ALTAREIT

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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1 Consolidated statement of comprehensive income

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

OTHER ITEMS OF COMPREHENSIVE INCOME

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

2 Consolidated statement of financial position

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

3 Consolidated statement of cash flows

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

4 Consolidated statement of changes in equity

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

5 Consolidated income statement by segment

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

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

6 Notes to the consolidated financial statements

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NOTE 1 INFORMATION CONCERNING THE COMPANY

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

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

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

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

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

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Accounting standards applied by the Company

The accounting principles adopted for preparation of the annual consolidated financial statements are in line with IFRS standards and interpretations from the IASB, as adopted by the European Union at 31 December 2017 and available at: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

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

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

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

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

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

None.

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

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

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

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

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

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

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

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

- **IFRS 9 – Financial instruments**

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

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

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

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

- IAS 40 – Transfers of Investment Property

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

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

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

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

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

2.2 Use of estimates

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

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

Measurement of intangible assets not subject to amortisation

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

Measurements of other assets and liabilities

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

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

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

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

Operating income estimates

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

Non-current assets held for sale and discontinued operations

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

2.3 Accounting principles and methods of the Company

2.3.1 Equity investments of the Company and consolidation methods

For consolidation, the following standards apply:

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

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

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

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

Exclusively controlled entities

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

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

Entities subject to joint control

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

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

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

Entities subject to significant influence

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

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

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

Investments in associates are presented in accordance with IFRS 12.

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

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

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

2.3.3 Business combinations and goodwill

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

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

Goodwill:

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

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

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

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

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

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

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

2.3.4 Intangible assets

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

In accordance with IAS 38,

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

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

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

2.3.5 Property. plant and equipment

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

2.3.6 Investment properties

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

The investment properties held by the Group are primarily offices.

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

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

2.3.7 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

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

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

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

The basic principles of the DCF method are:

• estimated cash flows (before tax) are derived from business plans generally covering five-year periods drawn up by Group management;

• the discount rate determined on the basis of a weighted average cost of capital;

• terminal value is calculated as the sum to infinity of the discounted cash flows, which are determined on the basis of a normalised cash flow and a growth rate for the business line concerned. This assumed growth rate must be consistent with the growth potential of the markets in which the activity is conducted, as well as with the entity's competitive position in those markets.

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

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

Sensitivity tables are created for all impairment tests carried out.

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

2.3.9 Inventories

Inventories relate to:

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

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

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

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

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

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

2.3.10 Trade and other receivables

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

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

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

These receivables are classified in the balance sheet into:

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

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

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

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

1. Measurement and recognition of financial assets

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

2. Measurement and recognition of financial liabilities

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

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

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

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

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

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

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

2.3.12 Total equity

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

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

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

2.3.13 Share-based payments

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

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

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

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

2.3.14 Earnings per share

a. 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.

b. Diluted earnings per share (in €)

Diluted earnings per share is calculated using the share repurchase method. Under this method, the funds received from the exercise of warrants or options are assumed to be applied first to repurchasing own shares at the market price.

The market price is taken to be the volume-weighted average of average monthly prices of Altareit shares.

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

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

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

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

2.3.15 Employee benefits

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

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 acquired by the employee) × (probability that the entity will pay the benefits) × (discounting to present value) × (payroll tax coefficient) × (length of service to date/ length of service at retirement)

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

- discount rate: Rate of return on AA-rated corporate bonds *(euro zone)* with maturities of more than 10 years. The Group uses the Iboxx rate which stands at 1.21%;
- mortality table: Women's Table (TF) and Men's Table (TH) 2000-2002;
- reason for departure: depending on local laws and for France, voluntary retirement on the date of eligibility for full pension benefits;

- turnover: annual average turnover observed over the last 3 years, standing at between 4% and 8% depending on branch and age group;
- long-term salary adjustment rate (including inflation): 2.2%.

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

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

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

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 Group and third parties.

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

2.3.17 Corporate Income Tax

Income taxes are recognised in accordance with IAS 12.

The Group is subject to the ordinary rules of taxation;

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

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

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

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

2.3.18 Revenue and revenue-related expenses

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

a. Net property income

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

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

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

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

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

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

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

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

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

b. Net overhead expenses

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

Income

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

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.

c. Other income and expenses

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

2.3.19 Lease

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

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

2.3.20 Borrowing costs or costs of interest-bearing liabilities

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

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

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

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

2.3.21 Discounting of payables and receivables

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

2.3.22 Cash flow statement

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

2.3.23 Operating segments

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

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

- funds from operations (FFO[1]);
- changes in value, estimated expenses, and transaction costs.

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

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

The Company has the following operating segments:

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

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

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

1. Funds from operations (FFO)

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

Operating income line

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

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

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

Net borrowing costs line

Net borrowing costs excluding estimated expenses defined below.

Tax line

Tax due for the period excluding deferred tax.

Minority interests line

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

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

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

The relevant indicator for monitoring value is the Net Income.

Operating income line

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

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

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

[1] *Funds From Operations*

Borrowing costs line

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

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

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

Tax line

Deferred tax recognised for the period.

Minority interests line

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

NOTE 3 INFORMATION ON OPERATING SEGMENTS

3.1 Balance sheet items by operating segment

At 31th December 2017

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

As at 31th December 2016

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

3.2 Consolidated income statement by operating segment

See consolidated income statement by segment in the financial statements.

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

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

3.4 Revenue by geographical region and operating segment

By geographical region

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

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

NOTE 4 MAJOR EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 Major events

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

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

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

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

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

In 2017 Altareit delivered "Place du Grand Ouest", the new heart of the town of Massy. This project is a perfect illustration of the Group's know-how in creating a coherent and sustainable urban complex combining shops, public facilities and services for users and residents. The biggest development project in the Paris Region[2] (100,000 m².) and built from scratch in two years and a half.

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

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

Office: plenty of big name business in the pipeline

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

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

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

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

4.2 Consolidation scope

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

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

4.3 Changes in consolidation scope

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

* Companies accounted for using the equity method

Detail of net acquisitions of consolidated companies, net of cash

The Pitch Promotion group was acquired during 2016.

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

4.4 Securities and investments in equity affiliates and unconsolidated interests

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

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

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

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

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

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

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

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

Engagements donnés

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

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

NOTE 5 **INCOME**

5.1 Operating income

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

5.2 Cost of net financial debt and other financial items

5.2.1 Cost of net financial debt

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

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

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

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

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

5.2.2 Impact of result of financial instruments

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

5.3 Income tax

Analysis of tax expense

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

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

Effective tax rate

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

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

Deferred tax assets and liabilities

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

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

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

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

5.4 Earnings per share

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

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

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

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

NOTE 6 LIABILITIES

6.1 Total equity

6.1.1 Capital, share-based payments and treasury shares

Capital (in €)

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

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

Capital management

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

Share based payments

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

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

Free share grants

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

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

Treasury shares

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

Treasury shares are eliminated and offset directly in equity.

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

6.1.2 Dividends proposed and paid

No dividend was distributed over 2017.

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

6.2 Net financial debt and guarantees

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

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

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

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

During the financial year, the Group notably:

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

All financing was not fully drawn at 31 December 2017

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

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

Borrowing costs are analysed in the note on earnings.

Net cash

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

Breakdown of bank and bond debt by maturity

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

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

Breakdown of bank and bond debt by guarantee

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

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

Breakdown of bank and bond debt by interest rate

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

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

Schedule of future interest expenses

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

These future interest expenses concern borrowings and financial instruments.

6.3 Provisions

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

Provision for benefits payable at retirement was measured, as in previous financial years, by an external actuary. Valuation and accounting principles are detailed in the accounting principles and methods of the Company, § 2.3.15. The main assumptions used when evaluating this commitment are turnover, the discount rate and the rate of salary increase: a change of +/- 0.25% in the last two criteria would not have any significant impact.

Other provisions primarily cover:

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

NOTE 7 ASSETS AND IMPAIRMENT TESTS

7.1 Goodwill and other intangible assets

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

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

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

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

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

Goodwill from the acquisition of Cogedim and Pitch Promotion and Trademarks

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

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

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

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

7.2 Investment properties

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

7.3 Operational working capital requirement

Summary of components of operational working capital requirement

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

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

7.3.1 Inventories and work in progress

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

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

7.3.2 Trade and other receivables

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

Trade receivables

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

Detail of trade receivables due:

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

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

Advances and down payments paid

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

7.3.3 Accounts payable and other operating liabilities

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

Advances and down payments received from clients

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

NOTE 8 FINANCIAL RISKS MANAGEMENT

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

8.1 Carrying amount of financial instruments by category under IAS 39

At 31th December 2017

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

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

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

At 31th December 2016

			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	*Level 1**	*Level 2***	*Level 3****
NON-CURRENT ASSETS	**253.3**	**134.7**	**118.5**	**–**	**–**	**–**	**–**	**–**	**–**
Securities and investments in equity affiliates and unconsolidated interests	246.6	134.7	111.9	–	–	–	–	–	–
Loans and receivables (non-current)	6.7	–	6.7	–	–	–	–	–	–
CURRENT ASSETS	**658.8**	**–**	**645.7**	**–**	**–**	**13.2**	**6.2**	**7.0**	**–**
Trade and other receivables	386.0	–	386.0	–	–	–	–	–	–
Loans and receivables (current)	12.7	–	12.7	–	–	–	–	–	–
Derivative financial instruments	7.0	–	–	–	–	7.0	–	7.0	–
Cash and cash equivalents	253.1	–	246.9	–	–	6.2	6.2	–	–
NON-CURRENT LIABILITIES	**481.4**	**–**	**–**	**481.4**	**–**	**–**	**–**	**–**	**–**
Borrowings and financial liabilities	480.5	–	–	480.5	–	–	–	–	–
Deposits and security interests received	1.0	–	–	1.0	–	–	–	–	–
CURRENT LIABILITIES	**1,341.2**	**–**	**–**	**1,341.1**	**–**	**0.0**	**–**	**0.0**	**–**
Borrowings and financial liabilities	450.7	–	–	450.7	–	–	–	–	–
Derivative financial instruments	0.0	–	–	–	–	0.0	–	0.0	–
Accounts payable and other operating liabilities	890.4	–	–	890.4	–	–	–	–	–
Amount due to shareholders	–	–	–	–	–	–	–	–	–

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

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

8.2 Interest rate risk

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

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

In compliance with IFRS 13, these instruments are measured by taking into account the credit valuation adjustment (CVA) when positive, and the debit valuation adjustment (DVA) when negative. This adjustment measures, by application on each cash flow date of the valuation of a probability of default, the counterparty risk defined as an obligation to replace a hedging operation at the market rate in force following the default by one of the counterparties. CVA, calculated for a given counterparty, takes into account the probability of default for this counterparty. DVA, based on the Company's credit risk, corresponds to the counterparty's exposure to loss in the event of the Company's default. There was no impact in the period.

Position in derivative financial instruments

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

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

Maturity schedule of derivative financial instruments (notional amounts)

At 31th December 2017

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

At 31th December 2016

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

Management position

At 31th December 2017

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

At 31th December 2016

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

Analysis of interest-rate sensitivity:

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

	Increase/decrease in interest rates	Impact of the gain or loss on pre-tax profit	Impact on the value of the portfolio of the financial instruments
31/12/2017	+50 bps -50 bps	-€1,4 million +€1,6 million	+€0,0 million -€0,0 million
31/12/2016	+50 bps -50 bps	-€1,9 million +€1,1 million	+€0,0 million -€0,0 million

8.3 Liquidity risk

Cash

The Group had a positive cash position of €452.8 million at 31 December 2017, compared to €253.1 million at 31 December 2016. This represents its main tool for management of liquidity risk.

Part of this cash is classified as non-available to the Group, but is available to the subsidiaries that carry it: at 31 December 2017, the amount of this restricted cash was €208.8 million.

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

Covenants

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

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

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

Counterparty risk

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

Currency risk

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

NOTE 9 RELATED PARTY TRANSACTIONS

Ownership structure of Altareit

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

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

** Treasury shares*

Related party transactions

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

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

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

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

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

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

In order to formalise the services habitually provided to Altareit by Altarea, the coordinating holding company, and to spell out the services provided by the latter, a coordination agreement was signed in 2017. The previous conditions remain unchanged.

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

(a) Mainly current account between Altareit and Altarea SCA

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

Compensation of the founding shareholder-managers

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

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

Compensation of the Group's salaried executives

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

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

(b) Charge calculated in accordance with IFRS 2.

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

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

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

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

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

NOTE 10 GROUP COMMITMENTS AND CONTINGENT LIABILITIES

10.1 Off-balance sheet commitments

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

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

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

In addition, the Company has received commitments from banks for unused credit lines, which are described in Note 8, “Financial risk management”.

All other material commitments are set out below :

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

Commitments received

Commitments received relating to acquisitions/disposals

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

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

Commitments received relating to operating activities

Payment guarantees received from customers

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

Other commitments received

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

Commitments given

Commitments given relating to acquisitions

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

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

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

Commitments given relating to operating activities

Construction work completion guarantees

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

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

Guarantees on forward payments for assets

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

Guarantees for loss of use

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

Other sureties and guarantees granted

The other sureties and guarantees granted relate primarily to guarantees given to contractors at the signing of works contracts.

Reciprocal commitments

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

Other commitments

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

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

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

Minimum future rents to be paid

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

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

Rents to be paid concern:

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

10.2 Contingent liabilities

No new litigation or governmental, legal, or arbitration proceedings that are likely to have significant effects on the Company's financial position or profitability arose in 2017 other than those for which a provision has been recognised (see Note 6.3 "Provisions") or that have been effectively challenged or are being challenged by the Company (see Note 5.3 "Income tax" or 6.3 "Provisions").

NOTE 11 POST-CLOSING EVENTS

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

NOTE 12 **AUDITOR'S FEES**

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