponding increase in equity on the balance sheet if the plan has to be settled in equity instruments, or decrease in equity if the plan must be settled in cash.

The staff cost representing the benefit conferred (corresponding to the fair value of the services rendered by the employees) is valued at the option grant date by an actuary firm using the binomial Cox-Ross-Rubinstein mathematical model on the basis of 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 Altarea 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.

At 31 December 2016, dilution derived from rights to free shares granted to employees or corporate officers of the Group.

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."

a) 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 earned 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 *(Eurozone)* with maturity of more than 10 years. The Group selects the Iboxx rate which stands at 1.46%;
- 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 9% 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 2008 French Social Security Financing Act (voluntary retirement beyond 65) did not have a material impact on the amount of the obligation.

b) 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.

c) Other long-term benefits

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

d) Severance pay

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

e) 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 Altarea Group and third parties or from rent guarantees granted to shopping centre buyers.

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 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 balance sheet date and reduced if it is no longer probable that sufficient future taxable profits will be available to permit utilization of all or part of the deferred tax assets. Deferred tax assets are reassessed at each balance sheet date and are recognized 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 realized or the liability settled, on the basis of known tax rates at the balance sheet date.

Taxes on items recognized directly in equity are also recognized 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.

✓ **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 Residential and Office Property sectors.

For **Property Development activities**, net property income is recognised in the 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 operations" 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 transactions 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 transactions in 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.

✓ **Net overhead expenses**

The "Net overhead expenses" line item 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, rental management fees (syndicate agent, co-ownership management), and fees for marketing and other services (additional work borne by acquirers), internal management fees (after elimination of inter-company profit margins) - see note on investment properties or inventories).

- 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.

- Other

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 Leases

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 or property assets under development and construction, during the construction phase of the asset, except in certain cases.

The cost of net financial debt includes interest incurred on borrowings including the amortisation of issuance expenses, 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)

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 includes separate financial information.

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

a) a Funds from operations (FFO[1]);

b) changes in value (unrealised or realised), 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.

- “Residential”: residential property development;
- “Office”: Office property development and investor services.
- “Diversification”: hotel business and management of Rungis National Interest Market trought 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*

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 joint ventures or affiliates: the share in income of equity 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

Current taxes excluding deferred taxes and excluding current taxes related to changes in value (exit tax, etc.) and dividend distributions.

Minority interests line

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

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 other than investment properties, 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 and current taxes related to changes in value and distribution of dividends (exit tax, etc.).

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 31 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**

At 31 December 2015

(€ millions)	Residential	Office	Diversification	Total
Operating assets and liabilities				
Intangible assets	173.6	9.0	0.0	**182.6**
Property, plant and equipment	3.5	0.0	2.0	**5.5**
Investment properties	–	–	–	**–**
Securities and receivables in equity affiliates and unconsolidated interests	62.5	45.3	73.5	**181.2**
Operational working capital requirement	304.3	38.5	(0.6)	**342.2**
Total operating assets and liabilities	**543.9**	**92.8**	**74.9**	**711.6**

3.2 CONSOLIDATED INCOME STATEMENT BY OPERATING SEGMENT

See consolidated income statement by segment in the financial statements.

3.3 RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OF THE CONSOLIDATED INCOME STATEMENT BY SEGMENT

	31/12/2016			31/12/2015		
(€ 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	1,349.4	–	1,349.4	996.0	–	996.0
Cost of sales	(1,167.6)	–	(1,167.6)	(858.6)	–	(858.6)
Selling expenses	(61.9)	–	(61.9)	(44.8)	–	(44.8)
Net charge to provisions for current assets	(7.8)	–	(7.8)	(7.1)	–	(7.1)
Amortisation of customer relationships	–	(4.6)	(4.6)	–	–	–
NET PROPERTY INCOME	**112.0**	**(4.6)**	**107.4**	**85.4**	**–**	**85.4**
External services	7.5	–	7.5	7.2	–	7.2
Own work capitalized and production held in inventory	114.6	–	114.6	81.8	–	81.8
Personnel costs	(107.7)	(9.2)	(116.9)	(78.0)	(1.4)	(79.4)
Other overhead expenses	(51.0)	–	(51.0)	(30.2)	–	(30.2)
Depreciation expense on operating assets	–	(3.1)	(3.1)	–	(2.8)	(2.8)
NET OVERHEAD EXPENSES	**(36.6)**	**(12.3)**	**(48.9)**	**(19.2)**	**(4.1)**	**(23.3)**
Other income and expense	(3.0)	–	(3.0)	(2.6)	(0.0)	(2.6)
Depreciation expenses	–	(0.8)	(0.8)	–	(0.6)	(0.6)
Transaction costs	–	(0.4)	(0.4)	–	(2.0)	(2.0)
OTHER	**(3.0)**	**(1.2)**	**(4.2)**	**(2.6)**	**(2.6)**	**(5.2)**
Net impairment losses on other non-current assets	–	(0.0)	(0.0)	–	0.0	0.0
Net charge to provisions for risks and contingencies	–	(1.0)	(1.0)	–	(0.0)	(0.0)
Operating income before the share of net income of equity-method associates	**72.4**	**(19.2)**	**53.3**	**63.7**	**(6.7)**	**57.0**
Share in earnings of equity-method associates	37.8	(6.4)	31.4	18.2	(1.6)	16.6
Operating income after the share of net income of equity-method associates	**110.3**	**(25.6)**	**84.7**	**81.9**	**(8.3)**	**73.5**
Net borrowing costs	(10.3)	(1.5)	(11.8)	(5.5)	(0.5)	(6.0)
Financial expenses	(18.8)	(1.5)	(20.3)	(14.8)	(0.5)	(15.4)
Financial income	8.4	–	8.4	9.4	–	9.4
Change in value and income from disposal of financial instruments	–	(6.9)	(6.9)	–	(8.3)	(8.3)
Discounting of debt and receivables	–	(0.2)	(0.2)	–	–	–
Proceeds from the disposal of investments	–	0.0	0.0	4.7	–	4.7
Dividend per share	0.1	–	0.1	(0.0)	–	(0.0)
PROFIT BEFORE TAX	**100.1**	**(34.1)**	**66.0**	**81.1**	**(17.2)**	**63.9**
Income tax	(1.0)	(25.2)	(26.2)	(0.0)	6.2	6.2
Tax due	(1.0)	–	(1.0)	(0.0)	–	(0.0)
Deferred tax	–	(25.2)	(25.2)	–	6.2	6.2
Net income from continuing operations	**99.1**	**(59.3)**	**39.8**	**81.1**	**(11.0)**	**70.1**
o/w Income from continuing operations attributable to Altareit SCA shareholders	**96.4**	**(59.1)**	**37.3**	**75.4**	**(11.0)**	**64.4**
o/w Income from continuing operations attributable to minority interests in subsidiaries	2.7	(0.2)	2.5	5.7	0.0	5.7
Net income from discontinued operations	**–**	**2.2**	**2.2**	**–**	**(69.9)**	**(69.9)**
o/w Income from discontinued operations attributable to Altareit SCA shareholders	**–**	**2.2**	**2.2**	**–**	**(69.9)**	**(69.9)**
o/w Income from discontinued operations attributable to minority interests in subsidiaries	–	–	–	–	(0.0)	(0.0)
Net income	**99.1**	**(57.1)**	**42.0**	**81.1**	**(80.9)**	**0.2**
o/w Net income attributable to Altareit SCA shareholders	**96.4**	**(56.9)**	**39.5**	**75.4**	**(80.9)**	**(5.5)**
o/w Net income attributable to minority interests in subsidiaries	2.7	(0.2)	2.5	5.7	0.0	5.7
Average number of non-diluted shares	1,748,274	1,748,274	1,748,274	1,748,201	1,748,201	1,748,201
Non-diluted net income per share from continuing operations attributable to shareholders of Altareit SCA (€)	55.14	(33.82)	21.31	43.11	(6.28)	36.82
Non-diluted net income per share from discontinued operations attributable to shareholders of Altareit SCA (€)	–	1.27	1.27	–	(39.99)	(39.99)
Net income per share attributable to shareholders of Altareit SCA (€)	**55.14**	**(32.55)**	**22.58**	**43.11**	**(46.28)**	**(3.17)**
Diluted average number of shares	1,748,274	1,748,274	1,748,274	1,748,201	1,748,201	1,748,201
Diluted net income per share from continuing operations attributable to shareholders of Altareit SCA (€)	55.14	(33.82)	21.31	43.11	(6.28)	36.82
Diluted net income per share from discontinued operations attributable to shareholders of Altareit SCA (€)	–	1.27	1.27	–	(39.99)	(39.99)
Diluted net income per share attributable to shareholders of Altareit SCA (€)	**55.14**	**(32.55)**	**22.58**	**43.11**	**(46.28)**	**(3.17)**

3.4 REVENUE BY GEOGRAPHICAL REGION AND OPERATING SEGMENT

In 2016, one customer represented more than 10% of the revenue of Altarea Cogedim Group, for total revenue of €176 million and €140 million in the Residential and Office Property segments respectively.

	31/12/2016			31/12/2015		
(€ millions)	France	Other	Total	France	Other	Total
Revenue	1,066.5	–	1,066.5	881.8	–	881.8
External services	1.1	–	1.1	(0.2)	–	(0.2)
RESIDENTIAL	**1,067.6**	**–**	**1,067.6**	**881.6**	**–**	**881.6**
Revenue	282.9	–	282.9	114.2	–	114.2
External services	5.9	0.5	6.4	6.8	0.6	7.4
OFFICE	**288.8**	**0.5**	**289.3**	**121.0**	**0.6**	**121.6**
Total revenues	**1,356.4**	**0.5**	**1,356.9**	**1,002.6**	**0.6**	**1,003.2**

NOTE 4 Major events and changes in the scope of consolidation

4.1 MAJOR EVENTS

Pitch Promotion acquisition

On 26 February 2016, Altarea Cogedim acquired 100% of the capital of the Pitch Promotion property developer. Pitch Promotion has been consolidated since that date in the Group's financial statements.

Development

Boosted by a favourable environment, property development experienced very strong growth, in Residential in particular (+61% to €2,286 million corresponding to 10,011 units). Excluding Pitch (acquired in February 2016), the number of units sold was 8,372, up 39%[2].

.

Mixed-use projects

Large mixed-use projects have in common the development of complex real estate projects combining housing, shops, offices, with public and leisure facilities (resorts, cultural spaces, sports, etc.). In recent years, the Group has become the undisputed leader in this area by providing cities with an integrated real estate solution, thanks to its multi-product expertise. In 2016, the Group further strengthened its position by winning three major projects (Issy Cœur de ville, Bordeaux Belvédère[3] and Bobigny-La Place) for a total floor area of 340,000 m².

The list of large urban projects in assembly or production now stands at 10 operations for an area of approximately 700,000 m², with potential revenue of more than €2.1 billion[4].

[2] New orders from Pitch Promotion were recognised from 1 January 2016.

[3] The Group is involved on a 50% basis in this co-promoted project.
[4] In Group share.

4.2 SCOPE

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

			31/12/2016			31/12/2015		
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%
On line Retail								
RUE DU COMMERCE SAS	422797720		NI	0.0%	0.0%	FC	100.0%	100.0%
Residential								
ALBATROS SNC	803307354	affiliate	EM	46.2%	46.2%	EM	46.2%	46.2%
ALTA FAUBOURG SAS	444560874		FC	100.0%	100.0%	FC	100.0%	100.0%
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%
Altarea Cogedim ZAC VLS (SNC)	811910447		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%
MASSY GRAND OUEST SNC - AF050	793338146		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%
PITCH PROMOTION SNC	422989715		FC	100.0%	100.0%	NI	0.0%	0.0%
SCCV DOMAINE PARISIS T1	798065959	affiliate	EM	50.0%	50.0%	NI	0.0%	0.0%
SCCV PETITE REPUBLIQUE	803204874	affiliate	EM	49.0%	49.0%	NI	0.0%	0.0%
SCCV SPIRITO VERDE LOGEMENT	793990193	affiliate	EM	51.0%	51.0%	NI	0.0%	0.0%
SNC 91 BIS CHERCHE MIDI	791262223	affiliate	EM	50.0%	50.0%	NI	0.0%	0.0%
SNC CARRE BLANC	801838244	affiliate	EM	30.0%	30.0%	NI	0.0%	0.0%
SCCV ANNEMASSE FOSSARD	803779438		FC	80.0%	100.0%	FC	80.0%	100.0%
SNC BORDEAUX FAURE DURAND INFLUENCE	803042118	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
SCCV BOULOGNE VAUTHIER	533782546		FC	51.0%	100.0%	FC	51.0%	100.0%
SCCV ROSSO	538357492		FC	70.0%	100.0%	FC	70.0%	100.0%
SNC COGEDIM PROVENCE	442739413		FC	100.0%	100.0%	FC	100.0%	100.0%
COGEDIM SAS	54500814		FC	100.0%	100.0%	FC	100.0%	100.0%
SCCV CONFLANS FOCH	802774810		FC	60.0%	100.0%	FC	60.0%	100.0%
SCCV MAISON ALFORT SANGNIER	791796543	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
SCCV NANTERRE PRIVINCES FRANCAISES LOT A3	793491812	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
SCCV PANTIN MEHUL	807671656		FC	51.0%	100.0%	FC	51.0%	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 GRAND LYON	300795358		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 LANGUEDOC ROUSSILLON	532818085		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 MIDI-PYRENEES	447553207		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 COGEDIM SAVOIES-LEMAN	348145541		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC COGEDIM VENTE	309021277		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 GESTION	380375097		FC	100.0%	100.0%	FC	100.0%	100.0%
SNC ST GENIS - RUE DARCIEUX	793115908		FC	100.0%	100.0%	FC	100.0%	100.0%
SCCV VITRY 82	793287392		FC	75.0%	100.0%	FC	75.0%	100.0%
Offices								
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 4 (SCI)	798601936	affiliate	EM	8.4%	8.4%	EM	8.4%	8.4%
PASCALPROPCO (SAS)	437929813	affiliate	EM	15.1%	15.1%	EM	15.1%	15.1%
SCCV 15 GERLAND	522391382	affiliate	EM	50.0%	50.0%	NI	0.0%	0.0%
SNC ATHENES CLICHY	808359558		FC	99.9%	100.0%	NI	0.0%	0.0%
SNC EUROMED CENTER	504704248	joint venture	EM	50.0%	50.0%	EM	50.0%	50.0%
SCCV SILOPARK	799237722	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%
SNC COGEDIM ENTREPRISE	424932903		FC	100.0%	100.0%	FC	100.0%	100.0%

4.3 CHANGES IN THE SCOPE OF CONSOLIDATION

In number of companies	31/12/2015	Acquisition	Creation	Sale	Absorption, dissolution, deconsolidation	Change in consolidation method	31/12/2016
Fully consolidated subsidiaries	211	27	30	(2)	(13)	2	255
Joint ventures*	77	1	6		(9)	(2)	73
Affiliates*	41	55	10		(3)		103
Total	**329**	**83**	**46**	**(2)**	**(25)**	**–**	**431**

* Entities consolidated under the equity method

The scope of consolidation primarily relates to the acquisition of the Pitch Promotion Group on 26 February 2016.

The main withdrawal from the scope of consolidation is the disposal of the Rue du Commerce company.

Statement of net acquisitions of consolidated companies, net of cash acquired

Over the financial year, this relates to the acquisition of Pitch Promotion Group.

In € million	31/12/2016	31/12/2015
Investments in consolidated securities	(116.7)	(0.0)
Cash of acquired companies	35.5	–
TOTAL	**(81.3)**	**(0.0)**

4.4 BUSINESS COMBINATIONS AND GOODWILL

On 26 February 2016, through its subsidiary Pitch Promotion SAS (formerly Alta Favart), Altareit acquired 200,177 shares representing the capital of the Pitch Promotion company. Upon signing the share sale agreement, the Group holds 100% of the Pitch Promotion property developer which works both in housing and in commercial property and is present in Greater Paris and in major regional cities.

Le prix d'acquisition (déterminé conformément aux principes décrits au § 2.3.3 des principes et méthodes comptables) s'élève à 127,0 millions d'euros.

The acquisition price (determined in accordance with the principles set out in § 2.3.3 of the accounting principles and methods section) amounted to €127.0 million.

In accordance with IFRS 3 "Business Combinations", the valuation at fair value of the company's acquired assets and assumed liabilities led to the recognition, gross of deferred tax, of the brand at €23.3 million, customer relationships at €10.1 million, bond issues and financial instruments at fair value. Once these adjustments were recognised in the statement of financial position on the date of acquisition, goodwill of €26.6 million, determined by the comprehensive goodwill method, was recognised.

Contingent liabilities were identified and recognised.

.

The fair value of identifiable assets and liabilities and the corresponding book values were as follows on the date of acquisition:

(€ millions)	Fair Value	Book Value
Brand	23.3	–
Customer relationships	10.1	–
Other non-current assets	74.0	74.7
Current assets	240.6	240.6
Cash assets	33.5	33.5
Total assets	**381.5**	**348.8**
Non-current liabilities and bond issues	68.0	61.5
Deferred taxes on brand and customer relationships	11.5	–
Current liabilities (including contingent liabilities)	201.5	200.5
Cash liabilities	0.1	0.1
Total liabilities	**281.1**	**262.0**
Net assets	**100.4**	**86.8**
Goodwill allocated, calculated at 100%	26.6	–
Equity value at takeover date	**127.0**	**86.8**
Group share of direct minority shareholders in Pitch Promotion	–	–
Net assets acquired	**127.0**	**86.8**

In accordance with IFRS, adjustments to these valuations may be made within 12 months after acquisition, leading to a corresponding adjustment to recognised goodwill and its allocation. As such, the identification and valuation of temporarily acquired assets and liabilities at 30 June 2016 were adjusted at 31 December 2016. The goodwill shown above is final and has been allocated to the Group's business segments.

The integrated Group contributed €225.9 million to Group revenues (contribution over 10 months).

4.5 SECURITIES AND RECEIVABLES IN EQUITY AFFILIATES AND UNCONSOLIDATED INTERESTS

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

4.5.1 Equity-accounting value of joint ventures and affiliated companies and related receivables

(€ millions)	31/12/2016	31/12/2015
Equity-accounting value of joint ventures	**18.1**	21.9
Equity-accounting value of affiliated companies	**116.0**	101.4
Value of stake in equity-method affiliates	**134.0**	**123.2**
Non-consolidated securities	**0.7**	**0.2**
Receivables from joint ventures	**26.8**	30.9
Receivables from affiliated companies	**85.1**	26.8
Receivables from equity-method subsidiaries and non-consolidated interests	**111.9**	**57.7**
Total Securities and receivables in equity affiliates and unconsolidated interests	**246.6**	**181.2**

4.5.2 Principal balance sheet and income statement items of joint ventures and affiliated companies

(€ millions)	*Joint ventures*	*Affiliates*	31/12/2016	*Joint ventures*	*Affiliates*	31/12/2015
Balance sheet items, Group share:						
Non-current assets	3.9	181.0	184.9	2.5	153.2	155.7
Current assets	154.0	290.1	444.1	162.9	109.7	272.6
Total assets	**157.9**	**471.1**	**629.0**	**165.4**	**262.9**	**428.3**
Non-current liabilities	16.4	95.8	112.2	11.7	68.7	80.4
Current liabilities	123.4	259.4	382.7	131.8	92.9	224.7
Total liabilities	**139.8**	**355.2**	**495.0**	**143.5**	**161.6**	**305.1**
Net assets (equity-accounting basis)	**18.1**	**116.0**	**134.0**	**21.9**	**101.4**	**123.2**
Share of income statement items, Group share:						
Operating income	**13.9**	**25.8**	**39.8**	**10.1**	**10.0**	**20.1**
Net borrowing costs	(0.1)	(1.5)	(1.6)	(0.0)	(0.8)	(0.9)
Proceeds from the disposal of investments	–	0.0	0.0	–	(0.2)	(0.2)
Dividend per share	–	0.5	0.5	–	0.5	0.5
Net income before tax	**13.9**	**24.8**	**38.6**	**10.1**	**9.5**	**19.6**
Corporate income tax	(2.6)	(4.6)	(7.2)	(0.5)	(2.5)	(3.0)
Net income after tax, Group share:	**11.3**	**20.2**	**31.4**	**9.6**	**7.0**	**16.6**
Non-Group profit or loss	–	(0.0)	(0.0)	–	0.0	0.0
Net income, Group share	11.3	20.2	31.4	9.6	7.0	16.6

Group revenues from joint ventures amounted to €4.7 million at 31 December 2016, compared to €1.7 million at 30 June 2016 and €9.8 million at 31 December 2015.

Group revenues from affiliates amounted to €12.1 million at 31 December 2016, compared to €4.3 million at 30 June 2016 and €2.9 million at 31 December 2015.

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

Commitments given

Cogedim Résidences Services undertook to pay rent in connection with the leasing of the Résidences Services Cogedim Club ®. 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 €20.7 million.

NOTE 5 Income

5.1 NET PROPERTY INCOME

At 31 December 2016, Altarea Cogedim Group's net property income stood at €107.4 million compared to €85.4 million at 31 December 2015. The growth of €22 million is led by Residential and Office Property segment. This can be explained by the initial results of Development's excellent operational performance in 2015 and 2016 and the contribution of Pitch Promotion, consolidated since 26 February 2016 in the financial statements.

5.2 COST OF NET FINANCIAL DEBT AND OTHER FINANCIAL ITEMS

5.2.1 Cost of net financial debt

(€ millions)	31/12/2016	31/12/2015
Bond and bank interest expenses	(21.7)	(16.4)
Interest on partners' advances	(0.0)	(0.4)
Interest rate on hedging instruments	(0.0)	(0.1)
Non-use fees	(0.5)	(0.3)
Other financial expenses	(2.6)	(1.7)
Capitalised interest expenses	6.0	4.0
FFO financial expenses	**(18.8)**	**(14.8)**
Net proceeds from the sale of marketable securities	0.0	0.1
Interest on partners' advances	1.8	1.5
Other interest income	0.1	0.1
Interest income on bank current accounts	–	–
Interest rate on hedging instruments	6.5	7.7
FFO financial income	**8.4**	**9.4**
FFO NET BORROWING COSTS	**(10.3)**	**(5.5)**
Spreading of bond issue costs(1)	(1.5)	(0.5)
Estimated financial expenses	**(1.5)**	**(0.5)**
Other interest income	–	–
Estimated financial income	**–**	**–**
NET BORROWING COSTS	**(11.8)**	**(6.0)**

(1) Spreading of bond issue costs in accordance with IAS 32 and IAS 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 (Residential and Office Property 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 income from financial instruments

Changes in value of financial instruments and proceeds from their disposal resulted in a net expense of €-6.9 million at 31 December 2016 compared to a net expense of €-8.3 million at 31 December 2015. This figure reflects the aggregate changes in value of interest-rate economic hedging instruments used by the Group and balancing cash payments and premiums paid to restructure several hedging instruments.

5.2.3 Net income from discontinued operations

At 31 December 2015, the Group identified an operation held for sale under IFRS 5 – "Non-current assets held for sale and discontinued operations", the online retail operation of the Rue du Commerce subsidiary, which was sold on 1 January 2016. A protocol agreement was signed between Carrefour and the Group during H1 2016, ending all ongoing discussions and closing the sale. On this basis, the Group achieves a gain of €2.2 million.

5.3 INCOME TAX

Analysis of tax expense

Tax expense is analysed as follows:

(€ millions)	31/12/2016	31/12/2015
Tax due	**(1.0)**	**(0.0)**
Tax loss carryforwards and/or use of deferred losses	(23.5)	(8.7)
Valuation differences	6.5	0.0
Fair value of hedging instruments	0.9	0.9
Net property income on a percentage-of-completion basis	(7.2)	12.8
Other timing differences	(2.0)	1.3
Deferred tax	**(25.2)**	**6.2**
Total tax income (expense)	**(26.2)**	**6.2**

Effective tax rate

(€ millions)	31/12/2016	31/12/2015
Pre-tax profit of consolidated companies (excluding discontinued operations)	**34.5**	**47.3**
Group tax savings (expense)	**(26.2)**	**6.2**
Effective tax rate	**(75.84)%**	**13.10%**
Tax rate in France	34.43%	34.43%
Theoretical tax charge	**(11.9)**	**(16.3)**
Difference between theoretical and effective tax charge	**(14.3)**	**22.5**
Differences related to treatment of losses	(13.3)	28.8
Other permanent differences and rate differences	(1.0)	(6.3)

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)	Au 31/12/2016	Au 31/12/2015
Tax loss carryforwards	130.1	153.7
Valuation differences	(27.9)	(22.9)
Fair value of investment properties	–	–
Fair value of financial instruments	(1.0)	(3.5)
Net property income on a percentage-of-completion basis	(16.6)	2.4
Other timing differences	0.2	(4.4)
Net deferred tax on the balance sheet	**84.8**	**125.3**

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

Deferred taxes are calculated (for French companies which are part of the Group's main consolidation scope) at the rate of 34,43%, as currently applicable in France. The 2017 Finance Act provides for a decrease in the rate of the corporate income tax, which would be set to 28.92% as of 1 January 2019 for the Altareit Group; accordingly, a discount was applied to the tax calculated based on the items the Group does not expect to be cleared before this date, i.e. Cogedim and Pitch brands (deferred tax liability) on the one hand, and a fraction of the equity loss carry-forwards that was not consumed 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)	31/12/2016	31/12/2015
Numerator		
Net income from continuing operations, Group share	37,3	64,4
Net income from discontinued operations, Group share	2,2	(69,9)
Net income, Group share	39,5	(5,5)
Denominator		
Weighted average number of shares before dilution	1 748 274	1 748 201
Effect of potentially dilutive shares		
Stock options		
Rights to free share grants		
Total potential dilutive effect	–	–
Weighted diluted average number of shares	1 748 274	1 748 201
Basic net income per share attributable to Group shareholders from continuing operations (in €)	**21,32**	**36,82**
Basic net income per share attributable to Group shareholders from discontinued operations (in €)	1,27	(39,99)
Basic net income per share attributable to Group shareholders (in €)	**22,58**	**(3,17)**
Diluted net income per share attributable to Group shareholders from continuing operations (in €)	**21,32**	**36,82**
Diluted net income per share attributable to Group shareholders from discontinued operations (in €)	1,27	(39,99)
Diluted net income per share attributable to Group shareholders (in €)	**22,58**	**(3,17)**

NOTE 6 **Liabilities**

6.1 EQUITY

6.1.1 Share capital, share-based payments and treasury shares

CAPITAL (en €)

(number of shares and in €)	Number of shares	Nominal	Share capital
Number of shares outstanding at 31 December 2014	**1,750,487**	**1.50**	**2,626,731 (*)**
No change in 2015			
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 (*)**

(*) : 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

Les paiements en actions sont des transactions fondées sur la valeur des titres de la société Altarea SCA, société cotée qui contrôle Altareit ; le règlement peut se faire en instruments de capitaux propres ou en trésorerie, toutefois les plans portant sur le titre Altarea SCA seront réglés exclusivement en actions.

The gross cost recorded on the income statement for share-based payments was (€10.2) million in 2016, compared to (€0.8) million in 2015.

Stock grant awards

Award date	Number of rights awarded	Vesting date	Rights in issue at 31/12/2015	Awarded	Delivery	Rights cancelled(*)	Rights in issue at 31/12/2016
Stock grant plans on shares							
18 February 2013	48,600	18 February 2016	30,992		(29,890)	(1,102)	–
01 February 2016	22,765	01 February 2017	–	22,765		(2,140)	20,625
08 February 2016	20,914	08 February 2017	–	20,914		(1,175)	19,739
25 February 2016	10,700	25 February 2017	–	10,700		(1,250)	9,450
31 March 2016	18,550	31 March 2018	–	18,550		,(950)	17,600
07 April 2016	5,390	07 April 2017	–	5,390		,(10)	5,380
15 April 2016	5,225	15 April 2017	–	5,225		,(185)	5,040
25 July 2016	4,160	25 July 2017	–	4,160		,(125)	4,035
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,(**)	11 April 2019	–	3,500		–	3,500
14 December 2016	21,585,(**)	10 April 2019	–	21,585		,(200)	21,385
15 December 2016	19,170	01 February 2018	–	19,170		–	19,170
16 December 2016	23,079	01 February 2018	–	23,079		–	23,079
Total	**208,972**		**30,992**	**160,372**	**(29,890)**	**(7,137)**	**154,337**

(*): Rights cancelled for reasons of departure, lack of certainty that performance criteria have been met or changes in plan terms
(**): Plans subject to performance criteria for 60% and 50% of the rights awarded, respectively.

TREASURY SHARES

The acquisition cost of treasury shares was €30 thousand at 31 December 2016 for 162 shares compared with €50 thousand at 31 December 2015 for 302 shares.

Treasury shares are eliminated and offset directly in equity.

In addition, a net loss on disposal and/or free share grants of treasury shares to Company employees was recognised directly in equity in the amount of +€6.5 thousand before tax at 31 December 2016 (€4.4 thousand after tax) compared with €8.4 thousand at 31 December 2015 (€5.5 thousand before tax).

The negative impact on cash flow from purchases and disposals over the period came to €26.9 thousand at 31 December 2016 compared to -€6.0 thousand at 31 December 2015.

6.1.2 Dividends proposed and paid

No dividend was distributed over 2016.

No distribution of dividend shall be proposed at the General shareholders' meeting over the 2016 accounts which is planned for May 11, 2017.

6.2 NET FINANCIAL DEBT AND GUARANTEES

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

	31/12/2015	Cash flow	"Non cash" change				31/12/2016
			Spreading of issue costs	Change in scope of consolidation	Present value adjustment	Other impacts	
Bonds (excluding accrued interest)	–	(34.0)	–	34.0	–	–	–
Treasury bills	20.5	117.8	–	–	–	–	**138.3**
Bank borrowings, excluding accrued interest and overdrafts	562.1	57.3	1.5	58.9	–	–	679.8
Net bond and bank debt, excluding accrued interest and overdrafts	**582.6**	**141.2**	**1.5**	**92.9**	**–**	**–**	**818.1**
Accrued interest on bond and bank borrowings	4.6	(0.6)	–	1.2	–	–	5.2
Bond and bank debt, excluding overdrafts	**587.2**	**140.6**	**1.5**	**94.1**	**–**	**–**	**823.3**
Cash and cash equivalents	(208.3)	(9.8)	–	(35.0)	–	–	(253.1)
Bank overdrafts	2.3	(0.4)	–	0.1	–	–	2.0
Net cash	**(206.0)**	**(10.2)**	**–**	**(35.0)**	**–**	**–**	**(251.1)**
Net bond and bank debt	**381.2**	**130.4**	**1.5**	**59.1**	**–**	**–**	**572.2**
Equity loans and shareholders' advances(*)	90.7	22.4	–	(7.3)	–	–	105.8
Accrued interest on shareholders' advances	–	–	–	–	–	–	–
Net financial debt	**471.8**	**152.9**	**1.5**	**51.8**	**–**	**–**	**678.0**

Bank loans, excluding accrued interest and bank overdrafts, consist of:

- borrowings from credit institutions amounting to € 419.3 million compared with € 420.1 million at December 31, 2015,

- bank financing of Promotion operations for € 253.9 million compared with € 141.9 million as of December 31, 2015.

The current account with Altarea SCA amounted to €45.2million at December 31, 2016 versus €70.2 million at December 31, 2015.

The change in scope of consolidation mainly corresponds to the consolidation of Pitch Promotion financing, which the Group took control of on 26 February 2016. Part of this debt was repaid during the year.

Cost of debt is analysed in the "income" note.

Net Cash

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

The amounts shown in relation to the change in scope of consolidation mainly concern the controlling interest acquired in property developer Pitch Promotion.

Breakdown of bank and bond debt by maturity

(€ millions)	31/12/2016	31/12/2015
< 3 months	129.9	13.2
3 to 6 months	136.7	56.1
6 to 9 months	24.6	9.7
9 to 12 months	53.9	20.7
Less than 1 year	**345.0**	**99.7**
2 years	140.6	219.8
3 years	51.9	25.7
4 years	247.6	233.8
5 years	26.9	0.9
1 to 5 years	**467.0**	**480.2**
More than 5 years	**15.9**	**11.6**
Issuance cost to be amortised	(2.6)	(2.0)
Total gross bond and bank debt	**825.3**	**589.5**

The increase in the portion under one year of the bond and bank debt is attributable to the treasury bills schedule and the maturing of Corporate bond and bank loans.

Breakdown of bank and bond debt by guarantee

(€ millions)	31/12/2016	31/12/2015
Mortgages	249.6	144.2
Mortgage commitments	27.0	19.9
Moneylender lien	6.5	–
Pledging of receivables	235.0	200.0
Pledging of securities	159.0	200.0
Altarea SCA security deposit	150.8	27.4
Total	**827.9**	**591.5**
Issuance cost to be amortised	(2.6)	(2.0)
Total gross bond and bank debt	**825.3**	**589.5**

Mortgages are given as guarantees for financing or refinancing of shopping centres. Mortgage commitments and the lender's lien mainly concern Property Development activities. 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 2016	725.3	100.0	825.3
At 31 December 2015	489.5	100.0	589.5

The market value of fixed rate debt stood at €99.5 million at 31 December 2016 compared to €98.5 million at 31 December 2015.

Schedule of future interest expenses

(€ millions)	31/12/2016	31/12/2015
< 3 months	7.1	1.1
3 to 6 months	1.8	0.9
6 to 9 months	2.3	0.7
9 to 12 months	2.2	0.7
Less than 1 year	**13.5**	**3.4**
2 years	7.2	4.4
3 years	5.6	5.4
4 years	5.1	2.9
5 years	0.4	–
1 to 5 years	**18.3**	**12.7**

These future interest expenses concern borrowings and financial instruments.

6.3 PROVISIONS

(€ millions)	31/12/2016	31/12/2015
Provision for benefits payable at retirement	6.5	6.5
Other provisions	8.5	6.1
Total provisions	**15.0**	**12.6**

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. "Employee benefits". The main assumptions used when evaluating this commitment are turnover, the discount rate and the rate of salary increase: a change of +/- 0.50% in the last two criteria would not have any significant impacts.

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 INTANGIBLE ASSETS AND GOODWILL

(€ millions)	Gross	Amortisation and/or impairment	31/12/2016	31/12/2015
Goodwill	**383,3**	**(243,7)**	**139,6**	**113,0**
Brands	**89,9**	**–**	**89,9**	**66,6**
Customer relationships	**191,7**	**(186,2)**	**5,5**	**–**
Software	15,0	(11,6)	3,4	2,6
Leasehold Right	2,2	(2,2)	0,1	0,2
Other	0,2	(0,0)	0,2	0,2
Other intangible assets	**17,4**	**(13,8)**	**3,6**	**3,0**
Total	**682,3**	**(443,7)**	**238,7**	**182,6**

(€ millions)	31/12/2016	31/12/2015
Net values at beginning of the period	**182.6**	**224.3**
Acquisition of intangible assets	1.8	1.1
Disposals and write-offs	(0.0)	(0.1)
Change in scope of consolidation and other*	60.1	(41.4)
Net allowances for depreciation	(5.9)	(1.2)
Net values at the end of the period	**238.7**	**182.6**

** Impact of the application of IFRS 5 "Non-current assets held for sale and discontinued operations" for the disposal of Rue du Commerce in 2015*

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 net amount of customer relationships relates to the social relations pertaining to the acquisition of property developer Pitch Promotion and can be amortised on a straight-line basis as of the vesting date, i.e. 26 February 2016. At 31 December, they were subject to an amortisation in the amount of €4.6 million.

Goodwill resulting from the acquisition of Cogedim and Pitch Promotion

The monitoring of business indicators for the Residential and Office Property 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 2016. On the basis of these assumptions, the fair value determined of the economic assets in the Residential and Office Property segments as calculated do not require recognition of impairment.

Goodwill recognised in the acquisition of Cogedim and Pitch Promotion thus remains unchanged at €139.6 million at 31 December 2016.

Brands

Cogedim and Pitch Promotion brands were assessed individually and as part of the Residential and Office Property CGUs. No impairment was to be recognised at 31 December 2016.

7.2 OPERATIONAL WORKING CAPITAL REQUIREMENT

Summary of components of operational working capital requirement

(€ millions)	31/12/2016	31/12/2015	Flows	
			Created by the business	Changes in scope of consolidation and other
Net inventories and work in progress	**959.6**	**691.2**	**138.5**	**130.0**
Net trade receivables	137.3	95.3	28.1	14.0
Other operating receivables - net	248.6	181.8	15.6	51.2
Trade and other operating receivables - net	**385.9**	**277.1**	**43.7**	**65.1**
Trade payables	(395.5)	(299.5)	(45.0)	(51.0)
Other operating payables	(484.4)	(326.6)	(43.7)	(114.2)
Trade payables and other operating payables	**(879.9)**	**(626.0)**	**(88.7)**	**(165.2)**
Operational working capital requirement	**465.6**	**342.2**	**93.5**	**29.8**

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

7.2.1 Inventories and work in progress

(€ millions)	Gross inventories	Impairment	Net inventories
At 1 January 2015	**617.1**	**(6.0)**	**611.1**
Change	121.0	–	121.0
Increases	–	(0.6)	(0.6)
Reversals	0.1	0.1	0.1
Transfers to or from other categories	(0.0)	–	(0.0)
Change in scope of consolidation	(41.2)	0.8	(40.4)
At 31 December 2015	**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
At 31 December 2016	**963.4**	**(3.8)**	**959.6**

**Impact of the application of IFRS 5 "Non-current assets held for sale and discontinued operations" for the disposal of Rue du Commerce.*

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.

7.2.2 Trade and other receivables

(€ millions)	31/12/2016	31/12/2015
Gross trade receivables	**138.0**	**95.9**
Opening impairment	**(0.6)**	**(5.8)**
Increases	(0.1)	(0.0)
Reversals	(0.0)	0.2
Reclassification of the operation held for sale	0.0	5.2
Closing impairment	**(0.7)**	**(0.6)**
Net trade receivables	**137.3**	**95.3**
Advances and down payments paid	30.0	29.6
VAT receivables	150.4	123.0
Sundry debtors	45.9	17.7
Prepaid expenses	26.5	15.5
Total other operating receivables - gross	**252.8**	**185.8**
Opening impairment	**(4.1)**	**(3.7)**
Increases	(0.3)	(0.9)
Reversals	0.1	0.6
Closing impairment	**(4.3)**	**(4.1)**
Net operating receivables	**248.6**	**181.8**
Trade receivables and other operating receivables	**385.9**	**277.1**
Receivables on sale of assets	0.2	0.2
Trade receivables and other operating receivables	**386.0**	**277.3**

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.

Breakdown of trade receivables due:

(€ millions)	31/12/2016
Total gross trade receivables	**138.0**
Impairment of trade receivables	(0.7)
Total net trade receivables	**137.3**
Trade accounts to be invoiced	(5.8)
Receivables lagging completion	58.6
Trade accounts receivable due	**190.1**

(€ millions)	Total	On time	30 days	60 days	90 days	More than 90 days
Trade accounts receivable due	**190.1**	168.2	1.3	10.5	2.4	7.6

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.

Land advances are provisioned in the amount of €3.4 million.

7.2.3 Accounts payable and other operating liabilities

(€ millions)	31/12/2016	31/12/2015
Trade payables and related accounts	395.5	299.5
Trade payables and related accounts	**395.5**	**299.5**
Advances and down payments received from clients	322.9	220.6
VAT collected	59.9	40.3
Other tax and social security payables	36.8	27.0
Prepaid income	2.4	0.5
Other payables	62.5	38.2
Other operating payables	**484.4**	**326.6**
Amounts due on non-current assets	10.6	0.0
Accounts payable and other operating liabilities	**890.4**	**626.1**

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 risk management

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

8.1 CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY CATEGORY IN ACCORDANCE WITH IAS 39

At 31 December 2016

			Financial assets and liabilities carried at amortised		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 profit and loss	*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 quoted 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 31 December 2015

(€ millions)	Total carrying amount	Non-financial assets	Financial assets and liabilities carried at		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 profit and loss	*Level 1**	*Level 2***	*Level 3****
NON-CURRENT ASSETS	**185.3**	**123.5**	**61.8**	**–**	**–**	**–**	**–**	**–**	**–**
Securities and investments in equity affiliates and unconsolidated interests	181.2	123.5	57.7	–	–	–	–	–	–
Loans and receivables (non-current)	4.0	–	4.0	–	–	–	–	–	–
CURRENT ASSETS	**508.0**	**–**	**416.6**	**–**	**–**	**91.4**	**77.2**	**14.2**	**–**
Trade and other receivables	277.3	–	277.3	–	–	–	–	–	–
Loans and receivables (current)	8.2	–	8.2	–	–	–	–	–	–
Derivative financial instruments	14.2	–	–	–	–	14.2	–	14.2	–
Cash and cash equivalents	208.3	–	131.1	–	–	77.2	77.2	–	–
NON-CURRENT LIABILITIES	**490.4**	**–**	**–**	**490.4**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	489.8	–	–	489.8	–	–	–	–	–
Deposits and security interests received	0.6	–	–	0.6	–	–	–	–	–
CURRENT LIABILITIES	**816.4**	**–**	**–**	**816.4**	**–**	**0.0**	**–**	**0.0**	**–**
Borrowings and financial liabilities	190.3	–	–	190.3	–	–	–	–	–
Derivative financial instruments	0.0	–	–	–	–	0.0	–	0.0	–
Accounts payable and other operating liabilities	626.1	–	–	626.1	–	–	–	–	–
Amount due to shareholders	–	–	–	–	–	–	–	–	–

** Financial instruments quoted 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

Altareit holds a portfolio of swaps, caps and collars designed to protect against interest rate risk on its floating rate debts.

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

Derivatives are carried at fair value.

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. The resulting impact is neutral on net income for the period.

Position in derivative financial instruments

(€ millions)	31/12/2016	31/12/2015
Interest-rate swaps	2.9	10.2
Interest-rate collars	–	(0.0)
Accrued interest not yet due	4.0	4.1
Premiums and balancing cash	–	–
Total	**6.9**	**14.2**

Derivatives were valued by discounting future cash flows estimated according to interest rate curves at 31 December 2016.

Maturity schedule of derivative financial instruments (notional amounts)

At 31 December 2016

	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	–	–	–	–	–	–
ALTAREAIT – 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%

At 31 December 2015

	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
ALTAREIT pay fixed – swap	100.0	100.0	–	-	-	-
ALTAREIT pay fixed – collar	50.0	–	–	-	-	-
ALTAREAIT – pay fixed – cap	–	–	-	-	-	-
Total	**150.0**	**100.0**	**–**	**–**	**–**	**–**
Average hedge ratio	0.48%	0.10%	0.00%	0.00%	0.00%	0.00%

Management position

At 31 December 2016

	déc.-2016	déc.-2017	déc.-2018	déc.-2019	déc.-2020	déc.-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)**

At 31 December 2015

	déc.-2015	déc.-2016	déc.-2017	déc.-2018	déc.-2019	déc.-2020
Fixed-rate bond and bank loans	(104.1)	(104.1)	–	–	–	–
Floating-rate bank loans	(485.4)	(385.7)	(270.0)	(244.3)	(10.5)	(9.6)
Cash and cash equivalents (assets)	208.3	–	–	–	–	–
Net position before hedging	**(381.2)**	**(489.8)**	**(270.0)**	**(244.3)**	**(10.5)**	**(9.6)**
Swap	100.0	100.0	–	–	–	–
Collar	50.0	–	–	–	–	–
Cap	–	–	–	–	–	–
Total derivative financial instruments	**150.0**	**100.0**	**–**	**–**	**–**	**–**
Net position after hedging	**(231.2)**	**(389.8)**	**(270.0)**	**(244.3)**	**(10.5)**	**(9.6)**

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 financial instruments
31/12/2016	+50 bps -50 bps	-€1.9 million +€1.1 million	+€0.0 million -€0.0 million
31/12/2015	+50 bps -50 bps	-€1.9 million +€2.0 millions	-€0.1 million +€0.1million

8.3 LIQUIDITY RISK

CASH

The Group had a positive cash position of €235.1 million at 31 December 2016, compared to €208.3 million at 31 December 2015. This represents its main tool for management of liquidity risk.

Part of this cash is classified as restricted for the Group, but is available for those subsidiaries that carry it: at 31 December 2016, the amount of this restricted cash was €144.8 million.

On this date, in addition to the available cash of €108.3 million, the Group also had €131.7 million of additional available cash and cash equivalents (in confirmed corporate credit lines that had not been used and were not assigned to projects).

COVENANTS

The covenants (financial ratios) with which the Group must comply concern the listed Corporate bond and banking credits, for €394 million, including the €235 million banking credit subscribed by Cogedim SAS.

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

	Altarea Group covenants	31/12/16	Consolidated Cogedim covenants	31/12/16
Loan To Value (LTV)				
Net bond and bank financial debt/re-assessed value of the Company's assets	< 60%	37.2%		
Interest Cover Ration (ICR)				
Operating income (FFO column or cash flow from operations)/Company's net borrowing cost (FFO column)	> 2	7.4		
Leverage				
Leverage: Net financial Debt/EBITDA			<= 5	3.5
Gearing: Net financial debt/Equity			<= 3	0.7
ICR: EBITDA/Net interest expenses			>= 2	6.8

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	31/12/2016 % share capital	31/12/2016 % voting rights	31/12/2015 % share capital	31/12/2015 % voting rights
Altarea	99.63	99.64	99.63	99.65
Altarea France	0.11	0.11	0.11	0.11
Alta Faubourg	0.11	0.11	0.11	0.11
Altarea group controlling	*99.85*	*99.86*	*99.85*	*99.87*
Treasury shares	0.01	–	0.02	–
Public	0.14	0.14	0.13	0.13
Total	**100.0**	**100.0**	**100.0**	**100.0**

Related party transactions

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

The main related parties retained by Altareit are:

- 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, represented by Mr Alain Taravella;
  - JN Holding, represented by Mr Jacques Nicolet.

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 Altareit 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 €151 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.

(€ millions)	Altafi 2	Altarea and its subsidiaries	31/12/2016	31/12/2015
Operating profit	**0.1**	**6.5**	**6.5**	**7.2**
Operating expenses	**(0.6)**	**(15.9)**	**(16.5)**	**(11.6)**
OPERATING INCOME	**(0.5)**	**(9.5)**	**(10.0)**	**(4.3)**
Net borrowing costs	–	**(2.3)**	(2.3)	(1.9)
NET INCOME	**(0.5)**	**(11.7)**	**(12.3)**	**(6.2)**

(€ millions)	Altafi 2	Altarea and its subsidiaries		31/12/2016	31/12/2015
NON CURRENT ASSETS	–	0.1		0.1	0.1
CURRENT ASSETS	0.0	2.1		2.1	4.1
TOTAL ASSETS	0.0	2.3		2.3	4.2
EQUITY	–	–		–	–
CUURENT LIABILITIES	–	51.7	(a)	51.7	89.8
TOTAL LIABILITIES	–	51.7		51.7	89.8

(a) Mainly current account between Altareit and Altarea SCA

Management compensation

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)	31/12/2016	31/12/2015
Fixed Management compensation	0.6	0.5
TOTAL	0.6	0.5

Compensation of the Group's senior executives

(€ millions)	31/12/2016	31/12/2015
Gross salaries*	1.5	2.3
Social security contributions	0.5	1.1
Share-based payments**	0.9	0.1
Number of shares delivered during the period	3,000	9,000
Post-employment benefits***	0.0	0.0
Other short- or long-term benefits and compensation****	0.0	0.0
Termination indemnities*****	–	–
20% employer contribution for free share grants	0.2	–
Loans		–
Post-employment benefit commitment	0.0	0.4

** Fixed and variable compensation; variable compensation corresponds to performance-related pay*
*** Charge calculated in accordance with IFRS 2*
**** Pension service cost according to IAS 19, life insurance and medical care*
***** Benefits in kind, directors' fees and other compensation vested but payable in the future*
****** Post-employment benefits, including social security costs*

In number of rights in circulation	31/12/2016	31/12/2015
Rights to Altarea SCA's free share grants	15,388	3,000
Altarea share subscription warrants	–	–
Stock options on Altarea shares	–	–

NOTE 10 Group commitments and contigent liabilities

10.1 OFF-BALANCE SHEET COMMITMENTS

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

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

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

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

All other material commitments are set out below :

(€ millions)	31/12/2015	31/12/2016	Less than 1 year	1 to 5 years	More than 5 years
Commitments received					
Commitments received relating to financing (excl. borrowings)	**–**	**–**	**–**	**–**	**–**
Commitments received relating to company acquisitions	**4.6**	**4.5**	**2.2**	**–**	**2.3**
Commitments received relating to operating activities	**54.7**	**25.1**	**20.8**	**4.3**	**–**
Payment guarantees received from customers	54.7	25.1	20.8	4.3	–
Total	**59.3**	**29.7**	**23.0**	**4.3**	**2.3**
Commitments given					
Commitments given relating to financing (excl. borrowings)	**–**	**–**	**–**	**–**	**–**
Commitments given relating to company acquisitions	**114.9**	**110.3**	**8.9**	**101.5**	**–**
Commitments given relating to operating activities	**520.3**	**789.9**	**219.6**	**570.2**	**0.2**
Construction work completion guarantees (given)	418.8	704.9	177.9	527.0	–
Guarantees given on forward payments for assets	48.0	6.6	5.1	1.6	–
Guarantees for loss of use	39.2	64.3	30.9	33.2	0.2
Other sureties and guarantees granted	14.3	14.1	5.7	8.4	–
Total	**635.3**	**900.3**	**228.4**	**671.6**	**0.2**

Commitments received

COMMITMENTS RECEIVED RELATING TO ACQUISITIONS/DISPOSALS

Altarea 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 operations.

- **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 €100.6 million (including a firm commitment for €43.3 million and €57.2 million unused).

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 has granted indemnification commitments or earnout in case of disposals of investments relate to the Group's consolidated subsidiaries. Following the disposal of Rue du Commerce, representations and warranties were given for €6 million to the buyer Carrefour.

COMMITMENTS GIVEN RELATING TO OPERATING ACTIVITIES

- **Construction work completion guarantees**

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

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

- **Guarantees on forward payments for assets**

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

- **Compensation 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

In the normal course of its Development business, the Group has to make reciprocal commitments to ensure the ownership of future operations.The Group signs bilateral sales agreements with landowners: the owner undertakes 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).

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

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

Minimum future rents to be paid

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

	31/12/2016	31/12/2015
Less than 1 year	13.9	10.9
Between 1 and 5 years	14.2	14.5
More than 5 years	0.3	0.3
Guaranteed minimum rent	**28.4**	**25.7**

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 CONTIGENT 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 2016 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 5.2 “Corporate income tax” or 6.3 “Provisions”).

It should be noted that, on 29 May 2015, Coresi and Jemmape, Property Development division subsidiaries, received proposed adjustments for a tax base amount of €85 million. Following the departmental negotiation that took place on 19 May 2016, both companies received a full rebate notification by post on 26 May. These litigations are closed, as the administration recognised the validity of the arguments put forward by the companies. During the second half, ongoing control procedures on other companies ended with no adjustment for the Group.

NOTE 11 Post-closing events

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

.