CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

1 FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

€millions	Note	31/12/2018	31/12/2017
Revenue		2,164.9	1,706.6
Cost of sales		(1,848.8)	(1,459.1)
Selling expenses		(111.7)	(81.5)
Net charge to provisions for current assets		(9.3)	(14.3)
Amortisation of customer relationships		-	(5.5)
Net property income	5.1	**195.1**	**146.2**
External services		31.7	17.0
Own work capitalised and production held in inventory		155.3	160.0
Personnel costs		(161.3)	(147.1)
Other overhead expenses		(92.4)	(75.8)
Depreciation expenses on operating assets		(4.5)	(3.6)
Net overhead expenses		**(71.2)**	**(49.5)**
Other income and expenses		(9.5)	(3.5)
Depreciation expenses		(1.7)	(0.8)
Transaction costs		(1.7)	(0.6)
Others		**(12.9)**	**(4.9)**
Net impairment losses on other non-current assets		(0.6)	0.4
Net charge to provisions for risks and contingencies		0.2	1.0
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		**110.6**	**93.2**
Share in earnings of equity-method affiliates	4.5	17.8	34.5
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES		**128.3**	**127.7**
Net borrowing costs	5.2	(12.4)	(10.3)
Financial expenses		(17.3)	(17.3)
Financial income		4.9	7.0
Change in value and income from disposal of financial instruments	5.2	(0.0)	(2.9)
Discounting of debt and receivables		(0.2)	(0.2)
Net gain/(loss) on disposal of investments	5.2	216.3	0.1
Dividend		0.0	0.2
Profit before tax		**332.1**	**114.7**
Income tax	5.3	(45.2)	(27.1)
NET INCOME		**286.8**	**87.6**
of which Attributable to shareholders of Altareit SCA		**272.8**	**79.5**
of which Attributable to minority interests in subsidiaries		14.1	8.1
Average number of non-diluted shares		1,748,473	1,748,486
Net income per share attributable to shareholders of Altareit SCA (€)	5.4	**156.01**	**45.45**
Diluted average number of shares		1,748,473	1,748,486
Diluted net income per share attributable to shareholders of Altareit SCA (€)	5.4	**156.01**	**45.45**

Other items of comprehensive income

€millions	31/12/2018	31/12/2017
NET INCOME	**286.8**	**87.6**
Actuarial differences on defined-benefit pension plans	0.2	(0.3)
o/w Taxes	*(0.1)*	*0.2*
Subtotal of comprehensive income items that may not be reclassified to profit or loss	0.2	(0.3)
OTHER ITEMS OF COMPREHENSIVE INCOME	**0.2**	**(0.3)**
COMPREHENSIVE INCOME	**287.0**	**87.2**
o/w Net comprehensive income attributable to Altareit SCA shareholders	273.0	79.1
o/w Net comprehensive income attributable to minority interests in subsidiaries	14.1	8.1

Consolidated statement of financial position

€millions	Note	31/12/2018	31/12/2017
Non-current assets		**594.8**	**693.8**
Intangible assets	7.1	284.2	233.7
o/w Goodwill		*178.6*	*139.6*
o/w Brands		*100.7*	*89.9*
o/w Client relations		-	-
o/w Other intangible assets		*4.9*	*4.2*
Property, plant and equipment		18.2	15.6
Investment properties		37.6	38.3
Securities and investments in equity affiliates and unconsolidated interests	4.5	242.5	338.0
Loans and receivables (non-current)		8.3	6.8
Deferred tax assets	5.3	4.0	61.3
Current assets		**2,446.5**	**2,260.0**
Net inventories and work in progress	7.3	973.0	1,275.4
Trade and other receivables	7.3	907.9	510.6
Income tax credit		11.2	8.2
Loans and receivables (current)		32.5	13.0
Derivative financial instruments	8	-	-
Cash and cash equivalents	6.2	521.9	452.8
TOTAL ASSETS		**3,041.3**	**2,953.8**
Equity		**843.3**	**502.3**
Equity attributable to Altareit SCA shareholders		**807.8**	**487.8**
Capital	6.1	2.6	2.6
Other paid-in capital		76.3	76.3
Reserves		456.2	329.4
Income associated with Altareit SCA shareholders		272.8	79.5
Equity attributable to minority shareholders of subsidiaries		**35.5**	**14.5**
Reserves associated with minority shareholders of subsidiaries		21.4	6.4
Income associated with minority shareholders of subsidiaries		14.1	8.1
Non-current liabilities		**653.0**	**585.4**
Non-current borrowings and financial liabilities	6.2	628.7	569.6
o/w Private bond investment, non-current		*345.0*	-
o/w Borrowings from lending establishments		*282.9*	*569.2*
o/w Advances from Group shareholders and partners		*0.7*	*0.5*
Long-term provisions	6.3	16.4	14.6
Deposits and security interests received		1.2	1.0
Deferred tax liability	5.3	6.7	0.2
Current liabilities		**1 545.0**	**1 866.2**
Current borrowings and financial liabilities	6.2	375.8	609.4
o/w Private bond investment, current		*5.1*	-
o/w Borrowings from lending establishments		*79.6*	*87.9*
o/w Negotiable European Commercial Paper		*212.0*	*468.9*
o/w Bank overdrafts		*3.5*	*0.8*
o/w Advances from Group shareholders and partners		*75.6*	*51.8*
Derivative financial instruments	8	0.0	0.0
Accounts payable and other operating liabilities	7.3	1,163.6	1,249.8
Tax due		5.5	7.0
TOTAL LIABILITIES		**3,041.3**	**2,953.8**

Consolidated statement of cash flows

€millions	Note	31/12/2018	31/12/2017
Cash flow from operating activities			
Net income		**286.8**	**87.6**
Elimination of income tax expense (income)	5.3	45.2	27.1
Elimination of net interest expense (income)		12.2	10.3
Net income before tax and before net interest expense (income)		**344.3**	**125.0**
Elimination of share in earnings of equity-method subsidiaries	4.5	(17.8)	(34.5)
Elimination of depreciation and impairment		6.7	9.0
Elimination of value adjustments		0.9	3.1
Elimination of net gains/(losses on disposals)	5.2	(216.9)	0.0
Elimination of dividend income		(0.0)	(0.2)
Estimated income and expenses associated with share-based payments	6.1	2.1	2.4
Net cash flow		**119.3**	**104.7**
Tax paid		(9.6)	(0.3)
Impact of change in operational working capital requirement (WCR)	7.3	(61.5)	(82.8)
CASH FLOW FROM OPERATIONS		**48.2**	**21.7**
Cash flow from investment activities			
Net acquisitions of assets and capitalised expenditures		(7.7)	(7.6)
Gross investments in equity-method subsidiaries and non-consolidated investments		(43.9)	(100.3)
Acquisitions of consolidated companies, net of cash acquired	4.3	(34.2)	(0.0)
Other changes in Group structure		2.4	0.7
Increase in loans and advances		(11.8)	(4.6)
Sale of non-current assets and reimbursement of advances and down payments		0.2	0.4
Disposals of holdings in equity-method subsidiaries and non-consolidated investments		67.0	22.8
Disposals of consolidated companies, net of cash transferred	4.3	200.0	(0.0)
Reduction in loans and other financial investments		5.4	3.3
Net change in investments and derivative financial instruments		(0.0)	-
Dividends received		27.5	18.3
Interest income		6.0	11.4
CASH FLOW FROM INVESTMENT ACTIVITIES		**211.0**	**(55.8)**
Cash flow from financing activities			
Minority interests share in capital increases in subsidiaries		1.2	0.8
Capital increase		0.0	-
Dividends paid to Altareit SCA shareholders		-	-
Dividends paid to minority shareholders of subsidiaries		1.2	(2.8)
Issuance of debt and other financial liabilities	6.2	939.4	1,400.7
Repayment of borrowings and other financial liabilities	6.2	(1,124.4)	(1,143.0)
Net sales (purchases) of treasury shares		(0.0)	(0.0)
Net change in security deposits and guarantees received		0.2	0.0
Interest paid		(10.4)	(20.7)
CASH FLOW FROM FINANCING ACTIVITIES		**(192.8)**	**235.0**
CHANGE IN CASH BALANCE		**66.4**	**200.9**
Cash balance at the beginning of the year	**6.2**	**452.0**	**251.1**
Cash and cash equivalents		452.8	253.1
Bank overdrafts		(0.8)	(2.0)
Cash balance at period-end	**6.2**	**518.4**	**452.0**
Cash and cash equivalents		521.9	452.8
Bank overdrafts		(3.5)	(0.8)

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 2017	**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	-	-	-	-	-	-
Changes in ownership interests associated with taking or losing control of subsidiaries	-	-	0.0	**0.0**	(0.0)	**(0.0)**
Others	(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**
Impact of first-time application of IFRS 15 on the opening balances	-	-	45.7	**45.7**	5.2	**51.0**
Net Income	-	-	*272.8*	***272.8***	*14.1*	***286.8***
Actuarial difference relating to pension obligations	-	-	*0.2*	***0.2***	-	***0.2***
Comprehensive income	-	-	273.0	**273.0**	14.1	**287.0**
Dividend distribution	-	-	-	-	*1.2*	***1.2***
Capital increase	-	-	-	-	*1.2*	***1.2***
Measurement of share-based payments	-	-	*9.2*	***9.2***	-	***9.2***
Impact of Altarea SCA's share buyback to be delivered to employees	-	-	*(7.8)*	***(7.8)***	-	***(7.8)***
Elimination of treasury shares	-	-	*(0.0)*	***(0.0)***	-	***(0.0)***
Transactions with shareholders	-	-	1.4	**1.4**	2.4	**3.8**
Changes in ownership interests without taking or losing control of subsidiaries	-	-	-	-	(0.7)	**(0.7)**
Changes in ownership interests associated with taking or losing control of subsidiaries	0.0	-	(0.0)	-	(0.0)	**(0.0)**
Others	-	-	(0.0)	**(0.0)**	(0.0)	**(0.0)**
At 31 December 2018	**2.6**	**76.3**	**729.1**	**807.8**	**35.5**	**843.3**

Consolidated income statement by segment

€millions	31/12/2018 Funds from operations (FFO)	31/12/2018 Changes in value, estimated expenses and transaction costs	31/12/2018 Total	31/12/2017 Funds from operations (FFO)	31/12/2017 Changes in value, estimated expenses and transaction costs	31/12/2017 Total
Revenue	1,844.1	-	1,844.1	1,419.0	-	1,419.0
Cost of sales and other expenses	(1,668.0)	-	(1,668.0)	(1,289.3)	(2.9)	(1,292.1)
Net property income	**176.1**	**-**	**176.1**	**129.7**	**(2.9)**	**126.9**
External services	4.1	-	4.1	2.0	-	2.0
Production held in inventory	135.3	-	135.3	138.0	-	138.0
Operating expenses	(200.9)	(12.0)	(212.9)	(174.8)	(9.9)	(184.7)
Net overhead expenses	**(61.4)**	**(12.0)**	**(73.4)**	**(34.8)**	**(9.9)**	**(44.7)**
Share of equity-method affiliates	**12.8**	**19.1**	**31.9**	**21.2**	**(0.2)**	**21.0**
Net allowances for depreciation and impairment	**-**	**(4.1)**	**(4.1)**	**-**	**(1.8)**	**(1.8)**
Transaction costs	**-**	**(1.7)**	**(1.7)**	**-**	**(0.6)**	**(0.6)**
NET RESIDENTIAL INCOME	**127.5**	**1.2**	**128.7**	**116.2**	**(15.5)**	**100.7**
Revenue	317.7	-	317.7	285.6	-	285.6
Cost of sales and other expenses	(299.5)	-	(299.5)	(260.5)	(2.7)	(263.2)
Net property income	**18.2**	**-**	**18.2**	**25.1**	**(2.7)**	**22.5**
External services	27.5	-	27.5	15.0	-	15.0
Production held in inventory	20.0	-	20.0	22.0	-	22.0
Operating expenses	(47.1)	(2.4)	(49.6)	(38.9)	(1.8)	(40.8)
Net overhead expenses	**0.4**	**(2.4)**	**(2.0)**	**(1.9)**	**(1.8)**	**(3.8)**
Share of equity-method affiliates	**27.2**	**(3.7)**	**23.5**	**4.7**	**2.2**	**6.9**
Net allowances for depreciation and impairment	**-**	**(1.4)**	**(1.4)**	**-**	**(0.4)**	**(0.4)**
Transaction costs	**-**	**-**	**-**	**-**	**-**	**-**
NET BUSINESS PROPERTY INCOME	**45.8**	**(7.5)**	**38.3**	**27.9**	**(2.6)**	**25.2**
Operating expenses	1.5	-	1.5	(0.9)	-	(0.9)
Net overhead expenses	**1.5**	**-**	**1.5**	**(0.9)**	**-**	**(0.9)**
Share of equity-method affiliates	**5.0**	**(1.9)**	**3.1**	**9.6**	**(3.0)**	**6.6**
Net allowances for depreciation and impairment	**-**	**(1.1)**	**(1.1)**	**-**	**(4.4)**	**(4.4)**
Transaction costs	**0.8**	**176.0**	**176.8**	**0.4**	**-**	**0.4**
NET DIVERSIFICATION INCOME	**7.3**	**172.9**	**180.3**	**9.1**	**(7.3)**	**1.7**
Others (Corporate)	**(2.2)**	**-**	**(2.2)**	**-**	**-**	**-**
OPERATING INCOME	**178.4**	**166.6**	**345.0**	**153.1**	**(25.4)**	**127.7**
Net borrowing costs	**(10.5)**	**(1.9)**	**(12.4)**	**(9.3)**	**(0.9)**	**(10.3)**
Discounting of debt and receivables	**-**	**(0.2)**	**(0.2)**	**-**	**(0.2)**	**(0.2)**
Change in value and income from disposal of financial instruments	**-**	**(0.0)**	**(0.0)**	**-**	**(2.9)**	**(2.9)**
Net gain/(loss) on disposal of investments	**-**	**(0.4)**	**(0.4)**	**-**	**0.1**	**0.1**
Dividend	**0.0**	**-**	**0.0**	**0.2**	**-**	**0.2**
PROFIT BEFORE TAX	**167.9**	**164.1**	**332.1**	**144.0**	**(29.4)**	**114.7**
Corporate income tax	(7.8)	(37.4)	(45.2)	(5.6)	(21.5)	(27.1)
NET INCOME	**160.1**	**126.7**	**286.8**	**138.4**	**(50.8)**	**87.6**
Non-controlling interests	**(14.1)**	**0.0**	**(14.1)**	**(8.6)**	**0.5**	**(8.1)**
NET INCOME, GROUP SHARE	**146.0**	**126.7**	**272.8**	**129.8**	**(50.3)**	**79.5**
Diluted average number of shares	*1,748,473*	*1,748,473*	*1,748,473*	*1,748,486*	*1,748,486*	*1,748,486*
NET INCOME PER SHARE (€/SHARE), GROUP SHARE	**83.52**	**72.49**	**156.01**	**74.25**	**(28.80)**	**45.45**

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

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Detailed summary of notes to consolidated financial statements

NOTE 1 INFORMATION CONCERNING THE COMPANY

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

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

Altareit is 99.85% 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 2018 were approved by the Management on 26 February 2019 having been examined by the Audit Committee and the Supervisory Board.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Accounting standards applied by the Company

The 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 2018 and available at: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The accounting principles adopted on 31 December 2018 are the same as those used for the consolidated financial statements at 31 December 2017, with the exception of changes to the standards and interpretations adopted by the European Union applicable at 1 January 2018.

The information relating to the year ended 31 December 2017, presented in the reference document filed with the AMF (French Financial Markets Authority) on 15 March 2018 under number D18-0135, are incorporated by reference.

Standards, interpretations and amendments applicable from the financial year starting 1 January 2018 (subject to their approval by the European Union):

- *IFRS 15* – Revenue from Contracts with Customers and Clarification of IFRS 15;
- IFRS 9 – Financial instruments;
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions;
- Amendment to IFRS 4 – Insurance policies - Applying IFRS 9 Financial Instruments with IFRS 4;
- Amendments to IAS 40 – Transfers of Investment Property;
- Interpretation of IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
- Annual improvements to IFRS (2014-2016 cycle).

Standards and interpretations adopted as early as at 31 December 2018, whose application is mandatory for financial years starting on 1 January 2019 or later.

None.

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

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- IFRIC 23 – Uncertainty over Income Tax Treatments
- **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 tenants balance sheet against a lease obligation.

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

- property leases: the Group leases its offices in the majority of cities where it operates;
- and vehicle leases.

The impact assessment of this new standard is in the process of being finalised.

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

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

- Amendments to IAS 19 – Plan reduction or liquidation amendment;
- Annual improvements to IFRS (2015-2017 cycle);
- IFRS 17 – Insurance Contracts;
- Amendments to IAS 1 and IAS 8 –Relative importance;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its affiliate or joint venture;
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to references within the standards' conceptual framework;
- IFRS 14 – Regulatory deferral accounts;
- Amendments to IFRS 3 – Definition of a business.

2.2 Main estimations and judgements

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

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

Measurement of intangible assets not subject to amortisation

- measurement of goodwill and brands - related to Cogedim, acquired in 2007, Pitch Promotion, acquired in 2016 and Histoire & Patrimoine acquired in 2018 (see Notes 2.4.7, “Re-measurement of non-current assets (other than financial assets and investment properties) and impairment losses”, and 7.2, “Intangible assets and goodwill”),

Measurements of other assets and liabilities

- measurement of investment properties (see Notes 2.4.5 “Investment properties” and 7.1 “Investment properties”),
- measurement of inventories (see Note 2.4.8 “Inventories”),
- measurement of deferred tax assets (see Notes 2.4.16 “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 2.4.12 “Share-based payments” and 6.1 “Equity”),
- measurement of financial instruments (see Note 8 “Financial risk management”).

Operating income estimates

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

Non-current assets held for sale and discontinued operations

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

2.3 Other principles for presenting the financial statements

Transactions eliminated in the consolidated financial statements

Balance sheet balances and income and expenses rising from internal transactions and dividends are eliminated, according to consolidation method, when the consolidated financial statements are prepared.

Balance sheet classification

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

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

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

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

2.4 Accounting principles and methods of the Company

2.4.1 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.

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 IFRS 9.

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 by the existence 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.

2.4.2 Business combinations and goodwill

In accordance with the provisions of IFRS 1, the Group 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. Under IFRS 3R, 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 IFRS 3R, 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 IFRS 3R, minority interests are measured either at fair value or at the proportionate share of the acquirer's assets; the choice is made on an acquisition-by-acquisition basis.

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

In accordance with IFRS 3R 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, in developer Pitch Promotion in 2016, and in Histoire & Patrimoine in 2018.
These goodwill items gave been allocated to the CGUs (cash generating units - programmes) corresponding to the Residential and Business property sectors. The main indications of impairment as regards these sectors,

Residential and Business property (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."

2.4.3 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, Pitch Promotion and Histoire & Patrimoine brands, which have an indefinite useful life are thus not amortised. They are allocated to the CGUs corresponding to the Residential and Business property 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.

2.4.4 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.

2.4.5 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 and hotels.

In accordance with IAS 40, the Group 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.

2.4.6 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. The management assesses the situations. When at the closing date there is a preliminary sales agreement or a firm commitment, the asset 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.

2.4.7 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, Pitch Promotion and Histoire & Patrimoine 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; and
- 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 (irreversible loss), then against other intangible assets and property, plant and equipment on a prorata basis for their carrying amount (reversible loss).

2.4.8 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; and
- 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.

2.4.9 Trade and other receivables

Trade and other receivables are measured at face value less any allowances for impairment. In accordance with IFRS 9, with regard to impairment, the Group applies a model based on expected losses, (expected credit losses based on the useful life of the receivables, itself based on the experience of the Group's historic credit losses) to its trade receivables.

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.

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

The Group has elected not to apply the hedge accounting proposed in IFRS 9.

Application principles for IAS 32, IFRS 9 and IFRS 7 are as follows:

Measurement and recognition of financial assets and liabilities

- 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.
- Equity instruments mainly comprise equity securities of non-consolidated companies. They are recognised as at fair value through profit or loss if they are held for trading; otherwise, they are recognised at fair value by non-recyclable OCI (changes in fair value are registered in a separate equity line item under "other comprehensive income"). For unlisted securities, if the fair value cannot be reliably determined at each closing, they remain in the balance sheet at their initial fair value, i.e. at purchase price increased by transaction costs, adjusted by any gains or losses of value determined by an analysis of the proportionate share of the equity held.
  At each acquisition of equity securities, a similar analysis will be carried out to determine the Group's management intention. For the shares of listed companies, this fair

value is determined on the basis of the market indicators on the closing date.

- Derivative financial instruments (assets and liabilities) are considered as being held for trading. They are measured at fair value. The change in fair value of derivatives is recognised in the income statement.
- Cash as defined in IAS 7 includes liquid assets in bank current accounts and holdings in deposit accounts that are redeemable or tradeable 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.
- All borrowings and interest-bearing liabilities are initially recognised at fair value, 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. In the event of renegotiation of financial liabilities contracts recognised at amortised cost, if quantitative and qualitative tests lead to the conclusion that there is no substantial change to the contractual cash flows, the Group will maintain the original initial effective interest rate and adjust the amortised cost of the liability in question, against the result.

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

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

2.4.11 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.

2.4.12 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 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 Altarea or Group companies are accounted for in the financial statements as follows: the fair value of the equity instrument awarded is recognised in the income statement as a 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 and the Monte Carlo method 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.

2.4.13 Earnings per share

Basic earnings per share (in €)

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

Diluted earnings per share (in €)

Diluted earnings per share is calculated by dividing net income (Group share) by the weighted average number of ordinary shares in issue adjusted for the dilutive effects of the options during the period.

The dilutive effect is calculated according to the "share buyback" method. Under this method, the funds received from the exercise of 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.

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

2.4.14 Employee benefits

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

Post-employment benefits

Benefits payable at retirement are paid to employees at the time of retirement based on length of service and final salary. These benefits are part of the defined benefits plan, a plan to which the employer is formally or implicitly committed in an amount or a level of benefits and therefore bears the risk in the medium or long term.

A provision is recorded in the liabilities to cover all these pension commitments. It is regularly valued by independent actuaries according to the projected credit unit method and 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 1.60%;
- 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 5% and 9% depending on branch and age Group;
- long-term salary adjustment rate (including inflation): 2.2%.

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

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

Other post-employment benefits

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

Other long-term benefits

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

Severance pay

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

Short-term benefits

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

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

2.4.15 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.

2.4.16 Corporate income tax

Income taxes are recognised in accordance with IAS 12.

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.

The Group is subject to ordinary rules of corporate taxation.

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.

2.4.17 Revenue and revenue-related expenses

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

Net property income 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 Business property sectors.

For property development activities, the 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 (CPI) transactions.

For these programmes, revenue from notarised sales is recognised, in accordance with IFRS 15 "Revenue from contracts with customers", in proportion to the percentage of completion of the programmes, measured by the total percentage of costs directly related to construction (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 budget total sales. The event giving rise to recognition of percentage-of-completion revenue is thus the purchase of the land combined with the signature of deeds of sale (notarised sales).

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).

Losses on “new projects” are included in net property income.

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.

Net overhead expenses correspond to income and expense items inherent in the business of the Group's service companies.

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 works acquirers).

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

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

2.4.18 Leases

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

The Group is not bound by significant finance leases; either as lessor or as lessee.

2.4.19 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 including the amortisation of issuance expenses, and other financial liabilities, income from loans and advances to participating interests, gains on sale of marketable securities and the impact of interest-rate swaps used as interest-rate hedges.

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

2.4.20 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.

2.4.21 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.

2.4.22 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 isolated 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 (unrealised or realised), estimated expenses, and transaction costs.

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

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

The Company has the following operating segments:

- Residential: residential property development;
- Business property: the property development, services and investment business;
- Diversification.

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.

<u>As part of the Group's current operations:</u>

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 company), exclusive of changes in value, calculated expenses, and transaction costs, and change on deffered taxes.

The main aggregates of the **funds from operations** monitored by the Group in internal reports are:

- net property income for net incomes of the segment, including impairment of current assets for Residential and Business property ;
- net overhead expenses including the provision of services that offset a portion of overhead and operating expenses are defined as being personnel costs, other operating expenses, other income and other expenses for the sector and the expenses covered by reversals of provisions used;
- share of funds from joint ventures or associates' operations.

Net borrowing costs are the net borrowing costs excluding calculated expenses which correspond in particular to the spreading of bond issue costs and (shown in changes in value, calculated expenses and transaction fees).

Tax (FFO) is the tax due for the period excluding deferred tax and excluding tax due relating to changes in value (exit tax, etc.).

2. Changes in value, calculated 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 Net income.

The main aggregates of the **funds from operations** monitored by the Group in internal reports are:

- **changes in value and calculated 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.

Also presented are **changes in value and income from disposal of financial instruments** representing adjustments in the value of financial instruments measured at fair value as well as the effect of discounting debt and receivables. Results from the disposal of financial instruments represent the balance for amounts incurred in the period from restructuring or cancelling financial instruments.

3. Minority interests line

The line relating to minority interests corresponds to the share of net income attributable to minority shareholders of subsidiaries divided between the share of the funds from operations (FFO) and the share attributable to minority shareholders of subsidiaries of changes in value, calculated expenses, transaction costs and deferred tax.

[1] *Funds From Operations*

In exceptional transactions, leases are analysed in a highly specific way and the indicators presented above may have to be adjusted, i.e. reclassified to match the presentations in internal reports for greater clarity.

2.5 Changes in methods in 2018

2.5.1 IFRS 15 - Revenue from contracts with customers

On 22 September 2016, the European Union adopted IFRS 15, and on 31 October 2017 it adopted the corresponding clarifications. The Group did not apply this standard early as at 1 January 2017. It is mandatory from 1 January 2018.

The Group chose to implement the modified-retrospective transition approach starting on 1 January 2018. The cumulative effects of the transition are therefore included in equity at the opening of this financial year, i.e. on 1 January 2018. Therefore, the Group's financial statements presented in comparison with those of the period were not restated. However, the main aggregates of the annual consolidated financial statements are presented below as they would have been presented under IAS 18/IAS 11 (income statement by operating segment and operational working capital requirement).

The implementation of IFRS 15 was the result of a dedicated project within the Group, since all type of contracts concluded with customers were reviewed.

The main impacts on the Group's financial statements relate to revenue from property development sold off-plan under VEFA or CPI arrangements.

Application of 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.

In fact, under an off-plan contract, the client obtains control of the asset in the course of its development. Under a CPI contract, the developer cannot make any other use of the property and has the right to be paid for construction work already carried out.

However, the methods for measuring the transfer of control (percentage of completion) change. Other elements of the cost price are now included in the calculation, including land-related costs.

The event giving rise to recognition of percentage-of-completion revenue thus becomes the purchase of the land combined with the signature of deeds of sale (notarised sales).

The method applied results in assessing the revenue and the net property income more rapidly than previously.

With regard to its presentation by operating segments, the Group shows the income from these ordinary activities by business segment:Residential, Business property and Diversification. This breakdown is not affected by the application of IFRS 15, and is shown in the consolidated income statement by segment.

2.5.2 IFRS 9 – Financial instruments

On 22 November 2016 the European Union adopted IFRS 9, whose application is mandatory, retrospectively, for financial years starting on or after 1 January 2018. This Standard defines new principles for the classification and measurement of financial instruments, impairments of financial assets for credit risks and hedge accounting.

The Group decided to implement this on profit or loss of hedge accounting but not to implement the hedge accounting proposed by IFRS 9, as was already the case for IAS 39.

The principles of application of IFRS 9 did not have any impact on the classification of financial assets and liabilities within the Group.

With respect to valuation, under IFRS 9, all borrowings and interest-bearing liabilities are initially recognised at the fair value, 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. In the event of renegotiation of financial liabilities contracts recognised at amortised cost, if quantitative and qualitative tests lead to the conclusion that there is no substantial change to the contractual cash flows, the Group will maintain the original initial effective interest rate and adjust the amortised cost of the liability in question, against the result. These applicable principles have no material impact on the retrospective treatment of change in past debt.

2.5.3 Impact of the application of IFRS 15 on the opening balance sheet at 1 January 2018

€millions	31/12/2017 *Published*	Impacts IFRS 15	01/01/2018
NON-CURRENT ASSETS	**693.8**	**(19.2)**	**674.7**
Intangible assets	233.7	-	233.7
Property, plant and equipment	15.6	-	15.6
Investment properties	38.3	-	38.3
Securities and investments in equity affiliates and unconsolidated interests	338.0	3.7	341.8
Loans and receivables (non-current)	6.8	-	6.8
Deferred tax assets	61.3	(22.9)	38.4
CURRENT ASSETS	**2,260.0**	**(238.6)**	**2,021.4**
Net inventories and work in progress	1,275.4	(503.2)	772.2
Trade and other receivables	510.6	264.6	775.2
Income tax credit	8.2	-	8.2
Loans and receivables (current)	13.0	-	13.0
Derivative financial instruments	-	-	-
Cash and cash equivalents	452.8	-	452.8
TOTAL ASSETS	**2,953.8**	**(257.8)**	**2,696.0**
EQUITY	**502.3**	**51.0**	**553.2**
Equity attributable to Altareit SCA shareholders	**487.8**	**45.7**	**533.5**
Capital	2.6	-	2.6
Other paid-in capital	76.3	-	76.3
Reserves	329.4	34.6	364.0
Income associated with Altareit SCA shareholders	79.5	11.2	90.6
Equity attributable to minority shareholders of subsidiaries	**14.5**	**5.2**	**19.7**
Reserves associated with minority shareholders of subsidiaries	6.4	2.0	*8.4*
Income associated with minority shareholders of subsidiaries	8.1	3.3	*11.4*
NON-CURRENT LIABILITIES	**585.4**	**(0.2)**	**585.1**
Non-current borrowings and financial liabilities	569.6	-	569.6
Long-term provisions	14.6	-	14.6
Deposits and security interests received	1.0	-	1.0
Deferred tax liability	0.2	(0.2)	(0.1)
CURRENT LIABILITIES	**1,866.2**	**(308.5)**	**1,557.7**
Current borrowings and financial liabilities	609.4	-	609.4
Derivative financial instruments	0.0	-	0.0
Accounts payable and other operating liabilities	1,249.8	(308.5)	941.3
Tax due	7.0	-	7.0
TOTAL LIABILITIES	**2,953.8**	**(257.8)**	**2,696.0**

2.5.4 Presentation of the income statement by segment and of operational working capital requirement at 31 December 2018: IFRS 15 versus the old standards (IAS 11 and IAS 18)

Consolidated income statement by segment

€millions	31/12/2018 Funds from operations (FFO)	31/12/2018 Changes in value, estimated expenses and transaction costs	31/12/2018 Total	Impact of IFRS 15 Funds from operations (FFO)	Impact of IFRS 15 Changes in value, estimated expenses and transaction costs	Impact of IFRS 15 Total	31/12/2018 - Old method Funds from operations (FFO)	31/12/2018 - Old method Changes in value, estimated expenses and transaction costs	31/12/2018 - Old method Total
Revenue	1,844.1	-	1,844.1	(2.6)	-	(2.6)	1,846.7	-	1,846.7
Cost of sales and other expenses	(1,668.0)	-	(1,668.0)	2.9	-	2.9	(1,671.0)	-	(1,671.0)
Net property income	**176.1**	**-**	**176.1**	**0.3**	**-**	**0.3**	**175.7**	**-**	**175.7**
External services	4.1	-	4.1	-	-	-	4.1	-	4.1
Production held in inventory	135.3	-	135.3	-	-	-	135.3	-	135.3
Operating expenses	(200.9)	(12.0)	(212.9)	-	-	-	(200.9)	(12.0)	(212.9)
Net overhead expenses	**(61.4)**	**(12.0)**	**(73.4)**	**-**	**-**	**-**	**(61.4)**	**(12.0)**	**(73.4)**
Share of equity-method affiliates	**12.8**	**19.1**	**31.9**	**1.4**	**(0.5)**	**0.9**	**11.4**	**19.6**	**31.0**
Net allowances for depreciation and impairment	**-**	**(4.1)**	**(4.1)**	**-**	**-**	**-**	**-**	**(4.1)**	**(4.1)**
Transaction costs	**-**	**(1.7)**	**(1.7)**	**-**	**-**	**-**	**-**	**(1.7)**	**(1.7)**
NET RESIDENTIAL INCOME	**127.5**	**1.2**	**128.7**	**1.7**	**(0.5)**	**1.3**	**125.7**	**1.7**	**127.5**
Revenue	317.7	-	317.7	28.6	-	28.6	289.0	-	289.0
Cost of sales and other expenses	(299.5)	-	(299.5)	(28.0)	-	(28.0)	(271.5)	-	(271.5)
Net property income	**18.2**	**-**	**18.2**	**0.6**	**-**	**0.6**	**17.6**	**-**	**17.6**
External services	27.5	-	27.5	-	-	-	27.5	-	27.5
Production held in inventory	20.0	-	20.0	-	-	-	20.0	-	20.0
Operating expenses	(47.1)	(2.4)	(49.6)	-	-	-	(47.1)	(2.4)	(49.6)
Net overhead expenses	**0.4**	**(2.4)**	**(2.0)**	**-**	**-**	**-**	**0.4**	**(2.4)**	**(2.0)**
Share of equity-method affiliates	**27.2**	**(3.7)**	**23.5**	**2.9**	**(0.9)**	**2.0**	**24.3**	**(2.8)**	**21.5**
Net allowances for depreciation and impairment	**-**	**(1.4)**	**(1.4)**	**-**	**-**	**-**	**-**	**(1.4)**	**(1.4)**
Transaction costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NET BUSINESS PROPERTY INCOME	**45.8**	**(7.5)**	**38.3**	**3.5**	**(0.9)**	**2.6**	**42.3**	**(6.6)**	**35.7**
NET DIVERSIFICATION INCOME	**7.3**	**172.9**	**180.3**	**-**	**-**	**-**	**7.3**	**172.9**	**180.3**
Others (Corporate)	**(2.2)**	**-**	**(2.2)**	**-**	**-**	**-**	**(2.2)**	**-**	**(2.2)**
OPERATING INCOME	**178.4**	**166.6**	**345.0**	**5.3**	**(1.4)**	**3.8**	**173.2**	**168.1**	**341.2**
Net borrowing costs	**(10.5)**	**(1.9)**	**(12.4)**	**-**	**-**	**-**	**(10.5)**	**(1.9)**	**(12.4)**
Discounting of debt and receivables	**-**	**(0.2)**	**(0.2)**	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Change in value and income from disposal of financial instruments	**-**	**(0.0)**	**(0.0)**	**-**	**-**	**-**	**-**	**(0.0)**	**(0.0)**
Net gain/(loss) on disposal of investments	**-**	**(0.4)**	**(0.4)**	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Dividend	**0.0**	**-**	**0.0**	**-**	**-**	**-**	**0.0**	**-**	**0.0**
PROFIT BEFORE TAX	**167.9**	**164.1**	**332.1**	**5.3**	**(1.4)**	**3.8**	**162.7**	**165.6**	**328.2**
Corporate income tax	(7.8)	(37.4)	(45.2)	-	1.6	1.6	(7.8)	(39.0)	(46.8)
NET INCOME	**160.1**	**126.7**	**286.8**	**5.3**	**0.2**	**5.4**	**154.9**	**126.5**	**281.4**
Minority shares in continued operations	**(14.1)**	**0.0**	**(14.1)**	**(1.7)**	**-**	**(1.7)**	**(12.4)**	**0.0**	**(12.3)**
NET INCOME, GROUP SHARE	**146.0**	**126.7**	**272.8**	**3.5**	**0.2**	**3.7**	**142.5**	**126.6**	**269.1**
Diluted average number of shares	*1,748,473*	*1,748,473*	*1,748,473*	*1,748,473*	*1,748,473*	*1,748,473*	*1,748,473*	*1,748,473*	*1,748,473*
NET INCOME PER SHARE, GROUP SHARE	**83.52**	**72.49**	**156.01**	**2.00**	**0.11**	**2.11**	**81.52**	**72.38**	**153.90**

Operational working capital requirement

€millions	31/12/2018	Impacts IFRS 15	31/12/2018 Old method
Net inventories and work in progress	**973.0**	**(546.6)**	**1,519.6**
Net trade receivables	537.4	278.6	258.8
Other operating receivables net	366.1	(22.6)	388.7
Trade and other operating receivables net	**903.5**	**256.0**	**647.4**
Trade payables	(712.9)	(2.0)	(710.9)
Other operating payables	(439.7)	363.4	(803.0)
Trade payables and other operating liabilities	**(1,152.6)**	**361.4**	**(1,514.0)**
Operational WCR	**723.9**	**70.8**	**653.1**

NOTE 3 INFORMATION ON OPERATING SEGMENTS

3.1 Balance sheet items by operating segment

At 31 December 2018

€millions	Residential	Business property	Diversification	TOTAL
Operating assets and liabilities				
Intangible assets	262.7	21.5	-	284.2
Property, plant and equipment	12.6	4.7	1.0	18.2
Investment properties	-	37.6	-	37.6
Securities and receivables in equity affiliates and unconsolidated interests	172.2	68.3	2.1	242.5
Operational working capital requirement	710.5	14.3	(0.9)	723.9
Total operating assets and liabilities	**1,157.9**	**146.5**	**2.1**	**1,306.5**

At 31 December 2017

€millions	Residential	Business property	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**

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	31/12/2018 Funds from operations (FFO)	31/12/2018 Changes in value, estimated expenses and transaction costs	31/12/2018 Total	31/12/2017 adjusted Funds from operations (FFO)	31/12/2017 adjusted Changes in value, estimated expenses and transaction costs	31/12/2017 adjusted Total
Revenue	2,164.9	-	2,164.9	1,706.6	-	1,706.6
Cost of sales	(1,848.8)	0.0	(1,848.8)	(1,459.1)	-	(1,459.1)
Other income	(111.7)	-	(111.7)	(81.5)	-	(81.5)
Selling expenses	(9.3)	-	(9.3)	(10.7)	(3.6)	(14.3)
Net charge to provisions for current assets	-	-	-	-	(5.5)	(5.5)
Amortisation of customer relationships	195.1	0.0	195.1	155.3	(9.1)	146.2
Net property income	31.7	-	31.7	17.0	-	17.0
External services	155.3	-	155.3	160.0	-	160.0
Own work capitalised and production held in inventory	(146.8)	(14.5)	(161.3)	(135.4)	(11.7)	(147.1)
Personnel costs	(92.4)	-	(92.4)	(75.8)	-	(75.8)
Other overhead expenses	-	(4.5)	(4.5)	-	(3.6)	(3.6)
Depreciation expenses on operating assets	(52.3)	(18.9)	(71.2)	(34.2)	(15.3)	(49.5)
Net overhead expenses	(9.5)	-	(9.5)	(3.5)	-	(3.5)
Other income and expenses	-	(1.7)	(1.7)	-	(0.8)	(0.8)
Depreciation expenses	-	(1.7)	(1.7)	-	(0.6)	(0.6)
Transaction costs	(9.5)	(3.4)	(12.9)	(3.5)	(1.5)	(4.9)
Others	-	(0.6)	(0.6)	-	0.4	0.4
Net impairment losses on other non-current assets	-	0.2	0.2	-	1.0	1.0
Net charge to provisions for risks and contingencies	133.3	(22.8)	110.6	117.6	(24.5)	93.2
OPERATING INCOME BEFORE THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	**25.0**	**(7.2)**	**17.8**	**35.5**	**(1.0)**	**34.5**
Share in earnings of equity-method affiliates	158.3	(29.9)	128.3	153.1	(25.4)	127.7
OPERATING INCOME AFTER THE SHARE OF NET INCOME OF EQUITY-METHOD AFFILIATES	**(10.5)**	**(1.9)**	**(12.4)**	**(9.3)**	**(0.9)**	**(10.3)**
Net borrowing costs	(15.4)	(1.9)	(17.3)	(16.4)	(0.9)	(17.3)
Financial expenses	4.9	-	4.9	7.0	-	7.0
Financial income	-	(0.0)	(0.0)	-	(2.9)	(2.9)
Other financial results	-	(0.2)	(0.2)	-	(0.2)	(0.2)
Change in value and income from disposal of financial instruments	20.1	196.2	216.3	-	0.1	0.1
Discounting of debt and receivables	0.0	-	0.0	0.2	-	0.2
Net gain/(loss) on disposal of investments [(a)]	167.9	164.1	332.1	144.0	(29.4)	114.7
Dividend	(7.8)	(37.4)	(45.2)	(5.6)	(21.5)	(27.1)
Profit before tax	(7.8)	-	(7.8)	(5.6)	-	(5.6)
Income tax	-	(37.4)	(37.4)	-	(21.5)	(21.5)
NET INCOME	**160.1**	**126.7**	**286.8**	**138.4**	**(50.8)**	**87.6**
o/w Net income attributable to Altareit SCA shareholders	146.0	126.7	272.8	129.8	(50.3)	79.5
o/w Net income attributable to minority interests in subsidiaries	14.1	(0.0)	14.1	8.6	(0.5)	8.1
Average number of non-diluted shares	1,748,473	1,748,473	1,748,473	1,748,486	1,748,486	1,748,486
Net income per share attributable to shareholders of Altareit SCA (€)	**83.52**	**72.49**	**156.01**	**74.25**	**(28.80)**	**45.45**
Diluted average number of shares	1,748,473	1,748,473	1,748,473	1,748,486	1,748,486	1,748,486
Diluted net income per share attributable to shareholders of Altareit SCA (€)	**83.52**	**72.49**	**156.01**	**74.25**	**(28.80)**	**45.45**

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

3.4 Revenue by geographical region and operating segment

By geographical region

	31/12/2018			31/12/2017		
€millions	France	Others	Total	France	Others	Total
Revenue	1,844.1	–	1,844.1	1,419.0	–	1,419.0
External services	4.1	–	4.1	2.0	–	2.0
Residential	**1,848.2**	**–**	**1,848.2**	**1,421.0**	**–**	**1,421.0**
Revenue	317.7	–	317.7	285.6	–	285.6
External services	26.9	0.6	27.5	14.4	0.6	15.0
Business property	**344.6**	**0.6**	**345.2**	**300.1**	**0.6**	**300.7**
Revenue	3.1	–	3.1	2.0	–	2.0
Diversification	**3.1**	**–**	**3.1**	**2.0**	**–**	**2.0**
TOTAL	**2,196.0**	**0.6**	**2,196.6**	**1,723.0**	**0.6**	**1,723.6**

In 2018, no single client accounted for more than 10% of the Group's revenues.
The application of IFRS 15 on January, 1st 2018, has no impact on the revenue by geogaphical region.

NOTE 4 MAJOR EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION

4.1 Major events

First S&P Global credit rating: BBB

In June, the S&P Global rating agency assigned to Altareit a BBB rating with a stable outlook.

S&P Global highlights Altareit's strong positioning, as a property developer in both residential and office segments (the company namely owns Cogedim), in a market where fundamentals and trends are credit supportive. The rating agency also underlines the company's prudent financial discipline in terms of commitments.

Considering the above and given its strong organic links with Altarea Cogedim Group, Altareit is considered by S&P as a "core" subsidiary and benefits from the same credit quality as Altarea Cogedim Group, a leading French retail REIT, which was also assigned a 'BBB' investment grade rating, outlook stable.

In line with this rating, Altareit announced on June 25, 2018 the issue of its €350 million inaugural public bond, with a maturity of 7 years and a fixed coupon of 2.875%.

Altareit therefore became the first European real estate developer to issue a public bond

Transactions on consolidation scope

The Group continued its strategy of regional and product diversification this year, with the acquisition in July of the remaining capital of Histoire & Patrimoine, a specialist in urban building renovation and rehabilitation[1].

In July 2018, the Group sold to Crédit Agricole Assurances the control of the holding company Alta Rungis[2] (85% of the shares), now Predi Rungis, which holds 33.34% in Semmaris, the operator of the Rungis market. The sale was made on basis of a valuation of Semmaris at € 750 million (€ 250 million Group share).

Major mixed-use projects

In 2018, Altareit confirmed its position as French leader winning two new major projects:

• Joia Méridia, in Nice, a new district of 74,000 m² (total surface area), of which 48,000 m² for the Group, which will supply 630 residential units and 4,700 m² of retail space and local services;

• a predominantly retail project of more than 100,000 m² in the Les Gassets district of Marne-la-Vallée (Val d'Europe) close to Disneyland® Paris, for which planning is currently in the final stages.

Other major projects under development also cleared milestones in 2018:

• launch of the marketing of Issy Cœur de Ville residential units. The construction work for this EcoQuartier certified project will be launched in a single tranche in early 2019, for delivery in 2022;

• start of work in the Toulouse Aerospace – Place Central district, located on the iconic former Aéropostale site. Delivery for this project will be staggered between 2019 and 2021;

• start of the construction of Bezons Cœur de Ville, scheduled for delivery in 2021.

Residential: among the Top 3 French residential developers

The Group entrenched its position among the Top 3 French residential developer, with market share of 7,6%[3] in 2018. The value of new housing orders increased by 11% year on year to €2.9 billion on a 5% increase in volume to 11,782 units ordered.

Business property: major sales and strong operating performance

As both a developer and a medium-term investor in Business property, the Group manages a portfolio of 60 projects representing potential value of €3.6 billion at the end of 2018.

Altareit sold two of the largest office developments in the Grand Paris project this year, namely the Kosmo building in Neuilly-sur-Seine, the future global headquarters of Parfums Christian Dior (sold to Sogecap), and, for the AltaFund's share , the Richelieu building in Paris, Altarea Cogedim's future headquarters (sold to CNP Assurances).

The Group has also confirmed the rollout of its Logistics business, launched in 2017, with the 11 projects currently under development representing potential value of €403 million.

---

[1] The Group acquired 55% of Histoire & Patrimoine in June 2014. Since 1 July 2018, this business has been fully consolidated (previously accounted for by the equity method) and its sales performance will be incorporated into the residential property development division.
[2] See press release of 27 July 2018 available on the Altarea Cogedim Group's website, of which Altareit is a 99.85% subsidiary.

[3] In 2018, 155,000 units reserved in France (-6.1% vs 2017) – Source: Ministry of Territorial Cohesion and Relations with Local Authorities for retail sales and FPI (Fédération des Promoteurs Immobiliers), for block sales (estimated for block sales 2018).

4.2 Consolidation scope

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

			31/12/2018			31/12/2017		
COMPANIES	**SIREN**		Method	Interest	Consolidation	**Method**	**Interest**	**Consolidation**
ALTAREIT SCA	552091050	parent company	IG	100.0%	100.0%	IG	100.0%	100.0%
Diversification								
SEMMARIS	662012491	affiliate	NI	0.0%	0.0%	ME	33.3%	33.3%
Residential								
Altarea Cogedim IDF Grande Métropole	810928135		IG	100.0%	100.0%	IG	100.0%	100.0%
Altarea Cogedim Grands Projets	810926519		IG	100.0%	100.0%	IG	100.0%	100.0%
Altarea Cogedim Régions	810847905		IG	100.0%	100.0%	IG	100.0%	100.0%
MARSEILLE MICHELET SNC	792774382		IG	100.0%	100.0%	IG	100.0%	100.0%
MASSY GRAND OUEST SNC	793338146		IG	100.0%	100.0%	IG	100.0%	100.0%
ALTA FAUBOURG SAS	444560874		IG	100.0%	100.0%	IG	100.0%	100.0%
HP SAS IG	480309731		IG	100.0%	100.0%	ME	55.6%	55.6%
HP ALBATROS IG	803307354		IG	100.0%	100.0%	ME	46.1%	46.2%
SNC HORIZONS IG	825208093		IG	100.0%	100.0%	ME	55.6%	55.6%
Altarea Cogedim ZAC VLS (SNC)	811910447		IG	100.0%	100.0%	IG	100.0%	100.0%
PPP / DOMAINE VICTORIA	530593748		IG	72.0%	100.0%	NI	0.0%	0.0%
SNC VITROLLES LION1	811038454		IG	100.0%	100.0%	IG	100.0%	100.0%
PITCH PROMOTION SAS (ex Alta Favart SAS)	450042338		IG	100.0%	100.0%	IG	100.0%	100.0%
SCCV SEVRAN FREINVILLE	801560079		IG	60.0%	100.0%	IG	60.0%	100.0%
SCCV SAINT CYR COEUR DE PLAINE	813335148		IG	80.0%	100.0%	IG	80.0%	100.0%
SCCV MONTMAGNY COEUR DE VILLE	813523875		IG	100.0%	100.0%	IG	100.0%	100.0%
SCCV ANDRESY CHÂTEAUBRIANT	838432094		IG	75.0%	100.0%	NI	0.0%	0.0%
SCCV BEZONS COEUR DE VILLE A1 & A2- LOGEMENTS	819929845		IG	92.5%	100.0%	IG	92.5%	100.0%
SCCV GIF MOULON A4	830886115		IG	25.0%	100.0%	IG	25.0%	100.0%
SCCV GIF MOULON B4/B5	831101100	affiliate	ME	25.0%	25.0%	ME	25.0%	25.0%
SNC TOULOUSE TMA PLACE CENTRALE	821922564		IG	100.0%	100.0%	IG	100.0%	100.0%
PITCH PROMOTION SNC	422989715		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC VALOR 2015	811425222		IG	100.0%	100.0%	IG	100.0%	100.0%
SCCV LE BELVEDERE DES CAILLOLS 2007	499458305	affiliate	ME	50.0%	50.0%	ME	50.0%	50.0%
SCCV ROMAINVILLE NEO PARC	798508263	affiliate	ME	51.0%	51.0%	ME	51.0%	51.0%
SCCV LIEUSAINT LOTS 3 ET 4	808319206	affiliate	ME	51.0%	51.0%	ME	51.0%	51.0%
SCCV DOMAINE PARISIS T1	798065959	affiliate	ME	50.0%	50.0%	ME	50.0%	50.0%
SCCV LACASSAGNE BRICKS	817783749	affiliate	ME	51.0%	51.0%	ME	51.0%	51.0%
SCCV ISTRES TRIGANCE ILOT A2	812621324		IG	100.0%	100.0%	IG	100.0%	100.0%
SCCV CAP AU SUD 2015	812481224		IG	100.0%	100.0%	IG	100.0%	100.0%
SCCV BAGNOLET ALLENDE	821889151	affiliate	ME	49.0%	49.0%	ME	49.0%	49.0%
SAS MB TRANSACTIONS	425039138		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM GESTION	380375097		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COVALENS	309021277		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM PARIS METROPOLE	319293916		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC CORESI	380373035		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM GRAND LYON	300795358		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM MEDITERRANEE	312347784		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM PROVENCE	442739413		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM MIDI-PYRENEES	447553207		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM GRENOBLE	418868584		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM SAVOIES-LEMAN	348145541		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM AQUITAINE	388620015		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM ATLANTIQUE	501734669		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM LANGUEDOC ROUSSILLON	532818085		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC COGEDIM EST	419461546		IG	100.0%	100.0%	IG	100.0%	100.0%
COGEDIM SAS	54500814		IG	100.0%	100.0%	IG	100.0%	100.0%
SNC SURESNES MALON	832708663	joint venture	ME	50.0%	50.0%	ME	50.0%	50.0%
SCCV ANNEMASSE FOSSARD	803779438		IG	80.0%	100.0%	IG	80.0%	100.0%
SCCV RADOIRE ORDET	808870323		IG	80.0%	100.0%	IG	80.0%	100.0%
SCCV 62 CORNICHE FLEURIE	818641383		IG	55.0%	100.0%	IG	55.0%	100.0%
SNC PROVENCE L'ETOILE	501552947		IG	100.0%	100.0%	IG	100.0%	100.0%
SCCV PARIS CAMPAGNE PREMIERE	530706936		IG	51.0%	100.0%	IG	51.0%	100.0%
SCCV PANTIN MEHUL	807671656		IG	51.0%	100.0%	IG	51.0%	100.0%
SCCV PORTE DE DESMONT	811049626	joint venture	ME	50.0%	50.0%	ME	50.0%	50.0%
SCCV BOBIGNY PARIS	812846525		IG	51.0%	100.0%	IG	51.0%	100.0%
SCCV ALFORTVILLE MANDELA	814412391		IG	51.0%	100.0%	IG	51.0%	100.0%
SCCV JOINVILLE PARIS LIBERTE	814629655		IG	51.0%	100.0%	IG	51.0%	100.0%
SCCV RUEIL BONAPARTE MANET	817961196		IG	100.0%	100.0%	IG	100.0%	100.0%
SCCV CHAMPIGNY LA BOULONNERIE	819546185		IG	100.0%	100.0%	IG	100.0%	100.0%
SCCV BAGNEUX BOURG LA REINE	820201341		IG	100.0%	100.0%	IG	100.0%	100.0%
SCCV MALAKOFF PAUL BERT	821555992		IG	50.1%	100.0%	IG	50.1%	100.0%
SCCV HORLOGE VAILLANT A1	822204038	joint venture	ME	51.0%	51.0%	ME	51.0%	51.0%
SCCV CHAMPIGNY ALEXANDRE FOURNY	829377894		IG	50.1%	100.0%	ME	50.1%	50.1%
SCCV QUAI DE SEINE A ALFORTVILLE	803321942	joint venture	ME	49.0%	49.0%	ME	49.0%	49.0%
SCCV STRASBOURG RUE DE COLMAR	822392262		IG	85.0%	100.0%	IG	85.0%	100.0%
Business property								
ALTAREA COGEDIM ENTREPRISE PROMOTION SNC	535056378		IG	100.0%	100.0%	IG	100.0%	100.0%
ALTAREA COGEDIM ENTREPRISE ASSET MANAGEMENT SNC	534207386		IG	100.0%	100.0%	IG	100.0%	100.0%
ACEP INVEST 2 CDG NEUILLY / EX ACEP INVEST 4	794194274	affiliate	NI	0.0%	0.0%	ME	16.7%	16.7%
AF INVESTCO ARAGO (SNC)	494382351	affiliate	ME	30.1%	30.1%	ME	30.1%	30.1%
AF INVESTCO 4 (Snc)	798601936	affiliate	ME	8.3%	8.3%	ME	8.3%	8.3%
ALTA VAI HOLDCO A (ex Salle wagram, ex theatre de l'empire)	424007425		IG	100.0%	100.0%	IG	100.0%	100.0%
ALTAFUND General Partner sarl	NA		IG	100.0%	100.0%	IG	100.0%	100.0%
PASCALPROPCO (SAS)	437929813	affiliate	ME	15.1%	15.1%	ME	15.1%	15.1%
SNC 118 RUE DE TOCQUEVILLE	804088219	affiliate	ME	50.0%	50.0%	ME	50.0%	50.0%

4.3 Changes in consolidation scope

(in number of companies)	31/12/2017	Acquisition	Creation	Sale	Absorption, dissolution, deconsolidation	Change in consolidation method	31/12/2018
Fully consolidated subsidiaries	272	1	23	(1)	(68)	26	253
Joint ventures *	81		17		(7)	(2)	89
Affiliates *	103	1	8	(6)	(1)	(24)	81
Total	**456**	**2**	**48**	**(7)**	**(76)**	**–**	**423**

* Companies accounted for using the equity method

Detail of net acquisitions (disposals) of consolidated companies, net of cash

The Group notably acquired on 17 July 2018, the remaining balance of the capital of Histoire & Patrimoine, having already held 55.6%. Histoire & Patrimoine is a specialist in renovation and redevelopment, with a niche offering in tax-relief products (Historical Monuments, Malraux Law Properties and Real Estate Tax Losses). Histoire & Patrimoine is therefore fully consolidated as from this date (previously using the equity method).

During the financial year, the Group mainly disposed of:

- the Kosmo office building in Neuilly-sur-Seine, sold to Sogecap (Société Générale Insurance); project held 16.7% through its AltaFund funds;
- its 33.34% shareholding in Semmaris, the operator of the Rungis market which it holds through its subsidiary Alta Rungis. At the end of July, the Group sold 85% of the securities it held in Alta Rungis (now Predi Rungis), at a price valuing 100% of Semmaris at € 750 million (€ 250 million Group share).

4.4 Business combinations

On 17 July 2018, through its subsidiary Alta Faubourg, the Group acquired the remaining capital of Histoire & Patrimoine, a specialist in urban building renovation and redevelopment.

Histoire & Patrimoine thus becomes a wholly-owned subsidiary of the Group.

From the second half of 2018, Histoire & Patrimoine is fully consolidated (previously accounted for by the equity method) and its sales performance is incorporated into the residential property development division.

The acquisition price of the minority interest in this company is €33.0 million.

In accordance with IFRS 3 "Business combinations", this acquisition has given rise to the recognition at fair value of the share previously held by the Group, and the recognition of 100% of the assets and liabilities of Histoire & Patrimoine.

The revaluation of the share previously held technically generated a sale gain of €20.6 million. No contingent liabilities were identified.

The goodwill recorded is definitive and was allocated to the Group's Residential business.

4.5 Securities and investments in equity affiliates and unconsolidated interests

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

€millions
Equity-accounting value of joint ventures
Equity-accounting value of affiliated companies
Value of stake in equity-method affiliates
Non-consolidated securities
Receivables from joint ventures
Receivables from affiliated companies
Receivables from equity-method subsidiaries and non-consolidated interests
Total securities and receivables in equity affiliates and unconsolidated interests

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

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

€millions	*Joint venture*	*Affiliate*	**31/12/2018**	*Joint venture*	*Affiliate*	**31/12/2017**
Balance sheet items, Group share:						
Non-current assets	7.4	120.7	128.1	5.7	270.2	275.9
Current assets	164.1	177.4	341.4	161.0	276.4	437.5
Total Assets	**171.4**	**298.1**	**469.5**	**166.7**	**546.6**	**713.3**
Non-current liabilities	18.4	118.1	136.5	19.4	185.7	205.1
Current liabilities	136.3	144.7	281.0	120.1	236.3	356.5
Total Liabilities	**154.7**	**262.8**	**417.5**	**139.5**	**422.1**	**561.6**
Net assets (equity-accounting basis)	**16.7**	**35.3**	**52.0**	**27.2**	**124.5**	**151.7**
Share of income statement items, Group share:						
OPERATING INCOME	**7.6**	**17.4**	**25.0**	**11.1**	**29.0**	**40.1**
Net borrowing costs	(0.2)	(1.5)	(1.8)	(0.2)	(0.1)	(0.3)
Change in value of hedging instruments	-	(0.3)	(0.3)	-	(0.1)	(0.1)
Proceeds from the disposal of investments	-	-	-	-	0.0	0.0
Dividend	-	-	-	-	0.2	0.2
Net income before tax	**7.3**	**15.6**	**22.9**	**10.9**	**29.1**	**40.0**
Corporate income tax	(1.9)	(3.2)	(5.1)	2.4	(7.9)	(5.5)
Net income after tax, Group share	**5.4**	**12.4**	**17.8**	**13.3**	**21.2**	**34.5**
Non-Group net income	-	0.0	0.0	-	0.0	0.0
Net income, Group share	5.4	12.4	17.8	13.3	21.2	34.5

Group revenues from joint ventures amounted to €6.5 million for the year to 31 December 2018, compared with €10.6 million for 2017.

Group revenues from associates amounted to €33.5 million for the year to 31 December 2018, compared with €16.0 million for 2017.

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

Commitments given

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

In connection with the property development business for joint ventures, construction work completion guarantees and guarantees on forward payments for assets were given of €27.0 and €18.0 million respectively, at 31 December 2018.

NOTE 5 RESULT

5.1 Net property income

The Group's net property income came to €195.1 million at 31 December 2018 as against €146.2 million in 2017, i.e. an increase of €48.9 million (+ 33.4%) mailny due to the Residential business.

5.2 Cost of net financial debt and other financial items

5.2.1 Cost of net financial debt

€millions	31/12/2018	31/12/2017
Bank interest expenses	(18.7)	(20.2)
Interest on partners' advances	(0.1)	(0.1)
Interest rate on hedging instruments	0.0	(0.0)
Non-use fees	(0.7)	(0.5)
Other financial expenses	(3.3)	(3.5)
Capitalised interest expenses	7.3	7.9
FFO financial expenses	**(15.4)**	**(16.4)**
Interest on partners' advances	4.8	3.3
Other interest income	0.1	0.2
Interest rate on hedging instruments	-	3.5
FFO financial income	**4.9**	**7.0**
FFO NET BORROWING COSTS	**(10.5)**	**(9.3)**
Spreading of bond issue costs[(a)]	(1.9)	(0.9)
Estimated financial expenses	**(1.9)**	**(0.9)**
NET BORROWING COSTS	**(12.4)**	**(10.3)**

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

Interest costs on loans from credit institutions include the effect of amortizing issuance costs in accordance with IFRS 9.

Capitalised interest expenses relate only to companies carrying an asset under development or construction (Residential and Business property 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 a net expense of €0.0 million in 2018 compared with net income of €2.9 million for 2017. This corresponds to the changes in value of interest rate hedging instruments.

5.2.3 Net gain/(loss) on disposal of investments

This line mainly records the impact of the sale of Semmaris. The transaction was recorded in its entirety: the share of the remaining securities is recognized as an asset on the basis of the transfer protocol (agreement to buy and sell).

5.3 Income tax

Analysis of tax expense

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

€millions	31/12/2018	31/12/2017
Tax due	**(7.8)**	**(5.6)**
Tax loss carry forwards and/or use of deferred losses	0.0	4.7
Valuation differences	(0.0)	1.0
Fair value of hedging instruments	(4.7)	(7.1)
Net property income on a percentage-of-completion basis	(7.7)	0.1
Other timing differences	**(7.8)**	**(5.6)**
Deferred tax	**(37.4)**	**(21.5)**
Total tax income (expense)	**(45.2)**	**(27.1)**

Effective tax rate

€millions	31/12/2018	31/12/2017
Pre-tax profit of consolidated companies	**314.3**	**80.1**
Group tax savings (expense)	**(45.2)**	**(27.1)**
Effective tax rate	**(14.39%)**	**(33.79%)**
Tax rate in France	34.43%	34.43%
Theoretical tax charge	**(108.2)**	**(27.6)**
Difference between theoretical and effective tax charge	**63.0**	**0.5**
Differences related to treatment of losses	(3.4)	4.3
Other permanent differences and rate differences	66.4	(3.8)

Deferred tax assets and liabilities

€millions	31/12/2018	31/12/2017
Tax loss carry forwards	84.8	109.9
Valuation differences	(26.0)	(23.2)
Fair value of investment properties	-	-
Fair value of financial instruments	0.0	0.0
Net property income on a percentage-of-completion basis	(54.0)	(25.7)
Other timing differences	(7.5)	0.2
Net deferred tax on the balance sheet	**(2.7)**	**61.2**

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

Deferred taxes relating to the recognition of tax losses are primarily for losses recognised in the Altareit tax group.

Deferred taxes are calculated at the rate of 32.02%, the rate set by the Finance Act for 2019, and not at the rate of 34.43% applicable in 2018.

In fact, 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.

To anticipate the effect of these future reductions after 2019, a discount was applied to the tax calculated based on the items the Group does not expect to be cleared before this date.

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 share implies a reduction in the result per share.

€millions	31/12/2018	31/12/2017
Numerator		
Net income, Group share	272.8	79.5
Denominator		
Weighted average number of shares before dilution	1,748,473	1,748,486
Effect of potentially dilutive shares		
Stock options	-	-
Rights to free share grants	-	-
Total potential dilutive effect	-	-
Weighted diluted average number of shares	1,748,473	1,748,486
BASIC NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS (in €)	**156.01**	**45.45**
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO GROUP SHAREHOLDERS (in €)	**156.01**	**45.45**

NOTE 6 LIABILITIES

6.1 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 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 (*)**
No change in 2018			
Number of shares outstanding at 31 December 2018	**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 €13.7 million in 2018 compared to €11.2 million in 2017.

Free share grants

Award date	Number of rights awarded	Vesting date	Rights in circulation as at 31/12/2017	Awarded	Delivery	Amendments to rights (a)	Rights in circulation as at 31/12/2018
Stock grant plans on Altarea shares							
31 March 2016	18,550	31 March 2018	16,832		(16,531)	(301)	
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			(2,000)	1,500
14 December 2016	21 585 (b)	10 April 2019	20,792			(905)	19,887
15 December 2016	19,170	1 February 2018	18,101		(17,587)	(514)	
16 December 2016	23,079	1 February 2018	22,421		(22,192)	(229)	
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	3,075		(2,885)	(190)	
15 February 2018	21,040	15 February 2019		21,040		(1,262)	19,778
19 February 2018	21,591	19 February 2019		21,591		(720)	20,871
21 February 2018	7,916	21 February 2020		7,916		(241)	7,675
2 March 2018	18 504 (b)	2 March 2020		18,504		(1,070)	17,434
6 March 2018	2,705	6 March 2019		2,705		(90)	2,615
28 March 2018	750	28 March 2019		750			750
29 March 2018	4,837	29 March 2019		4,837			4,837
30 March 2018	3,419	30 March 2020		3,419			3,419
20 July 2018	41 500 (b)	31 March 2021		41,500			41,500
7 September 2018	14 800 (b)	31 March 2021		14,800			14,800
3 December 2018	5 000 (b)	31 March 2021		5,000			5,000
Total	**248,627**		**102,092**	**142,062**	**(65,065)**	**(7,522)**	**171,567**

(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

Treasury shares are eliminated and offset directly in equity.

In addition, a net gain on disposal and/or free share grants of treasury shares to Company employees was recognised directly in equity, against net gain.

6.1.2 Dividends proposed and paid

No dividen was distributed in 2018.

No distribution of dividend shall be proposed at the General shareholder's meeting over the 2018 accounts.

6.2 Net financial debt and guarantees

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

€millions	31/12/2017	Cash flow	"Non cash" change				31/12/2018
			Spreading of issue costs	Change in scope of consolidation	Present value adjustment	Other impacts	
Private bond investment (excluding accrued interest)	-	344.9	0.2	-	-	-	345.0
Negotiable European Commercial Paper	468.9	(256.9)	-	-	-	-	212.0
Bank borrowings, excluding accrued interest and overdrafts	656.2	(325.6)	1.7	29.5	-	-	361.8
Net bond and bank debt, excluding accrued interest and overdrafts	**1,125.1**	**(237.7)**	**1.9**	**29.5**	**-**	**-**	**918.8**
Accrued interest on bond and bank borrowings	0.9	5.0	-	0.0	-	-	5.9
Bond and bank debt, excluding overdrafts	**1,126.0**	**(232.7)**	**1.9**	**29.5**	**-**	**-**	**924.7**
Cash and cash equivalents	(452.8)	(60.2)	-	(8.9)	-	0.0	(521.9)
Bank overdrafts	0.8	2.6	-	0.2	-	-	3.5
Net cash	**(452.0)**	**(57.7)**	**-**	**(8.7)**	**-**	**0.0**	**(518.4)**
NET BOND AND BANK DEBT	**673.9**	**(290.4)**	**1.9**	**20.8**	**-**	**0.0**	**406.3**
Group and partners' advances	52.3	52.7	-	(28.6)	-	-	76.4
Accrued interest on shareholders' advances	-	-	-	-	-	-	-
NET FINANCIAL DEBT	**726.2**	**(237.7)**	**1.9**	**(7.8)**	**-**	**0.0**	**482.6**

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

- borrowings from credit institutions amounting to €131.8 million compared with €364.7 million at December 31, 2017,
- bank financing of Promotion operations for €224.5 million compared with €285.4 million of December 31, 2017.

During the financial year, the Group notably:

- successfully placed its first rated bond issue, for € 350 million with a 7-year maturity and a fixed coupon of 2.875% with European investors via subsidiary Altareit,
- repaid term loans and cancelled revolving credit facilities totalling € 235 million,
- reduced its issues of Negotiable European Commercial Paper (less €256.9 million during the financial year).

All financing was not fully drawn at 31 December 2018

The current account with Altarea SCA amounted to €0,1 million at December 31, 2018 and December 31, 2017.

The changes in the consolidation scope are mainly related to the acquisition of Histoire & Patrimoine, the sale of Alta Rungis (Semmaris) and to movements in the Property Development business.

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.

Breakdown of bank and bond debt by maturity

€millions	31/12/2018	31/12/2017
< 3 months	173.4	121.9
3 to 6 months	47.2	181.9
6 to 9 months	49.2	136.5
9 to 12 months	30.4	117.3
Less than 1 year	**300.2**	**557.6**
2 years	133.9	169.8
3 years	76.1	308.9
4 years	59.6	26.9
5 years	9.9	51.3
1 to 5 years	**279.5**	**556.8**
More than 5 years	**352.3**	**14.8**
Issuance cost to be amortised	(3.9)	(2.4)
Total gross bond and bank debt	**928.2**	**1,126.7**

The decrease in the portion of bond and bank debt due in less than one year is attributable to the increase in Negotiable European Commercial Paper and their maturity schedule, offset by the shortening in maturity of bond and corporate bank loans to less than one year. The increase in the portion over five years is due mainly to the €350 million bond issue.

Breakdown of bank and bond debt by guarantee

€millions	31/12/2018	31/12/2017
Mortgage commitments	213.6	278.1
Moneylender lien	24.6	25.6
Pledging of receivables	5.6	6.0
Pledging of securities	-	235.0
Altarea SCA security deposit	109.0	109.0
Not Guaranteed	579.3	475.5
Total	**932.0**	**1,129.1**
Issuance cost to be amortised	(3.9)	(2.4)
Total gross bond and bank debt	**928.2**	**1,126.7**

Breakdown of bank and bond debt by interest rate

	Gross bond and bank debt		
€millions	Variable rate	Fixed rate	Total
At 31 December 2018	578.1	350.1	928.2
At 31 December 2017	1,126.7	-	1,126.7

The market value of fixed rate debt stood at €358.9 million at 31 December 2018.

Schedule of future interest expenses

€millions	31/12/2018	31/12/2017
< 3 months	1.3	2.6
3 to 6 months	1.3	2.7
6 to 9 months	6.3	2.6
9 to 12 months	1.2	2.5
Less than 1 year	**10.1**	**10.5**
2 years	13.9	8.2
3 years	12.1	6.9
4 years	11.0	1.6
5 years	10.3	0.9
1 to 5 years	**47.3**	**17.7**

These future interest expenses concern borrowings and financial instruments.

6.3 Provisions

€millions	31/12/2018	31/12/2017
Provision for benefits payable at retirement	8.9	7.5
Other provisions	7.4	7.1
TOTAL PROVISIONS	**21.6**	**20.1**

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, § 2.4.14. "Employee benefits". The main assumptions used when evaluating this commitment are turnover, the discount rate and the rate of salary increase: a change of +/-0.25% 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	31/12/2018	31/12/2017
Goodwill	**422.3**	**(243.7)**	**178.6**	**139.6**
Brands	**100.7**		**100.7**	**89.9**
Customer relationships	**191.7**	**(191.7)**	**-**	**-**
Software applications, patents and similar rights	19.4	(14.7)	4.7	4.1
Leasehold Right	2.2	(2.2)	-	-
Others	0.2	(0.0)	0.2	0.2
Other intangible assets	**21.8**	**(16.9)**	**4.9**	**4.2**
TOTAL	**736.5**	**(452.3)**	**284.2**	**233.7**

€millions	31/12/2018	31/12/2017
Net values at beginning of the period	**233.7**	**238.7**
Acquisitions of intangible assets	2.1	1.9
Disposals and write-offs	-	(0.1)
Changes in scope of consolidation and other	49.8	-
Net allowances for depreciation	(1.6)	(6.8)
Net values at the end of the period	**284.2**	**233.7**

The brands relate to the Cogedim brand, the Pitch Promotion brand and the Histoire & Patrimoine brand acquired with the controlling interest taken by the property developer on 17 July 2018. These brands are an indefinite life intangible asset, and therefore not subject to amortisation.

Goodwill consists of the historical goodwill of Cogedim and goodwill on acquisition of Pitch Promotion and Histoire & Patrimoine.

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

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

As per the accounting principles and methods applied by the Group (§ 2.4.2 and 2.4.7), goodwill was tested for impairment as of 31 December 2018. On the basis of these assumptions, the fair value determined of the economic assets in the Residential and Business property segments as calculated do not require recognition of impairment.

Goodwill recognised on the acquisitions of Cogedim, Pitch Promotion and Histoire & Patrimoine ands brands totalled at 31 December 2018 €178.6 million and €100.7 million respectively.

7.2 Investment properties

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

At December 31, 2018, they were deprecuated by €0,1 million.

7.3 Operational working capital requirement

Summary of components of operational working capital requirement

€millions	31/12/2018	31/12/2017	Flows		
			Created by the business	Changes in consolidation scope and transfer	Change in consolidation method
Net inventories and work in progress	**973.0**	**1,275.4**	**153.2**	**47.7**	**(503.2)**
Net trade receivables	537.4	189.4	30.0	13.4	304.5
Other operating receivables net	366.1	321.0	71.9	12.9	(39.8)
Trade and other operating receivables net	**903.5**	**510.4**	**101.9**	**26.4**	**264.6**
Trade payables	(712.9)	(496.3)	(181.3)	(5.3)	(30.0)
Other operating payables	(439.7)	(742.7)	(12.3)	(23.1)	338.5
Trade payables and other operating liabilities	**(1,152.6)**	**(1,239.0)**	**(193.6)**	**(28.4)**	**308.5**
Operational WCR	**723.9**	**546.9**	**61.5**	**45.6**	**69.9**

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

The changes in the consolidation scope are related to the change in consolidation method of some entities and the acquisition of Histoire & Patrimoine.

The change in the accounting method is linked to the application of IFRS 15 as of 1 January 2018. The amounts correspond to the impact at opening.

7.3.1 Inventories and work in progress

€millions	Gross inventories	Impairment	Net inventories
At 1st January 2017	**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 method	(503.2)	–	(503.2)
Change	153.4	(0.0)	153.4
Increases	–	(2.3)	(2.3)
Reversals	–	2.1	2.1
Transfers to or from other categories	0.0	0.0	0.0
Change in scope of consolidation	(48.5)	(0.9)	47.6
At 31 December 2018	**981.9**	**(8.9)**	**973.0**

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

The changes in the consolidation scope are related to the change in consolidation method of some entities and the acquisition of Histoire & Patrimoine.

The change in method is related to the implementation of IFRS 15 at 1 January 2018.

7.3.2 Trade and other receivables

€millions	31/12/2018	31/12/2017
Gross trade receivables	**538.2**	**190.5**
Opening impairment	**(1.1)**	**(0.7)**
Increases	(0.1)	(0.4)
Change in scope of consolidation	0.1	-
Reversals	0.3	0.0
Other changes	0.0	0.0
Closing impairment	**(0.8)**	**(1.1)**
Net trade receivables	**537.4**	**189.4**
Advances and down payments paid	40.1	28.0
VAT receivables	253.5	198.1
Sundry debtors	24.4	46.4
Prepaid expenses	42.4	48.9
Total other operating receivables gross	**366.4**	**321.4**
Opening impairment	**(0.4)**	**(4.3)**
Increases	(0.2)	(0.5)
Reclassification	-	(0.1)
Reversals	0.2	4.5
Closing impairment	**(0.3)**	**(0.4)**
Net operating receivables	**366.1**	**321.0**
Trade receivables and other operating receivables	**903.5**	**510.4**
Receivables on sale of assets	4.4	0.2
Trade receivables and other operating receivables	**907.9**	**510.6**

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	31/12/2018
Total gross trade receivables	**538.2**
Impairment of trade receivables	(0.8)
Total net trade receivables	**537.4**
Trade accounts to be invoiced	(22.3)
Receivables lagging completion	(337.5)
Trade accounts receivable due	**177.6**

Receivables lagging completion according to the percentage-of-completion method are affected by the application of IFRS 15: revenue and therefore trade receivables according to the percentage-of-completion method are taken more rapidly.

€millions	Total	On time	30 days	60 days	90 days	More than 90 days
Trade accounts receivable due	**177.6**	121.6	0.3	20.8	4.9	30.1

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	31/12/2018	31/12/2017
Trade payables and related accounts	**712.9**	**496.3**
Advances and down payments received from clients	106.3	551.5
VAT collected	215.5	80.4
Other tax and social security payables	40.5	41.7
Prepaid income	3.0	0.9
Other payables	68.3	68.2
Other operating payables	**439.7**	**742.7**
Amounts due on non-current assets	11.0	10.8
Accounts payable and other operating liabilities	**1,163.6**	**1,249.8**

Advances and down payments received from clients

Part payments received on property programmes, before the corresponding work has been carried out, are accounted for on the liabilities side under advances and payments on account received (using the percentage of completion method). The significant variation over the period is mainly due to IFRS 15 implementation effective on 1 January 2018 and its impact on opening balance sheet.

NOTE 8 FINANCIAL RISK MANAGEMENT

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

8.1 Carrying amount of financial instruments by category

At 31 December 2018

€millions	Total carrying amount	Non-financial assets	Financial assets and liabilities carried at amortised		Financial assets and liabilities carried at fair value				
			Loans Receivables	Liabilities at amortised cost	Equity instruments	Assets and liabilities at fair value through	*Level 1 (a)*	*Level 2 (b)*	*Level 3 (c)*
NON-CURRENT ASSETS	**250.8**	**52.0**	**165.7**	**-**		**33.2**	**-**	**-**	**-**
Securities and investments in equity affiliates and unconsolidated interests	242.5	52.0	157.4	-		33.2	-	-	-
Loans and receivables (non-current)	8.3	-	8.3	-		-	-	-	-
CURRENT ASSETS	**1 462.3**	**-**	**1,460.4**	**-**		**-**	**1.9**	**1.9**	**-**
Trade and other receivables	907.9	-	907.9	-		-	-	-	-
Loans and receivables (current)	32.5	-	32.5	-		-	-	-	-
Derivative financial instruments	-	-	-	-		-	-	-	-
Cash and cash equivalents	521.9	-	520.0	-		-	1.9	1.9	-
NON-CURRENT LIABILITIES	**629.9**	**-**	**-**	**629.9**		**-**	**-**	**-**	**-**
Borrowings and financial liabilities	628.7	-	-	628.7		-	-	-	-
Deposits and security interests received	1.2	-	-	1.2		-	-	-	-
CURRENT LIABILITIES	**1,539.5**	**-**	**-**	**1,539.5**		**-**	**0.0**	**-**	**0.0**
Borrowings and financial liabilities	375.8	-	-	375.8		-	-	-	-
Derivative financial instruments	0.0	-	-	-		-	0.0	-	0.0
Accounts payable and other operating liabilities	1,163.6	-	-	1,163.6		-	-	-	-

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

Equity instruments mainly comprise equity securities of non-consolidated companies. At each acquisition an analysis is carried out to determine the Group's management intention, and therefore its accounting method (by result or by OCI).
Cash and cash equivalents breakdown between cash presented under receivables and marketable securities presented as financial assets within Level 1 of the fair value hierarchy.

At 31 December 2017

€millions	Total carrying amount	Non-financial assets	Financial assets and liabilities carried at amortised		Financial assets and liabilities carried at fair value				
			Loans Receivables	Liabilities at amortised cost	Equity instruments	Assets and liabilities at fair value through	*Level 1 (a)*	*Level 2 (b)*	*Level 3 (c)*
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	-	-	-	-	-

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

Equity instruments (formerly assets available for sale) mainly comprise equity securities of non-consolidated companies.
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 swaps and caps designed to hedge against interest rate risk on its variable rate financial debts.

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

In compliance with IFRS 13, these instruments are measured by considering the credit valuation adjustment (CVA) when positive, and the debit valuation adjustment (DVA) when negative. This adjustment measures, by application on each cash flow date of the valuation of a probability of default, the counterparty risk defined as an obligation to replace a hedging operation at the market rate in force following the default by one of the counterparties. CVA, calculated for a given counterparty, considers the probability of default for this counterparty. DVA, based on the Company's credit risk, corresponds to the counterparty's exposure to loss in the event of the Company's default.

Derivatives were valued by discounting future cash flows estimated according to interest rate curves at 31 December 2018.
Derivatives are held by Group companies consolidated using the equity method.

Management position

At 31 December 2018

€millions	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Fixed-rate bond and bank loans	(350.1)	(345.0)	(345.0)	(345.0)	(345.0)	(345.0)
Floating-rate bank loans	(578.1)	(282.9)	(149.1)	(72.9)	(13.3)	(3.4)
Cash and cash equivalents (assets)	521.9	-	-	-	-	-
Net position before hedging	**(406.3)**	**(628.0)**	**(494.1)**	**(418.0)**	**(358.3)**	**(348.4)**
Swap	-	-	-	-	-	-
Collar	-	-	-	-	-	-
Cap	-	-	-	-	-	-
Total derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**
Net position after hedging	**(406.3)**	**(628.0)**	**(494.1)**	**(418.0)**	**(358.3)**	**(348.4)**

At 31 December 2017

€millions	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
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)**

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
31/12/2018	+50 bps -50 bps	-€1.2 million +€1.7 million	- -
31/12/2017	+50 bps -50 bps	-€1.4 million +€1.6 million	+€0.0 million -€0.0 million

8.3 Liquidity risk

Cash

The Group had a positive cash position of €521.9 million at 31 December 2018, compared to €452.8 million at 31 December 2017. 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 2018, the amount of this restricted cash was €319.2 million.

On this date, in addition to the available cash of €202.7 million, the Group also had €213.3 million of additional available cash and cash equivalents (in confirmed corporate credit lines that had not been used and were not assigned to projects).

Covenants

As part of the Altarea Cogedim Group, some covenants relate to coonsolidated indicators of Altarea Cogedim Group.

The covenants with which the Group must comply concern the listed corporate bond and banking loans, for €109 million.

The bank credit subscribed by Cogedim SAS is also subject to leverage covenants (revolving line of €80 million) as well as bonds subscribed by Altareit SCA.

	Altarea Group covenants	31/12/2018	Consolidated Altareit covenants	31/12/2018	Consolidated Cogedim covenants	31/12/2018
Loan To Value (LTV)						
Net bond and bank financial debt/re-assessed value of the Company's assets	60%	34.9%				
Interest Cover Ratio (ICR)						
Operating income (FFO column or cash flow from operations)/Company's net borrowing cost (FFO column)	> 2	9.2				
Leverage						
Leverage: Net financial Debt/EBITDA					≤ 5	1.4
Gearing: Net financial debt/Equity			≤ 3.25	0.5	≤ 3	0.1
ICR: EBITDA/Net interest expenses			≥ 2	16.9	≥ 2	7.1

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

In percentage	31/12/2018 % capital	31/12/2018 % voting rights	31/12/2017 % capital	31/12/2017 % 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	-
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, run and controlled by 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 €80 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	31/12/2018	31/12/2017
Non-currents assets		0.1	0.1	0.1
Currents assets	0.0	8.3	8.3	1.4
TOTAL ASSETS	**0.0**	**8.4**	**8.4**	**1.5**
Trade, current account and other payables	-	3.8	3.8	4.0
TOTAL LIABILITIES	**-**	**3.8**	**3.8**	**4.0**

€millions	Altafi 2	Altarea and subsidiaries	31/12/2018	31/12/2017
Operating revenues	0.1	9.2	9.3	10.8
Operating expenses	(0.6)	(38.4)	(39.0)	(29.1)
OPERATING INCOME	**(0.6)**	**(29.2)**	**(29.7)**	**(18.3)**
Net borrowing costs	-	(3.1)	(3.1)	(3.2)
NET INCOME	**(0.6)**	**(32.3)**	**(32.9)**	**(21.5)**

Compensations of the Management Committee

In accordance with the article 14 of the bylaws, Altareit pays the compagny manager, Altafi 2. In this respect, the following expense was recognized:

	Altafi 2 SAS	
€ millions	31/12/2018	31/12/2017
Fixed Management compensation	0.6	0.6
TOTAL	**0.6**	**0.6**

Compensation of the Group's salaried executives

€millions	31/12/2018	31/12/2017
Gross salaries[(a)]	1.5	1.4
Social security contributions	0.6	0.5
Share-based payments[(b)]	1.7	1.7
Number of shares delivered during the period	*7,712*	*4,954*
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	0.3	0.4
Loans	-	-
Post-employment benefit commitment	0.1	0.1

(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	31/12/2018	31/12/2017
Rights to Altarea SCA's free share grants	38,656	21,934
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 risks management”.

All other material commitments are set out below:

€millions	31/12/2017	31/12/2018	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	**14.3**	**12.1**	**12.1**	–	–
Commitments received relating to operating activities	**5.4**	**4.1**	**4.1**	–	–
Security deposits received from FNAIM (Hoguet Act)	–	4.1	**4.1**	–	–
Payment guarantees received from customers	5.4	–	–	–	–
Total	**19.8**	**16.2**	**16.2**	**–**	**–**
Commitments given					
Commitments given relating to financing (excl. borrowings)	–	–	–	–	–
Commitments given relating to company acquisitions	**57.2**	**57.4**	**0.5**	**57.0**	-
Commitments given relating to operating activities	**1,075.7**	**1,481.4**	**604.1**	**875.1**	**2.2**
Construction work completion guarantees (given)	983.8	1,395.0	544.3	850.8	-
Guarantees given on forward payments for assets	37.5	14.0	5.7	6.5	1.8
Guarantees for loss of use	38.8	49.2	38.2	10.7	0.3
Other sureties and guarantees granted	15.6	23.2	16.0	7.1	0.0
Total	**1,132.8**	**1,538.9**	**604.6**	**932.1**	**2.2**

Commitments received

COMMITMENTS RECEIVED RELATING TO ACQUISITIONS/DISPOSALS

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

- **Security deposits**

Under France’s “Hoguet Act”, the Group holds a security deposit received from FNAIM a guarantee covering its 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 €54.2 million (firm commitment for identified projects). The commitment change depending on subscriptions and/or redemptions during the period.

Otherwise, the Group can make representations and warranties or contingent consideration when disposing of shares in subsidiaries and affiliates.

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 also a future offering consisting of unilateral preliminary sales agreements.

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

Minimum future rents to be paid

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

€millions	31/12/2018	31/12/2017
Less than 1 year	15.1	16.5
Between 1 and 5 years	6.0	14.3
More than 5 years	0.3	0.1
Guaranteed minimum rent	**21.4**	**30.9**

Rents to be paid concern: offices leased by the Group for its own operations.

The Group has announced its future headquarters at the Richelieu building, Paris 2 with the move planned for early 2020.

10.2 Contingent liabilities

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

NOTE 11 **POST-CLOSING EVENTS**

Since Friday, 4 January 2019, 85% of the residential property developer Severini has come under the control of Altarea Cogedim which increases its presence in the New Aquitaine region.

NOTE 12 **AUDITORS' FEES**

€millions	E&Y				Grant Thornton				Others				Total			
	Amount		%		Amount		%		Amount		%		Amount		%	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Statutory audit, certification, examination of individual and consolidated financial statements																
- Altarea SCA	0.1	0.0	9%	3%	0.1	0.1	32%	32%	-	-	0%	0%	0.2	0.1	10%	8%
- Fully consolidated subsidiaries	1.0	0.7	89%	97%	0.1	0.1	59%	68%	0.3	0.2	96%	100%	1.4	1.0	86%	92%
Services other than the certification of the financial statements																
- Altarea SCA	0.0	-	2%	0%	0.0	-	9%	0%	-	-	0%	0%	0.0	-	2%	0%
- Fully consolidated subsidiaries	0.0	-	1%	0%	-	-	0%	0%	0.0	-	4%	0%	0.0	-	1%	0%
Total	**1.1**	**0.7**	**100%**	**100%**	**0.2**	**0.2**	**100%**	**100%**	**0.3**	**0.2**	**100%**	**100%**	**1.7**	**1.1**	**100%**	**100%**