ALTAREIT

Strong growth of the results
Revenue: +27%

Pipeline

- Large mixed-use projects: 10 projects underway (for 865,000 m²)
  2 projects won (Joia Meridia in Nice, Quartier des Gassets in Val-d'Europe)

Residential

- New orders: 11,782 units (+5%) with €2.9 billion including tax (+11%)
- Revenue[1]: €1,848.2 million (+30%)

Business Property

- Major transactions: 2 iconic developments (Kosmo and Richelieu)
- New orders: €529 million including tax
- Revenue: €345.2 million (+15%)

Results

- Revenue: €2,196.6 million (+27%)
- Recurring operating income: €178.4 million (+17%)
- Net income, Group share: €272.8 million (x3.4), including the impact of the sale of the Group stake in Semmaris
- Gearing[2]: 0.48x (vs 1.34x)

Rating

- S&P Global assigned to Altareit a BBB rating (outlook stable), which announced its 1st public bond issue for €350 million, with a maturity of 7 years

Paris, 26 February 2019, 5:45 pm. Following review by the Supervisory Board, Management approved the FY 2018 consolidated financial statements. Limited review procedures have been carried out. The Auditors' certification report is being issued with no reservations.

ABOUT ALTAREIT - FR0000039216 - AREIT

A 99.85% subsidiary of the Altarea Cogedim Group, Altareit is a pure player in property development in France. Thanks to its unique multi-product expertise, Altareit is a leader in in mixed-use projects in french gateway cities. Altareit has the know-how in each sector required to design, develop, commercialise and manage made-to-measure property products. Altareit is listed in compartment B of Euronext Paris.

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1 Revenue by % of completion and external services.
2 Net bank and bond debt / consolidated shareholders' equity.

BUSINESS REVIEW

31 DECEMBER 2018

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1.1 A pure player in property development in France

1.1.1 A unique model

A 99.85% subsidiary of the Altarea Cogedim Group, Altareit offers a skills platform covering all asset classes (residential, retail, offices, logistics, hotels, serviced residences, etc.), in order to respond effectively and comprehensively to the challenges of urban transformation[3].

Residential: Altareit is among the French "Top 3" property developers, with 11,782 residential property sold, representing 7.6% of the domestic market in 2018[4].

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

• as a medium-term developer-investor in assets with a srontg potential (prime location) to be redeveloped pending sale (via AltaFund[5]),

• as a property developer[6] for external customers with a particularly strong position on the turnkey users market.

A huge pipeline

Metropolisation is the main underlying trend in real estate markets. The gathering of populations, businesses and wealth within large metropolitan areas is a complex phenomenon that is redrawing regional geography.

Communities formerly located on the outskirts of a main city are facing multiple challenges: social inequalities, affordable housing, transport, pollution, etc. Their property infrastructure is becoming outdated and needs to be reshaped to meet the challenges of growing population density.

By providing urban solutions to help these areas in their transformation, Altareit contributes to recreating the urban bond between the periphery and the heart of greater cities. Virtually all projects in the portfolio relate to rehabilitations or redevelopments: industrial sites, retail spaces, commercial complexes, residential buildings, low-density housing, etc.

At 31 December 2018, Altareit managed 10 major mixed-use projects representing potential value of approximately €3.3 billion.

Large projects at 100%	Total surface area (m²) [(a)]	Residential (units)	Serviced Residences	Office	Retail	Cinemas	Leisure/ Hotels	Public infrastructure	Estimated delivery
Aerospace (Toulouse)	64,000	790	-	x	x	x	x	-	2019-2021
Gif sur Yvette	68,000	960	-	-	x	-	-	x	2019-2021
Joia Meridia (Nice)	48,000	630	x	-	x	-	x	-	2020-2023
Coeur de Ville (Bezons)	67,000	730	-	-	x	x	-	-	2021
Belvédère (Bordeaux)	140,000	1,230	x	x	x	-	x	x	2021-2024
Fischer (Strasbourg)	37,000	490	x	-	x	x	-	x	2021-2024
La Place (Bobigny)	104,000	1,270	x	x	x	x	-	x	2021-2024
Cœur de Ville (Issy les M.)	105,000	630	x	x	x	x	x	x	2022
Quartier Guillaumet (Toulouse)	101,000	1,200	x	x	x	-	-	-	2022-2023
Quartier des Gassets (Val d'Europe) [(b)]	131,000	860	x	x	x	-	x	-	2024
Total (10 projects)	**865,000**	**8,790**							

[(a)] Floor area.
[(b)] Detailed planning under way.

3 The Group focuses its development on 12 major French regions: Greater Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Bordeaux Métropole, Greater Lyon, Grenoble-Annecy, Eurométropole de Strasbourg, Nantes Métropole, Métropole Européenne de Lille, Montpellier Méditerranée Métropole, Métropole de Rennes.
4 Based on 155,000 units reserved in France in 2018 (-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).
5 AltaFund is a discretionary investment fund, created in 2011, of which Altareit is one of the contributors alongside leading institutional investors.
6 This development activity does not present any commercial risk: Altareit carries only a measured amount of technical risk.

1.1.2 2018 highlights

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.

In early 2019, the Group was also awarded the tender for a mixed-use 56,000 m² project in the Les Simonettes district in Champigny-sur-Marne, comprising 28,000 m² of residential units, 900 m² of retail space and services, 12,000 m² of commercial space on the future Grand Paris Express metro line 15, and 15,000 m² of activities including 9,000 m² dedicated to the "Cité Artisanale des Compagnons du Tour de France" (amenities dedicated to promote and teach French craft).

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% 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.

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[7];

• the acquisition, finalised in early 2019, of 85% of Severini[8], developer of new housing complexes representing 300 units each year, active mainly in Nouvelle Aquitaine.

In terms of development, the Residential pipeline (offering and land portfolio) amounted to €11.3 billion (an increase of 23% compared with end-2017). The renewal of the Pinel Act for a four-year period (from 2018 to end-2021) and its greater focus to high-demand areas[9] backs up the Group's territorial strategy, with more than 99.9% of the pipeline located in eligible areas. The adoption of the ELAN law[10] also promises to create more favourable conditions for new residential developments in the coming years.

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[11], 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.

Sale of Semmaris

In July 2018, the Group sold its 33.34% stake in Semmaris, the operator of the Rungis national food market[12], to Crédit Agricole Assurances.

Consequently, there is no contribution of Semmaris to the operating income (FFO[13]) for the second semester 2018.

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

[7] 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.

[8] The Group announced the start of exclusive negotiations for this transaction on 13 November 2018 and its effective completion on 4 January 2019 (see the Residential chapter of this report).

[9] The "high-demand areas" correspond to areas A bis, A and B1.

[10] The ELAN Act (for Evolution du logement, de l'aménagement et du numérique) aims to facilitate the construction of new housing and to protect socially disadvantaged groups. It was definitively adopted in the Senate on 16 October 2018.

[11] AltaFund is a discretionary investment fund, created in 2011, of which Altareit is one of the contributors alongside leading institutional investors.

[12] Stake held by Altareit, a subsidiary listed on Euronext Paris (AREIT), 99.85% owned by Altarea Cogedim, which combines the Group's Residential and Business Property development activities. (See chapter Consolidated results of this report, and see the press release dated 27 July 2018 available on the Group's website)

[13] Funds From Operations or operating cash flow from operations.

"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.

€350 million bond issue

In line with this rating, Altareit announced 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.

Extra-financial performance

Number 1 in the GRESB ranking[14]

In its 5th year of participating in the GRESB, Altarea Cogedim Group, which Altareit is a 99.85% subsidiary, has reasserted its leader status and been ranked N°1 listed company in France (all sectors combined) and N°2 of all listed Retail companies worldwide.

Customers

Cogedim won the customer care award for "Elu service client de l'année"[15] for the second consecutive year, illustrating the "Cogedim difference": a state of mind, a unique way of designing homes and uncompromising quality in the service and relationships offered to customers.

Environmental certification

100% of Residential units projects are NF Habitat certified, and 50% also have an environmental label.

100% of Business property developments are certified to the NF HQE™ "Excellent" and BREEAM® "Very good" levels or higher.

[14] GRESB (Global Real Estate Sustainability Benchmark), a leading international ranking, annually assesses the CSR performance of real estate companies around the world. In 2018 it assessed 874 companies and funds, 37 of which were listed retail companies.

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

1.2 Business

1.2.1 Residential

The market and outlook in 2018

In 2018, the residential market in France amounted to 155,000[16]; it registered a slight dip compared with the record 165,000 units placed in 2017.

Metropolisation, the end of urban sprawl and the refocusing of the Pinel mechanism on high-demand areas particularly affected the units located in zones B2 and C, in which the Group is almost absent.

The Home Buyers market is still buoyant with structural housing needs in France. Demand fundamentals are still good and the historically low interest rates, whose rise seems to be a receding prospect, continues to stimulate sales to private individuals.

From a legislative point of view, the adoption of the ELAN law on the development of the housing, development and digital sectors in November 2018 should help increase and improve the residential offer. Several measures in particular are very encouraging: the creation of new development tools ("grande opération d'urbanisme (GOU)": great urban planning operations, "projet partenarial d'aménagement (PPA)": planning partnership project), the simplification of construction rules with "ready-to-finish" (evolving housing, off-plan, transformation of offices into residential) or the facilitation of procedures (fighting abusive appeals and framework for decision times). The law also includes measures relating to the organisation of the social housing sector, the treatment of deteriorated co-owned properties and letting (particularly the mobility lease, the framework for tourism lets, the observatory and framework for rents).

A winning strategy

With a market share of 7.6% at the end of 2018 (11,782 units reserved for €2.9 billion value) and growth which continues compared with 2017 (+5% in volume and +11% in value), the Group confirmed its position amongst the top 3 residential developers in France.

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

Customers are at the core of the process

The Group is uniquely attuned to its customers' expectations. To develop appropriate and suitable products, the Group has focused its efforts on three main areas.

Comprehensive customer support

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

• customisation of the offer: four collections featuring turnkey packs ("ready to live", "ready to rent", "connected", "security"), in addition to a catalogue of 200 technical and decorative options. Customers can personally select their own options at Cogedim Stores, where they can wander through show apartments, browse the choice of materials and enjoy an immersive digital experience. After an initial store opened in Bercy Village in 2016, then in Toulouse in 2017, the Group opened 3 stores in Bordeaux, Lyon and Marseille in 2018;

• the launch in 2017 of "mon-cogedim.com", a platform allowing buyers to receive personalised support throughout their home-buying experience, with a single customer relationship manager and dedicated follow-up to ensure that they receive a first-class service;

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

These actions undertaken by the Group for the satisfaction of its customers have been rewarded: for instance, Cogedim became the first property developer to win the "Customer Service of the Year" award for the level of service and quality of its customer relations in 2018, a distinction repeated in 2019. The Group is still the number 1 French developer in the "Top 10 for customer hospitality" produced by Les Echos / HCG and has risen 2 places (to 6th place) amongst national companies.

A commitment to quality

For 3 years, 100% of Group operations have been NF Habitat certified, a veritable mark of quality and performance, guaranteeing users improved comfort and energy savings. The Group is looking to combine this quality certification with an architectural and landscape requirement, with 50% of NF Habitat certified projects also having an environmental certification.

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

Programmes rooted in their city

The Group strives to develop projects that fit seamlessly into their environment and match the end-needs of customers as closely as possible: close to shops, public transport and schools. 99% of surface areas under development are located less than 500 metres from public transport.

An efficient geographical strategy

The residential market in France is extremely fragmented, both in terms of actors and local situations. For example, while areas classified as B2 and C are experiencing a slowdown accentuated by the geographical reorientation of the Pinel tax scheme, greater cities are continuing to benefit from metropolisation and a growing demand for residential.

Against this backdrop, the Group is implementing a geographical development strategy with a view to holding

[16] Based on 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).

strong positions in the most dynamic gateway cities,[17] targeting high-demand areas where the need for residential units is the highest. The renewal of the Pinel law for 4 years (2018 to the end of 2021) and its focus on these high-demand areas has provided a boost for the regional strategy of the Group, whose pipeline (offer and land portfolio) is exclusively located in the eligible zones[18].

A multi-brand and multi-product strategy

The Group operates all over France, offering products meeting all residential pathways, as well as expectations of local authorities (secured prices, social housing etc.).

It operates through its national brand Cogedim, aided in the main French gateway cities by Pitch Promotion and complemented in terms of products by Cogedim Club (residences for senior citizens) and Histoire & Patrimoine[19] (Historical Monuments).

At the start of January 2019, the Group also finalised the acquisition of 85% of the developer Severini[20], strengthening its presence in Nouvelle Aquitaine.

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

• high-end[21]: products defined by demanding requirements in terms of location, architecture and quality. In 2018, these represented 19% of the Group's new orders (in units);

• entry level/mid-range[22]: these programmes, which accounted for 72% of the Group's new orders, are specifically designed to address:

- the need for affordable housing both for first-time buyers (controlled prices) and private investment (Pinel tax scheme), and

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

• Serviced Residences (6%): the Group develops a wide range of student residences, business tourism residences and exclusive residences. Under the Cogedim Club® brand, it also designs serviced residences for active senior citizens, combining locations in the heart of the city with a broad range of bespoke services. In 2018, the Group opened a Cogedim Club® residence in Arras (62) and Enghien (95), bringing the number of residences in operation to 12, and began work on two construction projects in Salon de Provence (13) and Marseille (13);

At the end of the year, Cogedim Club® "Terre de Seine", located in Greater Paris, became one of the first residences for senior citizens with the VISEHA[23] label in France. The Benodet programme "Le Domaine du Phare" for its part received the trophy for best "value for money" amongst Serviced Residences, in the MDRS (retirement homes selection) rankings for 2018-2019.

• renovation of historical sites (3%): under the Histoire & Patrimoine brand, the Group has a range of products for Historical Monuments, Malraux Law properties and Real Estate Tax schemes. The residence "les Jardins d'Artois à Arras" (62) received the Grand Prix SIMI 2018 in the category "Serviced Properties" a project managed by Cogedim Club® and Histoire & Patrimoine;

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

New orders[24]: 11,782 units (+5%) for €2.9 billion (+11%)

New orders (€ millions)	2018		2017		Change
Individuals - Residential	897		764		+17%
Individuals - Investment	1,032		1,016		+2%
Block sales	988		857		+15%
Total in value (incl. tax)	**2,917**		**2,636**		**+11%**
o/w equity-method (Group share)	*259*		*277*		*(6)%*
Individuals - Residential	2,755	unit	2,338	unit	+18%
Individuals - Investment	4,227	unit	4,354	unit	(3)%
Block sales	4,800	unit	4,497	unit	+7%
Total in units	**11,782**	**unit**	**11,189**	**unit**	**+5%**

The Group's strategy is clearly orientated towards the development of products designed for first-time buyers. This takes the form of a very strong progression of new orders from first-time buyers in terms of number of units and value, of +18% and +17% respectively.

Block sales to institutional investors (+7%), notably social landlords, also registered a strong increase.

Reservations by product range

Number of units	2018	%	2017	%	Change
Entry-level / mid-range	8,497	72%	8,703	78%	(2)%
High-end	2,181	19%	1,680	15%	+30%
Serviced Residences	723	6%	537	5%	+35%
Renovation/Rehabilitation	381	3%	269	2%	+42%
Total	**11,782**		**11,189**		**+5%**

[17] Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Grand Lyon Toulouse Métropole, Grenoble-Annecy, Nantes Métropole, Bordeaux Métropole, Métropole européenne de Lille, Eurométropole de Strasbourg, Montpellier Méditerranée Métropole, Rennes Métropole.
[18] The "high-demand areas" correspond to areas A bis, A and B1. At 31 December 2018, only 60 units (i.e. 0.1% of the Residential pipeline) are located in zone B2.
[19] On 17 July 2018, the Group acquired the remaining capital of Histoire & Patrimoine, having already acquired 55% of its capital in June 2014.
[20] Created in 1984, Severini has 35 employees and generated revenue of €55 million in its financial year ended 31 March 2018.
[21] Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions.
[22] Programmes under €5,000 per m² in the Paris Region and under €3,600 per m² in other regions, as well as exclusive programmes.
[23] At the initiative of two professional organisations (SNRA and SYNERPA) and with the participation of Afnor Certification, "VISEHA, Vie Seniors & Habitat" is the first quality label for serviced residences for senior citizens. It is based on 13 criteria, relating to both the property and the services, plus a set of pre-requisites relating to the financial health and reliability of the operator in order to ensure the long-term future of the home.
[24] Reservations net of withdrawals, in euros including tax when expressed in value. New orders at 100%, with the exception of projects under joint control (Group share of placements). Histoire & Patrimoine up to the share of the Group's holding (55%) in the 1st half and at 100% au 2nd half of 2018.

Notarised sales

€ millions incl. tax	2018	%	2017	%	Change
Entry-level / mid-range	1,718	*71%*	1,613	*61%*	*+7%*
High-end	526	*22%*	855	*32%*	*-38%*
Serviced Residences	96	*4%*	104	*4%*	*-8%*
Renovation/Rehabilitation	84	*3%*	90	*3%*	*-6%*
Total	**2,425**		**2,663**		**(9)%**

Revenue by % of completion: +30%

€millions excl. tax	2018 (a)	%	2017 (b)	%	Change
Entry-level / mid-range	1,277	*69%*	900	*63%*	
High-end	455	*25%*	441	*31%*	
Serviced Residences	78	*4%*	78	*5%*	
Renovation/Rehabilitation	33	*2%*	–	*0%*	
Total	**1,844**		**1,419**		**+30%**

(a) Recognised according to the percentage of completion method in accordance with IFRS 15 (by including land in the measurement of technical progress).

(b) Recognised according to the percentage of completion method in accordance with IAS 18 (excluding land).

Outlook

Supply[25]

Supply	2018	2017	Change
€ millions (incl. tax)	5,094	4,016	*+27%*
Number of units	20,237	17,889	*+13%*

Commercial launches

Launches	2018	2017	Change
Number of units	12,255	12,841	*(5)%*
Number of transactions	202	177	*+14%*
Revenue incl. tax (€m)	**3,179**	**2,901**	**+10%**

Residential backlog[26]

€millions excl. tax	2018	2017	Change
Notarised revenues not recognised on a % of completion basis	1,388	1,956	
Revenues reserved but not notarised	1,781	1,317	
Backlog	**3,169**	**3,273**	**(3)%**
o/w equity-method (Group share)	*270*	*281*	*(4)%*
Number of months	*25*	*28*	

The adoption of IFRS 15 has led to a reduction in the residential backlog of about €630 million, the margin on which was taken to equity at the opening of the financial year for +€51.0 million (of which €45.7 million Group share).

Despite the negative impact of IFRS 15, the Residential backlog remains at a very high level giving very strong visibility over the next few financial years.

Project under construction

254 projects were under construction at 31 December 2018, compared with 210 at the end of 2017.

Properties for sale[27] and future offering[28]: 47 months

In €m incl. tax of potential revenue	2018	No. of month	2017	Change
Properties for sale	2,103	*9*	*1,581*	*+33%*
Future offering	9,192	*38*	*7,624*	*+21%*
Pipeline	**11,295**	**47**	**9,205**	**+23%**
In no. of units	*44,835*		*38,985*	*+15%*
In m²	*2,510,800*		*2,183,100*	*+15%*

The Residential pipeline represents almost 4 years of business with over 44,800 units, almost exclusively located in high-demand areas eligible for the Pinel scheme.

Risk management

At 31 December 2018 the Group's properties for sale amounted to €2.1 billion incl. tax (or 9 months of activity), with the following breakdown according to the stage of completion of the programmes:

In €m

	Project not yet started	Project under construction	In stock	Total
Amounts committed excl. tax	**196**	**632**	**22**	**851**
Of which already paid (a)	*196*	*256*	*22*	*474*
Properties for sale incl.	**990**	**1,014**	**37**	**2,041**
In %	*48%*	*50%*	*2%*	*100%*
o/w to be delivered	*in 2019*	*131*		
	in 2020	*573*		
	≥ 2021	*310*		
Histoire & Patrimoine				57
Measurement products				5
Group properties for sale (b)				**2 103**

(a) Total amount already spent on operations in question, excl. tax.
(b) As revenue, including tax.

Management of real estate commitments

48% of properties for sale (i.e. €990 million) relates to programmes whose construction has not yet been launched and for which the amounts committed correspond essentially to studies, advertising, and loss of use indemnities (or guarantees) paid within the framework of promises on land, and cost of land where applicable.

50% of the offering is currently under construction, including a limited share (€131 million or 6% of total properties for sale) representing units to be delivered by the end of 2019.

The stock amount of finished products is insignificant (2%).

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

[25] Sale agreements for land signed and valued as potential residential orders (incl. taxes).
[26] The Residential backlog consists of revenues (excluding tax) from notarised sales, to be recognised on a percentage-of-completion basis, and individual and block new orders to be notarised (retail and institutional investors). It also includes projects on which the Group exercises joint control (consolidated by the equity method). The corresponding revenue is therefore not included in the consolidated revenue of the Group's Residential business line.
[27] Units available for sale (incl. taxes value, or number count).
[28] Future offering consisting of secured projects (through an option on the land, mostly in unilateral form) whose launch has not yet occurred (value including taxes of potential revenue when expressed in euros).

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

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

• strong pre-commercialisation required when acquiring land;

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

1.2.2 Business property

A rapidly changing segment

Business Property must adapt to new uses and employees' expectations in the area of quality of life in the work place (collaborative work, attractive areas inspired by residential codes).

In order to guarantee the value of its project over time, the Group has decided to prioritise central locations which are hyperconnected and open towards the city. Its projects also include the office component of mixed-use programmes (which also include retail and residential units), thus meeting the expectations of local authorities.

An investor developer model

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

• as a developer[29] in off-plan sales, off-plan leases and property development contracts, with a particularly strong position on the turnkey users market, or as a service provider under delegated project management contracts; and

• as a medium-term developer-investor through AltaFund[30] as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redeveloped.[31]

The Group is systematically the developer of projects in which it acts as co-investor and manager[32].

Altareit can operate throughout the value chain, with a diversified revenue model: PDC margins, rent, capital gains, fees, etc.

With the creation of the logistics investment fund at the end of 2017, Altareit (through Pitch Promotion) replicated its investor-developer model to a new line of Business property products: logistics platforms.

An attractive market

Whilst there are tensions on supply and demand of offices in the Greater Paris (about 75% of the national market), the French office property market remains very attractive for investors.

In the Greater Paris[33], investments in 2018 amounted to €23.1 billion (+19%), €10.1 billion of which in the fourth quarter, and the average price rose by +1% to 6,510 €/m².

Demand placed was 2.5 million m², a level still well above the decade average of 2.3 million m², despite a fall of 5% over a year. Immediate supply fell below 3 million m², the 4th consecutive year it has fallen (-10% in 2018). In this context of scarcity of quality supply in the most sought-after business districts (Paris CBD and Western Crescent), headline rents continue to progress (+3% over a year for new or redeveloped buildings and +8% for old buildings).

In the other gateway cities, demand for buildings with a prime location and higher quality (comfort, environmental standards, connectivity) is also growing rapidly. It is expected to generate redevelopment projects in greater cities.

Solid new orders

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

• PDA contracts and VEFA/BEFA off-plan contracts signed in the Property development activity, at contract price including tax[34];

• sale of assets in the Investment business, at sale price including tax[35].

€ millions incl. tax	2018	2017
Signing of property development or off-plan sales contracts	418	1,073
Asset sales (Group share)	111	-
Total	**529**	**1,073**
o/w equity-method (Group share)	*232*	*75*

In 2018, the Group recorded a solid level of new orders, €529 million including taxes:

• €418 million relating to the signing of property development contracts (off-plan and PDA), including the Bassins à Flot project in Bordeaux or the future Danone head office in Rueil-Malmaison. Remember, the record level of new orders in 2017 was mainly linked to the PDAs signed for four large projects (Bridge - the future Orange global head office, Richelieu in Paris CBD, and the Eria and Landscape towers in La Défense);

• in 2018, the Group sold two iconic office building projects for a 100% net selling price of €975 million (i.e. €111 million group share, after taking into account property development agreements previously signed with the Group on these assets). These operations involved Kosmo, the future head office of Parfums Christian Dior located in Neuilly-sur-Seine acquired by Sogecap (Société Générale Insurance) in June and delivered in early 2019 and Richelieu, the future head office of Altarea Cogedim located in Paris, rue Richelieu, sold off-plan to CNP Assurances (AltaFund's share).

[29] This development activity does not present any commercial risk: Altareit carries only a measured amount of technical risk.
[30] AltaFund is a discretionary investment fund, created in 2011, of which Altareit is one of the contributors alongside leading institutional investors.
[31] Resold rented or not.
[32] Through marketing, sale, asset and fund management contracts.

[33] Source: Immostat (economic interest group [GIE] made up of BNP Paribas Real Estate, CBRE, JLL and Cushman & Wakefield) - January 2019.
[34] New orders at 100%, with the exception of projects under joint control (equity-accounted) for which new orders are shown in Group share.
[35] New orders in Group share, net of the amount of the PDA when the assets sold were covered by a PDA signed with the Group, so that the same amount is not counted twice for the same asset.

Pipeline: 60 projects under way

At 31 December 2018, the project portfolio included 60 operations, tree of which are part of the medium term investment strategy. The potential value at 100% of these projects under construction or secured is €3.6 billion.

At 31/12/2018	No.	Surface area (m²) at 100%	Potential value (€m)
Investments [a]	3	111,660	1,085
Property developer (property development or off-plan sales contracts) [b]	55	1,158,360	2,457
Offices - Paris Region	*10*	*229,410*	*1,087*
Offices - Regions	*34*	*348,100*	*967*
Logistic Share	*11*	*580,850*	*403*
Delegated project management [c]	2	13,950	56
Total	**60**	**1,284,000**	**3,600**

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

(c) Potential value: capitalised fees for delegated projects.

Commitments at 31 December 2018

In €m, Group share	Investment	Property development	Total
Already paid out	72	24	96
To be paid out	86	–	86
Total commitments	**158**	**24**	**182**

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

For development-investment transactions, commitments correspond to the obligations of equity contributions in operations.

At 31 December 2018, total commitments amounted €118 million in Group share.

1.2.2.1 DEVELOPMENT-INVESTMENT

Tree investment projects under way

The Group is developing tree medium-term investment projects, held jointly with leading institutional investors. These projects cover the development or restructuring of office buildings in exceptional locations, offering high potential once delivered.

The cost price of these transactions is €850 million at 100% (€185 million in Group share) for a potential value of close to €1.1 billion (estimated sales price), i.e. an expected gain in excess of €45 million in Group share.

Delivery of these transactions will be staggered from 2020 to 2022.

Group investment projects at 31 December 2018

Project	Group share	Surface area (m²)	Estimated rental income (€m) [a]	Cost price (€m) [b]	Potential value at 100% (€m excl. tax) [c]	Progress [d]
Landscape (La Défense)	15%	67,400				Under construction
Tour Eria (La Défense)	30%	25,000				Under construction
Cocktail (La Défense)	30%	19,300				Secured
TOTAL at 100%	**22%** [e]	**111,700**	**55**	**850**	**1,085**	
o/w Group share			*11*	*185*	*230*	

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

1.2.2.2 PROPERTY DEVELOPMENT

Property Development portfolio

In Business property development, the Group operates under off-plan and property development contracts (PDC), for two types of projects:

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

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

PDC/off-plan sales/DPM	No.	Surface area (m²)	Revenue excl. tax (€m) (a)
Group investments	3	111,660	390
"100% external" projects	55	1,158,360	2,457
Offices - Paris Region	*10*	*229,410*	*1,087*
Offices - Regions	*34*	*348,100*	*967*
Logistic Share	*11*	*580,850*	*403*
Delegated project management	2	13,950	56
Portfolio 31/12/2018	**60**	**1,284,000**	**2,903**
o/w under construction	*30*	*426,200*	*1,743*
o/w secured projects	*30*	*857,800*	*1,160*

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

Supply

Altareit has incorporated 13 new Office operations (130,000 m²) and 2 new logistics operations (380,000 m²), including a 260,000 m² project located in Bollène.

Deliveries

Altareit has delivered 8 projects (115,000 m²), including:

• the "42 boulevard de Vaugirard" building (29,000 m²), entirely refurbished for Crédit Agricole Assurances;

• the 4* Hôtel Courtyard Paris-Gare de Lyon, redevelopment under delegated project management of an old 12,400 m² office building for Axa and Marriott;

• the iconic mixed-use building at 52 Champs-Elysées (delegated project management) which will house Galeries Lafayette in the Spring of 2019.

The Kosmo building was delivered in early January 2019.

Projects started

Altareit has launched 8 projects (96,000 m²), including:

• the Convergence building in Rueil-Malmaison (25,300 m²), for which an off-plan lease was signed with Danone for its largest global head office and for which the construction work was launched at the end of the year; and

• the "4 Caps" in the Bassins à Flot project in Bordeaux: almost 40,000 m² of offices, retail and hotel accommodation.

Backlog[36] (off-plan, property development contracts and delegated project management)

In €m	2018	2017	*Change*
Off-plan, PDC	855	906	
o/w equity-method (Group share)	*84*	*8*	
Fees (DPM)	7	3	
Total	**862**	**908**	***(5)%***

Despite the negative impact of IFRS 15, the business property backlog remains at a very high level giving very strong visibility over the next few financial years.

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

Development portfolio at 31 December 2018

	Type	Surface area (m²)	Revenue excl tax (€m) [(a)]	Progress [(b)]
Group investment projects (3 developments)		**111,660**	**390**	
Bassins à Flot (Bordeaux)	Off-plan sales	37,800		Under construction
Richelieu (Paris)	Off-plan sales	31,800		Under construction
Convergence (Rueil Malmaison)	Off-plan sales	25,300		Under construction
Bridge (Issy-les-Moulineaux)	PDA	56,800		Under construction/leased
Orange (Lyon)	PDA	25,900		Under construction
Autres projets Bureau (13 transactions)	PDA/Off-plan sales	103,900		Under construction
Belvédère (Bordeaux)	Off-plan sales	50,000		Secured
Issy Cœur de Ville - Hugo (Issy-les-Moulineaux)	PDA	25,750		Secured
Issy Cœur de Ville - Leclerc & Vernet (Issy-les-Moulineaux)	PDA	15,150		Secured
Autres projets Bureau (23 transactions)	PDA/Off-plan sales	205,100		Secured
Projets Logistique en cours (5 transactions)	PDA/Off-plan sales	27,000		Under construction
Projets Logistique maîtrisés (6 transactions)	PDA/Off-plan sales	553,850		Secured
"100% external" projects (55 transactions)		**1,158,360**	**2,457**	
Total off-plan, property development contracts portfolio (58 projects)		**1,270,020**	**2,847**	
Delegated project management portfolio (2 projects)		**13,950**	**56**	
Total development portfolio (60 projects)		**1,284,000**	**2,903**	

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

1.3 Consolidated results

1.3.1 Strong growth in revenue (up by 27.4%) and recurring operating income (FFO) (up by 16.5%)

Altareit revenue at 31 December 2018 amounted to €2.2 billion, up by 27.4%. The recurring operating income (FFO) increased to €178.4 million (up by 16.5%).

Net income, Group share, amounted to €272.8 million (or €156.01 per share), 3.4 times higher than in 2017.

In €m	Residential	Business property	Diversification	Other (Corporate)	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**1,842.2**	**345.2**	**3.1**	**–**	**2,196.6**	**–**	**2,196.6**
Change vs 31/12/2017	*+30.1%*	*+14.8%*	*na*	*na*	*+27.4%*		*+27.4%*
Net property income	176.1	18.2	0.8	–	195.1	–	195.1
External services	4.1	27.5	–	–	31.7	–	31.7
Net revenue	**180.2**	**45.7**	**0.8**	**–**	**226.7**	**–**	**226.7**
Change vs 31/12/2017	*+36.8%*	*+14.0%*			*+31.6%*		
Production held in inventory	135.3	20.0	–	–	155.3	–	155.3
Operating expenses	(200.9)	(47.1)	1.5	(2.2)	(248.8)	–	(248.8)
Net overhead expenses	**(65.5)**	**(27.1)**	**1.5**	**(2.2)**	**(93.4)**	**–**	**(93.4)**
Share of equity-method affiliates	12.8	27.2	5.0		45.1	13.5	58.5
Calculated expenses and Residential transaction costs					–	(17.8)	(17.8)
Calculated expenses and Business Property transaction costs					–	(3.8)	(3.8)
Calculated expenses and Diversification transaction costs					–	174.8	174.8
Operating income	**127.5**	**45.8**	**7.3**	**(2.2)**	**178.4**	**166.6**	**345.0**
Change vs 31/12/2017	*+9.7%*	*+64.5%*	*(19.1)%*	*na*	*+16.5%*		*X2.7*
Net borrowing costs	(6.1)	(4.3)	(0.2)	–	(10.5)	(1.9)	(12.4)
Gains/losses in the value of financial instruments	–	–	–	–	–	(0.0)	(0.0)
Proceeds from the disposal of investments	–	–	–	–	–	(0.4)	(0.4)
Others	0.0	–	–	–	0.0	(0.2)	(0.2)
Corporate Income Tax	(4.0)	(2.0)	(1.8)	–	(7.8)	(37.4)	(45.2)
Net income	**117.4**	**41.0**	**5.4**	**(2.2)**	**160.1**	**126.7**	**286.8**
Non-controlling interests	(14.2)	0.1	0.0	–	(14.1)	0.0	(14.1)
Net income, Group share	**103.2**	**39.7**	**5.4**	**(2.2)**	**146.0**	**126.7**	**272.8**
Change vs 31/12/2017	*+6.8%*	*+63.4%*	*(39.7)%*	*na*	*+12.5%*		*x3.4*
Diluted average number of shares					*1,748,473*		*1,748,473*
Net income, Group share per share					**83.52**		**156.01**
Change vs 31/12/2017					*+12.5%*		*x3.4*

FFO Residential: €103.2 million, + 6.8%

In €m	2018	2017	
Revenue by % of completion	1,810.8	1,419.0	+27.6%
Cost of sales and other expenses	(1,645.1)	(1,289.3)	
Net property income – excl H&P	**165.8**	**129.7**	+27.8%
% of revenue	*9.2%*	*9.1%*	
External services provided	0.7	2.0	
Production held in inventory	132.1	138.0	(4.3)%
Operating expenses	(190.7)	(174.8)	+9.1%
Contribution of EM associates	15.4	15.6	
Operating income – excl H&P	**123.3**	**110.6**	+11.5%
% of revenue	*6.8%*	*7.8%*	-1.0 pt
Net borrowing costs	(6.1)	(5.9)	
Others	0.0	0.2	
Corporate income tax	(1.9)	(5.2)	
Non-controlling interests	(14.2)	(8.7)	
FFO Residential – excl H&P	**101.2**	**91.0**	+11.2%
FFO Histoire & Patrimoine	**2.0**	**5.6**	
FFO Residential	**103.2**	**96.6**	+6.8%

Histoire & Patrimoine

In July 2018, the Group acquired the balance of the share capital of Histoire & Patrimoine (of which it previously held 55%), which has been fully consolidated since (previously accounted for using the equity-method).

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).

2018 is not representative of its normal performance due to the "blank tax year" effect related to the change to withholding tax.

FFO Business property: €39.7 million, + 63.4%

The revenue model of the Business Property division is particularly diversified:

• net property income: Proêrty development agreement (PDA) and off-plan sales;

• external services: delegated project management fees, asset management, leasing and performance (promote);

• contribution from equity-method associates: profits made on partnership projects (including AltaFund).

The volume of embedded value creation from the major projects sourced over the past few years is considerable (see Chapter "Business Property" in this report).

2018 is the first year that significantly records the accounting impact of these major operations.

In €m	2018	2017	
Revenue by % of completion	317.7	285.6	+11.2%
Cost of sales and other expenses	(299.5)	(260.5)	
Net property income	**18.2**	**25.1**	(27.6)%
% of revenue	*5.7%*	*8.8%*	
External services provided	27.5	15.0	
Production held in inventory	20.0	22.0	
Operating expenses	(47.1)	(38.9)	
Contribution of EM associates	27.2	4.7	
Operating income	**45.8**	**27.9**	+64.5%
% of (revenue + ext. serv. prov.)	*13.3%*	*9.3%*	
Net borrowing costs	(4.3)	(3.3)	
Corporate income tax	(2.0)	(0.4)	
Non-controlling interests	0.1	0.1	
FFO Business property	**39.7**	**24.3**	+63.4%

In 2018, the strong growth of FFO Business Property (+ 63%) was mainly due to the Kosmo transaction in Neuilly-sur-Seine and the ramp-up of regional development operations.

The 2018 income also includes the first part of performance fees related to AltaFund projects, in the amount of €17.2 million.

1.3.2 Impacts of the application of IFRS 15

Since 1st January 2018, Altareit records its revenue according to IFRS 15 (Revenue from Contracts with Customers). The application of this standard affects the percentage of technical completion used to recognise the revenue from property development programmes, the calculation of which now includes the cost of land, whereas it did not in the past. In effect, this means recognising revenue at a faster pace.

At 31 December 2018, the impact of this change was a positive €26.0 million on revenue and a positive €3.5 million on FFO Group share, which almost exclusively derived from Business property revenue.

As a reminder, the impact on opening equity was an increase of €51.0 million (of which €45.7 million in Group share). From a business viewpoint, this impact corresponds to €630 million in revenue, which is now deemed to have been recognised prior to 1 January 2018.

In terms of presentation of the financial statements, the Group has opted to apply the cumulative catch-up method: publication of the 2018 financial year according to the new method and 2017 accounts not restated (former method). A version of the 2018 statements under the former method is provided for the purposes of illustration, to enable the comparison with the 2017 accounts as published.

	31/12/2018			Impact of IFRS 15			31/12/2018 – previous method			31/12/2017		
In € millions	Funds from operations (FFO)	Changes in value, calculated expenses and transaction costs	TOTAL	Funds from operations (FFO)	Changes in value, calculated expenses and transaction costs	TOTAL	Funds from operations (FFO)	Changes in value, calculated expenses and transaction costs	TOTAL	Funds from operations (FFO)	Changes in value, calculated expenses and transaction costs	TOTAL
Revenue	1,844.1	–	1,844.1	(2.6)	–	(2.6)	1,846.7	–	1,846.7	1,419.0	–	1,419.0
Cost of sales and other expenses	(1,668.0)	–	(1,668.0)	2.9	–	2.9	(1,671.0)	–	(1,671.0)	(1,289.3)	(2.9)	(1,292.1)
Net property income	**176.1**	**–**	**176.1**	**0.3**	**–**	**0.3**	**175.7**	**–**	**175.7**	**129.7**	**(2.9)**	**126.9**
Net overhead expenses	**(61.4)**	**(12.0)**	**(73.4)**	**–**	**–**	**–**	**(61.4)**	**(12.0)**	**(73.4)**	**(34.8)**	**(9.9)**	**(44.7)**
Share of equity-method affiliates	**12.8**	**19.1**	**31.9**	**1.4**	**(0.5)**	**0.9**	**11.4**	**19.6**	**31.0**	**21.2**	**(0.2)**	**21.0**
Net allowances for depreciation and impairment	**–**	**(4.1)**	**(4.1)**	**–**	**–**	**–**	**–**	**(4.1)**	**(4.1)**	**–**	**(1.8)**	**(1.8)**
Transaction costs	**–**	**(1.7)**	**(1.7)**	**–**	**–**	**–**	**–**	**(1.7)**	**(1.7)**	**–**	**(0.6)**	**(0.6)**
NET RESIDENTIAL INCOME	**127.5**	**1.2**	**128.7**	**1.7**	**(0.5)**	**1.3**	**125.7**	**1.7**	**127.5**	**116.2**	**(15.5)**	**100.7**
Revenue	317.7	–	317.7	28.6	–	28.6	289.0	–	289.0	285.6	–	285.6
Cost of sales and other expenses	(299.5)	–	(299.5)	(28.0)	–	(28.0)	(271.5)	–	(271.5)	(260.5)	(2.7)	(263.2)
Net property income	**18.2**	**–**	**18.2**	**0.6**	**–**	**0.6**	**17.6**	**–**	**17.6**	**25.1**	**(2.7)**	**22.5**
Net overhead expenses	**0.4**	**(2.4)**	**(2.0)**	**–**	**–**	**–**	**0.4**	**(2.4)**	**(2.0)**	**(1.9)**	**(1.8)**	**(3.8)**
Share of equity-method affiliates	**27.2**	**(3.7)**	**23.5**	**2.9**	**(0.9)**	**2.0**	**24.3**	**(2.8)**	**21.5**	**4.7**	**2.2**	**6.9**
Net allowances for depreciation and impairment	**–**	**(1.4)**	**(1.4)**	**–**	**–**	**–**	**–**	**(1.4)**	**(1.4)**	**–**	**(0.4)**	**(0.4)**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
BUSINESS PROPERTY INCOME	**45.8**	**(7.5)**	**38.3**	**3.5**	**(0.9)**	**2.6**	**42.3**	**(6.6)**	**35.7**	**27.9**	**(2.6)**	**25.2**
NET DIVERSIFICATION INCOME	**7.3**	**172.9**	**180.3**	**–**	**–**	**–**	**7.3**	**172.9**	**180.3**	**9.1**	**(7.3)**	**1.7**
Other (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**	**153.1**	**(25.4)**	**127.7**
Net borrowing costs	**(10.5)**	**(1.9)**	**(12.4)**	**–**	**–**	**–**	**(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)**	**–**	**(0.2)**	**(0.2)**
Change in value and income from disposal of financial instruments	**–**	**(0.0)**	**(0.0)**	**–**	**–**	**–**	**–**	**(0.0)**	**(0.0)**	**–**	**(2.9)**	**(2.9)**
Net gain/(loss) on disposal of investments	**–**	**(0.4)**	**(0.4)**	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**	**–**	**0.1**	**0.1**
Dividend	**0.0**	**–**	**0.0**	**–**	**–**	**–**	**0.0**	**–**	**0.0**	**0.2**	**–**	**0.2**
PROFIT BEFORE TAX	**167.9**	**164.1**	**332.1**	**5.3**	**(1.4)**	**3.8**	**162.7**	**165.6**	**328.2**	**144.0**	**(29.4)**	**114.7**
Corporate income tax	**(7.8)**	**(37.4)**	**(45.2)**	**–**	**1.6**	**1.6**	**(7.8)**	**(39.0)**	**(46.8)**	**(5.6)**	**(21.5)**	**(27.1)**
NET INCOME	**160.1**	**126.7**	**286.8**	**5.3**	**0.2**	**5.4**	**154.9**	**126.5**	**281.4**	**138.4**	**(50.8)**	**87.6**
Non-controlling interests	**(14.1)**	**0.0**	**(14.1)**	**(1.7)**	**–**	**(1.7)**	**(12.4)**	**0.0**	**(12.3)**	**(8.6)**	**0.5**	**(8.1)**
NET INCOME. GROUP SHARE	**146.0**	**126.7**	**272.8**	**3.5**	**0.2**	**3.7**	**142.5**	**126.6**	**269.1**	**129.8**	**(50.3)**	**79.5**
Diluted average number of shares	*1,748,473*			*1,748,473*			*1,748,473*			*1,748,486*		
NET INCOME PER SHARE (€/SHARE). GROUP SHARE	**83.52**	**72.49**	**156.01**	**2.00**	**0.11**	**2.11**	**81.52**	**72.38**	**153.90**	**74.25**	**(28.80)**	**45.45**

1.4 Financial resources

First S&P Global credit rating: BBB

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

€350 million bond issue

Following this rating, Altareit announced 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.

Net bank and bond debt: €406 million[37]

En M€	31/12/2018	31/12/2017
Corporate debt	670	811
Property development and other debt	258	316
Gross bank debt	**928**	**1.127**
Cash and cash equivalents	(522)	(453)
Net bond and bank debt	**406**	**674**

The Group's net bond and bank debt amounted to €406 million at 31 December 2018, compared with €674 million at 31 December 2017. This decrease is mainly due to the sale of Semmaris at the end of July 2018.

Net Debt to EBITDA ratio

At 31 December 2018, the Net Debt to EBITDA ratio[38] was 2.28x compared with 4.40x in 2017 and 5.19x in 2016.

This improvement is linked to the strong return on capital employed and debt control.

ICR ratio[39]

At 31 December 2018, the ICR ratio was 16.9x compared with 16.5x in 2017 and 10.7x in 2016.

This improvement is driven by sustained growth in operating income combined with tight control over the net borrowing costs.

Covenants

Altareit's corporate debt is subject to Altarea Cogedim's consolidated covenants (LTV<60%, ICR>2). They are respected with significant room at 31 December 2018 (LTV at 34.9% and ICR at 9.2x).

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

	Covenant	31/12/2018	31/12/2017	Delta
LTV [(a)]	≤ 60%	34.9%	36.1%	- 1.2 pt
ICR [(b)]	≥ 2.0 x	9.2 x	9.3 x	- 0.1 x

(a) LTV (Loan to Value) = Net debt/Restated value of assets including transfer duties.

(b) ICR (Interest Coverage Ratio) = Operating income/Net borrowing costs (Funds from operations column).

Altareit's Gearing[40] was at 0.48x at 31 December 2018 (compared to 1.34x at 31 december 2017).

Equity

Thanks to the ramp-up of its results, Altareit's shareholders' equity stood at €843.3 million (+ 68%), making Altareit one of the most capitalized French property developers.

[37] €483 million including other borrowings.
[38] FFO Operating income over net bond and bank debt.

[39] ICR (Interest Coverage Ratio) = Operating income / Net borrowing costs
[40] Net bond and bank debt / consolidated shareholders' equity.

Consolidated P&L at 31 December 2018

	31/12/2018			31/12/2017		
€millions	Funds from operations (FFO)	Changes in value. estimated expenses and transaction costs	Total	Funds from operations (FFO)	Changes in value. estimated expenses and transaction costs	Total
Revenue	1,844.1	–	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	**–**	**–**	**–**	**–**	**–**	**–**
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)**
Gains / losses on disposals of assets	**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**
Other (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)**
Proceeds from the 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)**	**322.1**	**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**
Minority shares in continued operations	**(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. Group share (in €)	**83.52**	**72.49**	**156.01**	**74.25**	**(28.80)**	**45.45**

Balance sheet at 31 December 2018

€millions	31/12/2018	31/12/2017
NON-CURRENT ASSETS	**594.8**	**693.8**
Intangible assets	284.2	233.7
o/w goodwill	*178.6*	*139.6*
o/w Brands	*100.7*	*89.9*
o/w Other intangible assets	*4.7*	*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	242.5	338.0
Loans and receivables (non-current)	8.3	6.8
Deferred tax assets	4.0	61.3
CURRENT ASSETS	**2,446.5**	**2,260.0**
Net inventories and work in progress	973.0	1,275.4
Trade and other receivables	907.9	510.6
Income tax credit	11.2	8.2
Loans and receivables (current)	32.5	13.0
Derivative financial instruments	–	–
Cash and cash equivalents	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	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	628.7	569.6
o/w Private bond placements. non-current	*345.0*	–
o/w Borrowings from lending establishments	*282.9*	*569.2*
o/w Advances from Group and shareholders	*0.7*	*0.5*
Long-term provisions	16.4	14.6
Deposits and security interests received	1.2	1.0
Deferred tax liability	6.7	0.2
CURRENT LIABILITIES	**1,545.0**	**1,866.2**
Current borrowings and financial liabilities	375.8	609.4
o/w Private bond placements. current	*5.1*	–
o/w Borrowings from lending establishments (excluding overdrafts)	*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	0.0	0.0
Accounts payable and other operating liabilities	1,163.6	1,249.8
Tax due	5.5	7.0
TOTAL LIABILITIES	**3,041.3**	**2,953.8**